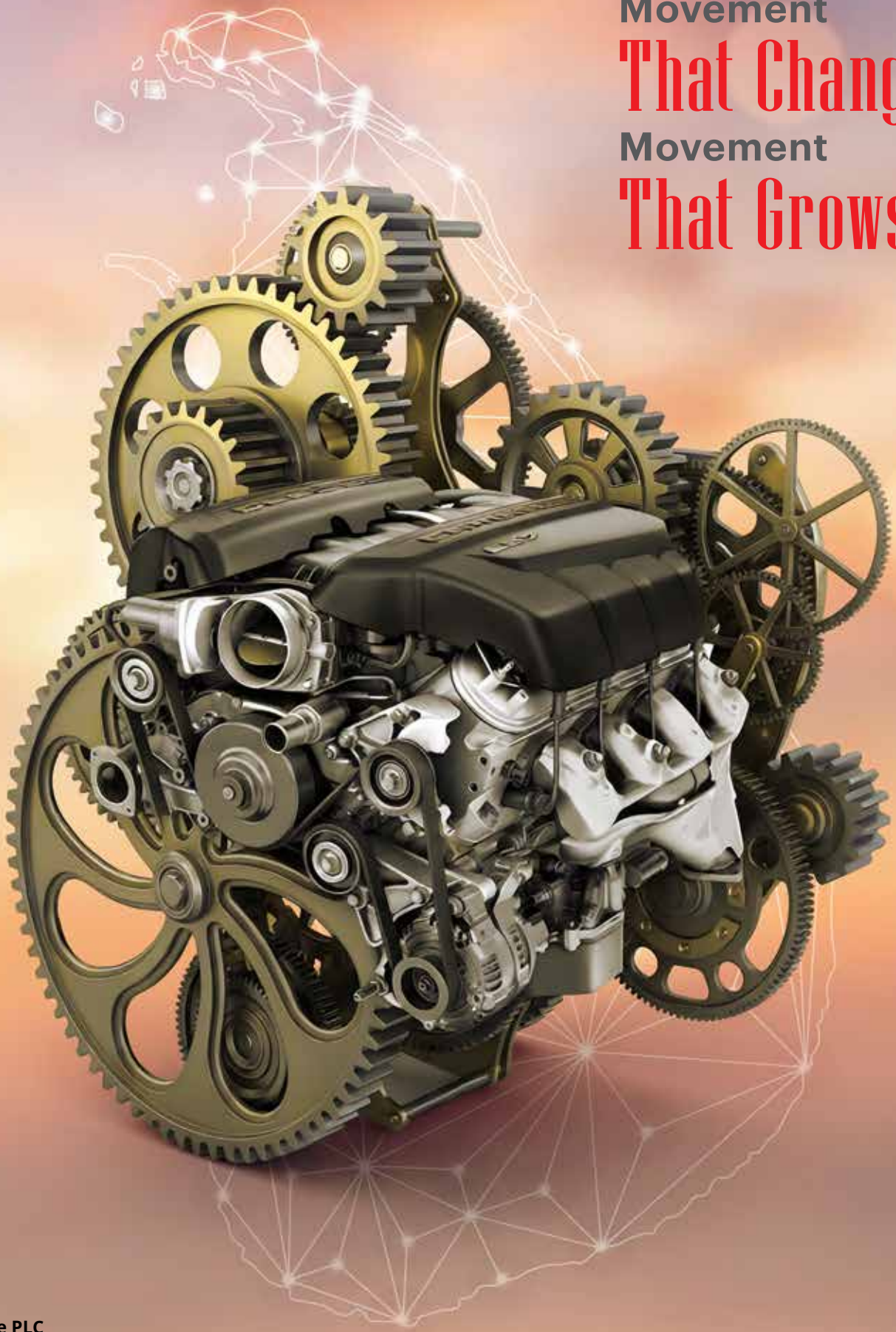
Movement That Changes Movement That Grows



LB Finance PLC
Integrated Annual Report 2025/26

LB FINANCE

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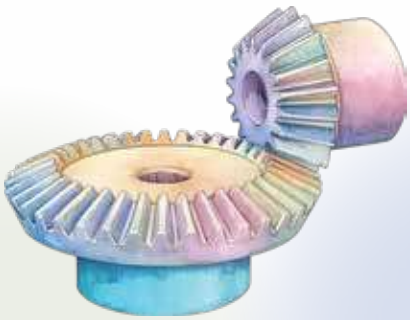
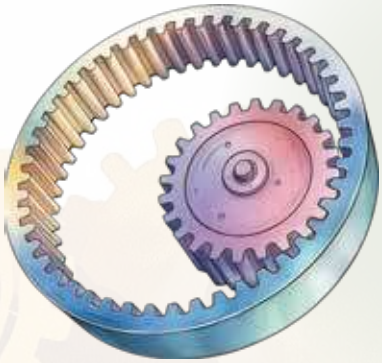


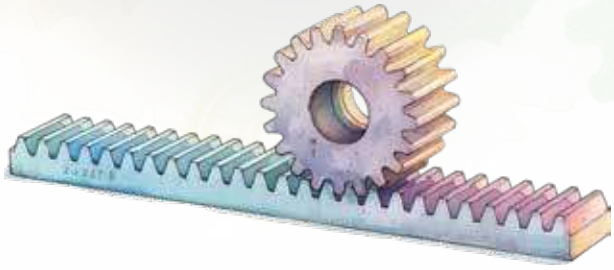




A system of gears demonstrates how movement is created through connection. Each type of gear, from spur and helical to planetary and worm, performs a distinct function, yet works in synchrony to transfer motion, adjust speed and maintain control. Together, they reflect how different parts of a system operate with precision and purpose and how individual movement drives collective progress. This system that has withstood the test of time and propelled humanity's technological advancement throughout the years, embodies how aligned effort, structured coordination and continuous motion come together to create change that sustains and grows.







Movement
That Changes
Movement
That Grows

At LB Finance PLC, every movement carries purpose. Much like a system of interlocking cogs, every part of our business works with the determination to ensure that even the smallest shift creates momentum that extends beyond itself, drives change, enables growth and contributes to the greater good.

Our strength lies in how we create value across this system of movement. By connecting capital with those who need it most, we transform financial resources into meaningful solutions, thus empowering individuals, businesses and communities to move forward. Each segment operates with clarity and focus, by supporting customers' needs while contributing to a larger cycle of growth where value is created, shared and sustained across all stakeholders.

This year, our approach remained grounded in stellar discipline and unshakeable responsibility. Through efficient use of capital, strong governance and a commitment to transparency, we guaranteed operational resilience while continuing to deliver pertinent financial solutions to digital access and inclusion, our portfolio of services are the cogs that generate compounding value across the board.

At LB Finance PLC, this is how we create value that extends beyond our business. When movement is guided with precision, it creates change; when that change is sustained, it drives growth. As each part turns with precision, our system moves as one – changing and growing the nation with every turn.

LB FINANCE

PLAY **1**

Scan this QR code to explore a visualised experience of our Annual Report theme

The System in Movement

REPORT NAVIGATION

Understanding the Mechanism

4 Annual Report User Guide
6 Our Digitally Transformative Features
8 Annual Report In 30 Minutes
9 Pioneering Sustainable Digital Experiences
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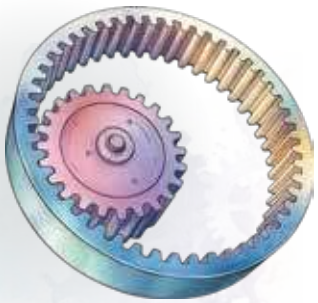

SECTION 01 - 04
INTEGRATED REPORT

SECTION 05
GOVERNANCE REPORT

SECTION 06
FINANCIAL REPORT

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SUPPLEMENTARY REPORT

CHAIRMAN'S STATEMENT

English PDF Version — DOC **3**

English Audio Version — PLAY **2**

MANAGING DIRECTOR'S STATEMENT

English PDF Version — DOC **6**

English Audio Version — PLAY **5**

EXPERIENCE THE REPORT

Annual Report Video — PLAY **8**

Annual Report Micro-site — WEB **1**

Annual Report User Guide

This report has been designed to enhance the reader's experience through intuitive navigation and ease of use. Integrated navigation features enable seamless movement across sections and topics, allowing readers to efficiently access related information and explore the report in a structured manner.

INFORMATION REVEAL ICONS

- Refers to online documents
- Refers to further information within this report
- Refers to scan and read content for more information
- Refers to video contents

NAVIGATION ICONS

- Back page
- Next page
- Home page
- Previous page
- Table of content
- Print

Capitals

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

Stakeholders

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

Materiality

- MT 1 Sustainable Business Growth
- MT 2 Digital Strategy and Innovation
- MT 3 Good Governance and Risk Optimisation
- MT 4 Supporting Social Cohesion
- MT 5 Serving and Meeting Customer Needs
- MT 6 Integrating ESG and Sustainability



Strategy

- [ST 1] Disciplined Growth
- [ST 2] Business Transformation
- [ST 3] Risk and Impact Management

Sustainability and Climate Risks

SRROs

- SRR 1 Employee Turnover
- SRR 2 Data Privacy and Information Security
- SRO 1 Low Financial Literacy of Customers

CRROs

- CRR 1 Rising Temperature Driven by GHG Emissions
- CRR 2 Impact of Extreme Weather Events
- CRR 3 Regulatory and Policy Changes
- CRO 1 Changing Customer Preferences

Value Creation | Value Preservation | Value Erosion

CHOOSING YOUR PATH

This interactive report features hyperlinks that provide easy access to the information you need, including additional details where we reference the LB website, microsite or other relevant sources of information.

We encourage you to navigate the report based on your specific information needs, including the areas highlighted below.



1

If you are new to LB Finance, we recommend starting with the chapter on 'Introducing LB Finance'.

Page 22

2

If you are interested in the fundamentals of this Report, including key financial and non-financial highlights, start with 'About this Integrated Report'.

Page 16 Page 36 Page 38

3

If you are familiar with LB Finance and are focused on this year's results, begin with the statements reflecting on 2025/26, which includes insights from the Chairman and the Managing Director. More specific performance details can be found in the Financial Information section.

Page 44 Page 48 Page 359

4

LB Finance's Business Review for 2025/26 highlights the Company's operational achievements, financial performance, market developments, and key business milestones during the year.

Page 228

5

Readers interested in understanding LB Finance's governance practices for 2025/26 may refer to the 'Corporate Governance' section which provides insights into the Company's corporate stewardship and governance framework.

Page 252

6

For a deeper look at how risks are identified, assessed, and managed across the organisation, begin with the 'Integrated Risk Management' report.

Page 331

7

LB Finance's stakeholder engagement practices for 2025/26 are presented under 'Integrated Stakeholder Engagement' section, demonstrating how continuous dialogue with stakeholders supports responsiveness, trust, and informed business decisions.

Page 67

8

Readers interested in understanding LB Finance's key material matters for 2025/26 may refer to 'Material Matters' section, which outlines the most significant economic, environmental, social, and governance factors influencing the Company's long-term resilience and stakeholder value.

Page 75

9

Those interested in understanding LB Finance's strategic priorities for 2025/26 may refer to the section under the theme 'Strategic Focus and Resource Allocation', which illustrates how the Company allocates resources and capabilities to support sustainable business performance.

Page 81

10

Readers interested in LB Finance's social and environmental impacts and initiatives can find our Integrated Social and Relationship Capital and Integrated Natural Capital, with more details in our 'Integrated Sustainability' section.

Page 87

Our Digitally Transformative Features

This Annual Report goes beyond traditional reporting by integrating a range of innovative digital experiences designed to enhance accessibility, engagement, and stakeholder understanding. Through interactive videos, QR-enabled learning, visual storytelling, and digital navigation tools, LB Finance continues to transform reporting into a more connected, intelligent, and user-centric experience.

INTRODUCED INNOVATIONS

Novelty has always been a catalyst for progress at LB Finance. This year, we proudly introduced a series of pioneering initiatives, several of which are among the first of their kind in Sri Lanka. Together, they reflect our commitment to transforming stakeholder engagement through greater transparency, accessibility, sustainability, and digital innovation.

Cover Story Video
Experience our theme through a visually immersive storytelling journey.

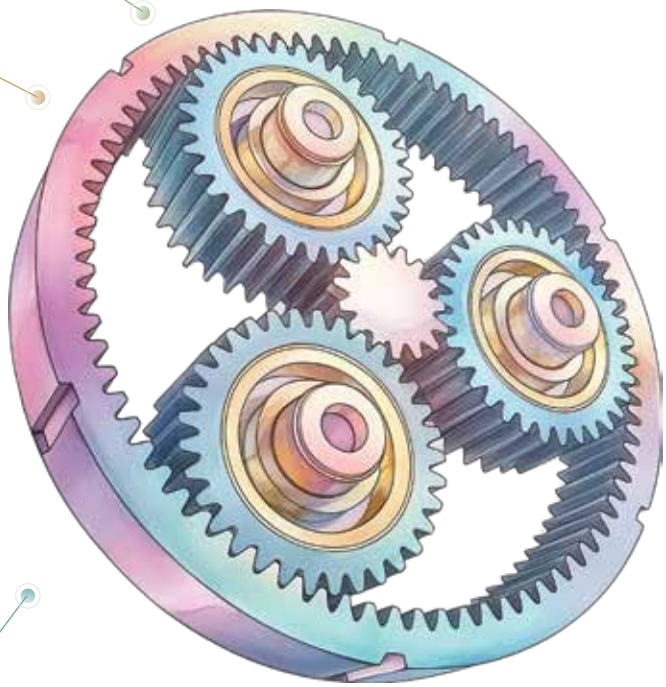
Scan and Learn
Access knowledge documents instantly and gain insights on key concepts.

Visual Elements for Models
Complex concepts brought to life through visual models and engaging video explanations.

Sustainability Heatmap
Explore the locations where our CSR and sustainability initiatives create meaningful impact.

Annual Report in 30 Minutes
A concise AI powered video that brings all core contents of the annual report to life, explained by our Senior Managers.

Clickable Video Reviews
Click to watch reviews from the Chairman, Managing Director, and CFO.



Voice of Committee Chairpersons
Listen to narrated messages from our Board Committee Chairpersons.

CFO Review
A dedicated financial perspective connecting performance, strategy, and long-term value creation.

Digital Table of Contents
Navigate all digital experiences and features in one central location.

Scan this QR code to experience our Annual Report Micro-site
WEB **1**

Scan this QR code to access our sustainability website
WEB **2**

CONTINUED INNOVATIONS

Building on the innovations introduced in previous years, we continued to enhance and expand several initiatives that have transformed stakeholder engagement, accessibility, and digital reporting. These ongoing innovations reflect our commitment to continuous improvement and delivering greater value through user-centric experiences.

Driving meaningful change through purposeful and people-centric solutions.

EQUALITY



Providing the same support to everyone.

EQUITY



Providing the right support to everyone.

REPORTING ECO SYSTEM

Study Focus	Cognitive Focus	Hearing Focus	Visionary Focus
USERS • Students (Schools/ Universities)	USERS • Illiterate	USERS • Hearing and talking impaired	USERS • Visually Impaired
INITIATIVES • Flow charts for ease of understanding • Application of fundamental theories • QR codes for easy downloads • Animated video clips	INITIATIVES • Simplified illustration • Icon usage • Infographics • Trilingual subtitles available	INITIATIVES • Visual presentations • Sign language for videos	INITIATIVES • Braille technology usage • Audio presentations • Colour separated infographics

CALCULATE YOUR FOOTPRINT

Small choices today, create a better tomorrow. Calculate your carbon footprint and be part of the change.



An innovative digital tool that empowers you to easily calculate your personal carbon footprint and take meaningful steps towards a greener tomorrow.

DOC **1**

Scan this QR to calculate your carbon footprint

Chairman's and Managing Director's Statements

Chairman's Statement
In Trilingual Format

Managing Director's Statement
In Trilingual Format

Annual Report in 30 Minutes

Listen. Learn. Engage.

In today's fast-paced world, stakeholders seek information that is concise, accessible, and engaging. To enhance stakeholder accessibility and digital engagement, LB Finance introduces "Annual Report in 30 Minutes".



EXPLORE THE AI POWERED PLAYLIST

CORPORATE OVERVIEW

01 Integrated Thinking

02 Strategic Direction of the Company

03 Strategic Position of LB Finance

04 Our Operating Environment

05 Capitalising the Future

06 Corporate Governance

CAPITAL MANAGEMENT SERIES

07 Financial Capital

08 Manufactured Capital

09 Intellectual Capital

10 Human Capital

11 Social and Relationship Capital

12 Natural Capital

RISK MANAGEMENT

13 Risk Management

Scan this QR code to experience our Annual Report video version

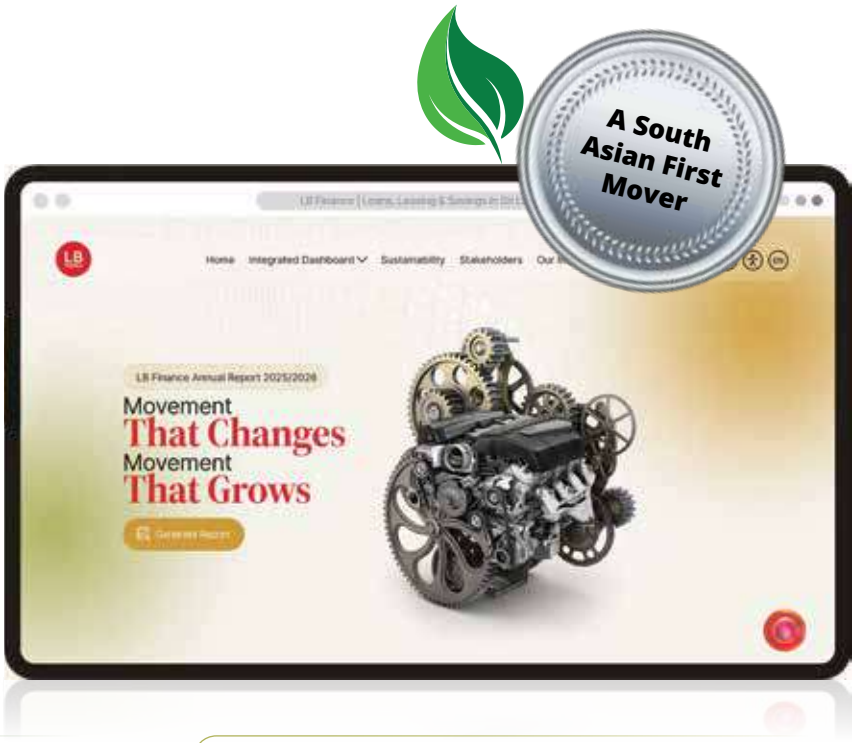
PLAY **8**

Listen to the Playlist | Watch on YouTube | 30 Minutes | Accessible Anywhere | Inclusive Reporting

Pioneering Sustainable Digital Experiences

We are proud to introduce our carbon-neutral Annual Report micro-site, where emissions generated across the entire project lifecycle have been measured and offset, setting a new benchmark for sustainable digital reporting in the South Asian region.

Our Annual Report micro-site redefines stakeholder engagement through an interactive, accessible, and sustainable digital experience. Combining dynamic visualisation, intelligent navigation, and AI-powered assistance, the microsite transforms traditional reporting into a more immersive, inclusive, and future-focused journey.



Dynamic Views
- Interactive charts and visual dashboards for enhanced data exploration
- Seamless navigation across key report sections
- Real-time visualisation of financial performance

Accessibility
- User-centric design for an intuitive reporting experience
- Optimised for seamless access across devices and platforms
- Enhanced readability, navigation, and content discoverability

Sustainability
- Carbon-neutral development through lifecycle emission measurement and offsetting
- Alignment with internationally recognised sustainability standards and frameworks
- Heatmap illustrating the geographic reach of our social responsibility initiatives across the country

Interactive Experience
- Engaging storytelling beyond traditional static reporting
- Dynamic animations and immersive digital experiences
- An innovative way to explore strategy, performance, and value creation

Localisation
- Trilingual reporting experience tailored to diverse stakeholder needs
- Enhanced accessibility across regions and demographics
- Designed to support broader stakeholder engagement and inclusivity

AI Assistance
- Instant access to information through an AI-powered assistant
- Intelligent navigation of report content and disclosures
- Direct stakeholder support through integrated digital channels including WhatsApp

Scan this QR code to experience our Annual Report Micro-site

WEB **1**

VERIFIED BY CONTROL UNION

CARBON NEUTRAL WEBSITE

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ESG Leadership that Earned a 'Triple A' Rating

LB Finance proudly became the first financial institution in Sri Lanka to obtain an independent ESG Rating, reinforcing our commitment to responsible business practices, transparency, and sustainable value creation.

DOC 9

Scan this QR to read the full ESG Gap Analysis Report

IdealRatings®

ESG LEADERSHIP THAT EARNED TRIPLE A

ESG SCORE

271

(Out of 300)

LB FINANCE ACHIEVES

AAA ESG RATING

Proud to be among the first financial institutions in Sri Lanka to obtain an independent ESG Rating.

AAA

85% ENVIRONMENTAL

92% SOCIAL

94% GOVERNANCE

International Sustainability Standards Board (ISSB)

ISSB ALIGNMENT BASED ON PUBLIC AND INTERNAL DATA

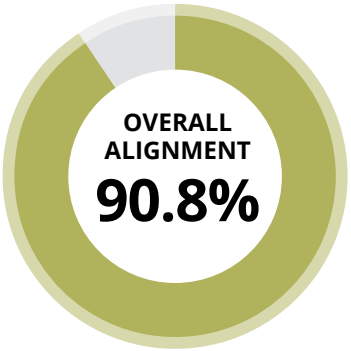
Level of Disclosure

S1: General Sustainability-Related Disclosures

Governance	100%
Strategy	100%
Risk Management	100%
Matrix and Targets	94.6%

S2: Climate-Related Disclosure

Governance	100%
Strategy	80%
Risk Management	100%
Matrix and Targets	77%



International Norms

UNITED NATIONS GLOBAL COMPACT

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Ensure non-complicity in human rights abuses
- Principle 3: Uphold freedom of association and recognise the right to collective bargaining
- Principle 4: Eliminate all forms of forced and compulsory labor
- Principle 5: Abolish child labor
- Principle 6: Eliminate discrimination in employment and occupation
- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies
- Principle 10: Work against corruption in all its forms, including extortion and bribery

Sustainable Development Goals



VERIFIED BY IDEALRATINGS

100% Aligned

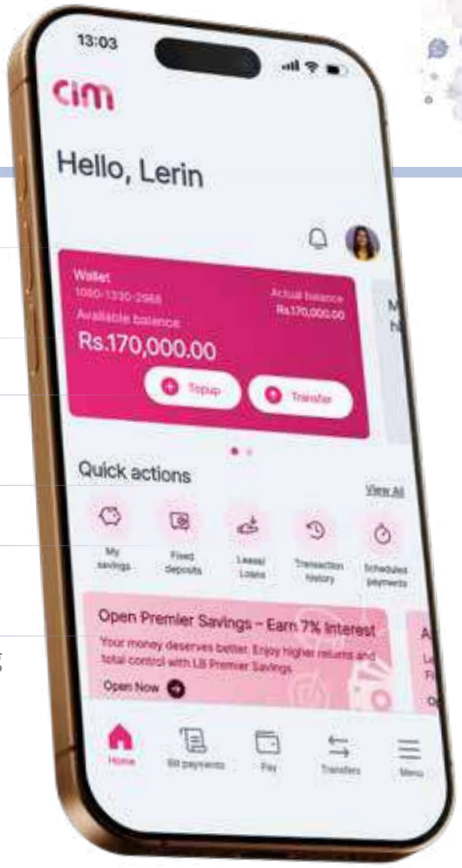
LB CIM - Key Highlights

A YEAR OF ACCELERATED GROWTH, INNOVATION AND IMPACT

LB CIM continues to redefine digital finance, empowering lives and transforming everyday transactions.

Secure. Simple. Seamless.





Performance Highlights

Rs. 300 Bn
Total transaction volume exceeded

6 Mn+
Transactions for the year

55%
Growth in transaction count, reflecting accelerated platform adoption

173%
Increase in transaction volume, underscoring rapid usage growth

Facilitated significant financial activity

Gold Loan top-ups grew by **167%**

Fund transfers grew by **180%**

Just Pay top-ups grew by **17%**

Customer Growth and Engagement

Facilitated **780,000+** bill payments valued at over **Rs. 550 Mn**

Executed **1,900+** personal loan contract, a growth of **111%**

Onboarded **129,000+** new users

Reached a cumulative milestone of **800,000+** app downloads across app distribution platforms

LankaPay Technovation Awards 2026



- Most Popular Digital Payment Solution - Gold Award
- Best Institution for Excellence in Customer Convenience - Gold Award
- Best Institution for Financial Inclusivity - Gold Award
- Overall Excellence in Digital Payments - Gold Award

Innovation and Milestones

Strategic Partnership
Partnership with China UnionPay

NFC Virtual Debit Card
Launched a Virtual Debit Card, becoming the first Sri Lankan NBFI

Tap-to-Pay
Enabled Tap-to-Pay contactless payments, a first for a local mobile application in Sri Lanka

Cross-Border Transactions
Introduced cross-border transaction capabilities, pioneering this feature among local mobile payment platforms.

Enhanced User Experience
Revamped the user experience with Dark Mode and lifestyle integrations such as lifestyle features, delivering a seamless, everyday digital experience

Fully AI Powered
Personal Loan

Integration with
Gov Pay Service

The Board's Narrative

On behalf of the Board of LB Finance (LBF), we are pleased to present the Annual Report for 2025/26, reflecting a year of resilience, strategic progress, and meaningful value creation. This report highlights the Company's performance, key initiatives, and commitment to sustainable growth, demonstrating how we continue to fulfil our responsibilities to all stakeholders.

STRATEGIC LEADERSHIP AND OVERSIGHT

The Board provides guidance and oversight to ensure LBF remains strong, innovative, and future-ready. In 2025/26, we focused on disciplined strategy, robust governance, and prudent risk management, guiding the Company through a dynamic financial environment while safeguarding long-term growth and resilience.

TRANSPARENCY, ACCOUNTABILITY, AND GOVERNANCE

We remain committed to operating with integrity, transparency, and accountability. Decisions are made with rigorous oversight and ethical standards, and the Annual Report 2025/26 reflects a true and balanced view of the Company's performance, achievements, and challenges.

SUSTAINABILITY AND RESPONSIBLE GROWTH

Sustainability is central to our strategy. LBF strengthened its focus on Environmental, Social, and Governance (ESG) considerations, ensuring that growth delivers lasting value beyond financial performance and contributes positively to the communities and environment we serve.

FUTURE READINESS

The Board continues to ensure that LBF is adaptable, innovative, and prepared for the future. Through strategic investments in technology, capability building, and operational efficiency, the Company is positioned to respond effectively to emerging opportunities and challenges while driving sustainable, long-term growth.

ACKNOWLEDGMENT AND GRATITUDE

The achievements of 2025/26 would not have been possible without the trust, support, and engagement of our stakeholders. We extend our sincere gratitude to our customers, employees, shareholders, business partners, regulators and communities. Your confidence empowers us to maintain high standards, innovate responsibly, and create meaningful value for all.

We look forward to your continued partnership as we move ahead, sharing in the successes and opportunities that lie before us.

The Board of Directors
LB Finance PLC



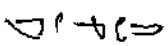
G A R D Prasanna
Chairman



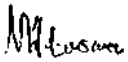
Niroshan Udage
Managing Director



Ashane Jayasekara
Senior Director



B D A Perera
Director



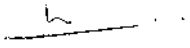
Ravindra Yatawara
Director



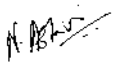
Ravindra Tissera
Director



Yogadinusha Bhaskaran
Director



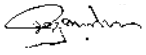
Dharmadasa Rangalle
Director



Ashwini Natesan
Director



Priyantha Talwatte
Director



Piyal Hennayake
Director



Prof. T N K De Zoysa
Director

From Environmental Responsibility to Sustainable Impact

Leading Environmental Management



SBcert
ISO 14001

The first NBFI in Sri Lanka to achieve ISO 14001:2015 certification

LB Finance achieved ISO 14001:2015 Environmental Management System (EMS) certification, marking a significant milestone in strengthening our environmental management framework and reinforcing our commitment to sustainable operations.

The certification was issued by Scandinavian Business Certification AB, accredited by SWEDAC, following independent verification by Control Union Sri Lanka.

Refer to page 214 for more information

This Achievement Reflects:

1. A structured EMS, supported by defined procedures and an Environmental Aspects and Impacts Register
2. Continuous monitoring and improvement of environmental performance across operations
3. Strong governance through regulatory compliance and risk-based management of environmental aspects
4. Organisation-wide environmental awareness driven through training, audits and management review processes



Sri Lanka's First Carbon Footprint and Handprint Initiative

Our Carbon FOOTPRINT: Measuring Our Impact

VERIFIED BY CONTROL UNION

LBF conducted a comprehensive GHG assessment for FY 2025/26, covering Scope 1, Scope 2 and all relevant Scope 3 emission sources in line with the GHG Protocol. This includes financed emissions, reflecting the significant impact of our lending portfolio.

Financed emissions were calculated using the PCAF emission factor database, ensuring alignment with globally recognised methodologies for financial institutions. The overall GHG inventory was independently verified in accordance with ISO 14064-1:2018 and supports climate-related disclosures in line with SLFRS S1 and S2. All calculations and disclosures are guided by a dedicated Quality Manual (QM) and Procedure Manual (PM), ensuring consistency, accuracy and transparency in emissions measurement and reporting.



Scope 1 Emission - 4,014.15 tCO_2e +



Stationary emissions



Mobile emissions



Fugitive emissions

Scope 2 Emission - 2,315.26 tCO_2e +



Purchased electricity

Scope 3 Emission - 52,628.67 tCO_2e +



Purchased goods and services



Fuel- and energy-related activities



Business travel



Employee commuting



Capital goods



Waste



Investments

CO_2 = Total emitted GHG emissions **58,958.08** tCO_2e/year

Refer to page 211 for more information

Our HANDPRINT: Reducing Emission Through Financing

LBF assesses avoided emissions (Scope 4) to reflect the positive climate impact created through its financing and digital solutions. These emissions represent reductions achieved by customers and stakeholders beyond the Company's operational boundary.

Methodology
PCAF avoided emission methodology - Against a baseline scenario

Avoided Emissions - Green Lending



Hybrid Car	Petrol Car	Electric Car
Avoided emission per car: **0.75** tCO_2e/year		Avoided emission per car: **1.09** tCO_2e/year
No of leased cars: **10,622**		No of leased cars: **486**
Total avoided emissions from cars: **3,640.11** tCO_2e/year		Total avoided emissions from cars: **260.18** tCO_2e/year

Total avoided GHG emissions **3,900.29** tCO_2e/year

Avoided Emissions - Solar Loans



Number of solar loans	Total installed capacity	Annual energy generation
19	**315** kW	**238.14** MWh/year

Total avoided GHG emissions **118.10** tCO_2e/year

Reducing Our Operational Emissions



LBF implements targeted initiatives to reduce its operational GHG footprint, focusing on emissions within its direct control while complementing the wider climate impact enabled through its products and services.

Emissions Reduction - Solarised Branches



Number of solarised branches	**58**
Total installed capacity	**238.30** kW
Annual energy generation	**180.15** MWh/year

Total avoided GHG emissions **77.07** tCO_2e/year

Emissions Reduction - Paper Reduction Initiatives

Saved	Recycle	Reduce	
	Paper recycling	e-Slips	App transactions
Trees	**849**	**0.85**	**255**
Water	**1,587,697** L	**1,583** L	**477,666** L
Landfills	**150** m^3	**0.15** m^3	**45** m^3
Reduced GHG emissions	**49.96** tCO_2e	**0.05** tCO_2e	**15.03** tCO_2e

Total avoided GHG emissions **65.04** tCO_2e/year

About this Integrated Report

OUR 14TH INTEGRATED ANNUAL REPORT

Ensuring Holistic Value Creation

We take a holistic approach to creating value, recognising that LB Finance's (LBF) long-term sustainability depends on delivering meaningful outcomes for our stakeholders. We see value beyond delivering returns to our shareholders and we focus on maximising every resource throughout our value chain to ensure those returns are sustainable. We recognise that our sphere of influence and impact extends beyond our boundaries.



DOC **02**

Scan the QR for our Integrated Reporting Suite to understand how the key themes and disclosures within this Annual Report are integrated and linked to value creation.

1. THE INTEGRATED STORY OF LB FINANCE

1.1. Our Purpose

- Connecting with vision, mission and values
- Value creation, preservation and erosion

1.2. Integrated Thinking

- Materiality determination
- Strategy development
- Strategy execution

1.3. Integrated Reporting Process

- Report compilation
- Report validation
- Report approval

1.4. Integrated Report

- Our strategic and operational boundary
- Our financial reporting boundary
- Our sustainability reporting boundary

Qualitative criteria in our Annual Report

- Timeliness
- Verifiability
- Accuracy
- Balance
- Clarity
- Comparability
- Completeness
- Connectivity
- Consciousness

1.1. Our Purpose

Connecting with vision, mission and values

At LBF, we connect our reporting with the Company's vision, mission and values, ensuring that our disclosures consistently reflect who we are and what we aspire to achieve. In line with the <IR> Framework, LBF adopts an integrated approach to understanding, managing and reporting the value we create over time.

Value creation, preservation and erosion

LBF's six capitals, financial, human, manufactured, intellectual, social and relationship and natural, are central to our ability to create long-term value. This report reflects our structure, activities and performance across these capitals, illustrating how they evolve through strategy execution.

1.2. Integrated Thinking

Materiality Determination

This report considers material information relevant to our stakeholders based on extensive ongoing engagement. We assessed materiality against the backdrop of current business operations and industry trends and the global economic environment. We adopt a double materiality approach to enhance our stakeholders' understanding of the impact of environmental and social issues on LBF's value and the impact of our activities on the environment and society.

For a deeper understanding of the material matters that affect our business, refer to "Material Matters" chapter on pages 75-80 for more information.

Strategy Development

We evaluate strategic options through analysis of our operating environment, stakeholder expectations and future scenarios, enabling us to anticipate changes and respond proactively. This process informs decisions on resource allocation, capability development, capital deployment and business model enhancements. The Company considers the following time horizons in its strategic planning and operations:

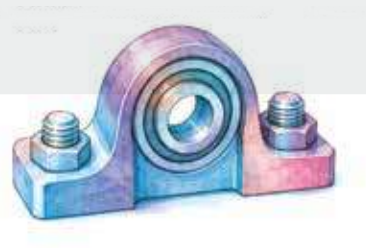
Short-term
Less than 1 year

Medium-term
1 - 3 years

Long-term
Over 3 years

Strategy Execution

Strategy execution at LBF is guided by robust governance and well-defined accountability structures. The Board sets the overall direction and ensures that strategic priorities align with the Company's vision, mission and values. Board Committees oversee specific areas of execution, ensuring initiatives are implemented within the Company's risk appetite and regulatory framework, supported by sound financial discipline and strong internal control.



1.3. Integrated Reporting Process

1.3.1. Report Compilation

1 SET DIRECTION
We start with our vision, mission, strategy, ESG focus, regulations and stakeholder expectations.

2 ENSURE GOVERNANCE
The Board and Senior Management guide and oversee the reporting process.

3 FORM CORE REPORT TEAM
A cross-functional IR team is formed to manage accuracy, quality and completeness.

4 COLLECT INFORMATION
Information is collected from all departments using structured internal processes.



5 IDENTIFY WHAT MATTERS MOST
Key material issues are identified through strategy and risk assessments and approved by the Board.

6 DEVELOP AND INTEGRATE CONTENT
Content is developed using internal expertise and AI tools, with careful human review.

7 REVIEW AND VALIDATE
Disclosures are reviewed, gaps are closed and compliance with standards and regulations is confirmed.

8 APPROVE AND PUBLISH
The Board approves the final report, which is then published for stakeholders.

About this Integrated Report

GRI 2-27 IR 1A, 1D, 1G

1.3.2. Report Validation

To ensure clarity, credibility and depth in our disclosures, our Integrated Annual Report has been shaped and validated through a comprehensive blend of globally and locally endorsed reporting standards and frameworks.

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)

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

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 and S2

Consumer Finance Standard issued by the Sustainability Accounting Standards Board (SASB)

Disclosure on Gender Parity Reporting issued by CA Sri Lanka

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)

Climate-related Disclosures

ISO 14064-1:2018 Organisation Level for Quantification and Reporting of Greenhouse Gas (GHG) Emissions and Removals, GHG Protocol, PCAF Standard for the quantification and reporting of financed emissions

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

www.casrilanka.com

UN Global Compact Network Sri Lanka

www.unglobalcompact.org

CSE COLOMBO STOCK EXCHANGE

Colombo Stock Exchange

www.cse.lk

1.3.3. Report Approval

The Board acknowledges its responsibility for ensuring the integrity of this Integrated Report. In the Board's opinion, this report addresses all the issues 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 was prepared in line with the Integrated Reporting Framework. This report was approved by the Board of Directors of LBF on 29 May 2026.

Refer to the Board's Narrative on page 48 for the Directors' message to stakeholders.

1.4. Integrated Report

Our Strategic and Operational Boundary

- Material Matters Page 75
- Strategy Page 81
- Business Model Page 62
- Operating Context Page 57
- Operational Performance Page 141
- Risk Management Page 331

Our Financial Reporting Boundary

- LB Finance PLC Page 229
- LB Microfinance Myanmar Company Limited Page 247
- Associated Motor Finance Company PLC Page 249

Our Sustainability Reporting Boundary

- Environmental Page 211
- Social Page 188
- Governance Page 252



2. REPORTING PERIOD

This Integrated Report covers the period from 01 April 2025 to 31 March 2026, aligning with the Company's financial and sustainability reporting cycle. Material events occurring after 31 March 2026 and up to the date of Board approval on 29 May 2026 have also been incorporated into this report.

3. FINANCIAL, NON-FINANCIAL REPORTING AND COMPARATIVE INFORMATION

Our Integrated Report extends beyond financial reporting to include material non-financial performance, risks, opportunities and outcomes that influence our ability to create sustainable value while minimising value erosion.

Governance and risk management principles, practices and outcomes are integrated throughout the report, with relevant Board committee disclosures incorporated within applicable sections to reflect the integrated nature of governance.

We also report on our purpose-driven sustainability initiatives and actions, demonstrating their alignment with the UN SDGs, ESG priorities and the UNGC 10 Principles, as part of our commitment to creating positive impact and long-term strategic value.

There were no restatements to financial or non-financial information reported and audited in the previous year.

4. TRANSFORMING OUR REPORTING WITH SLFRS S1 AND S2 FOR THE SECOND CONSECUTIVE YEAR

LBF has fully adopted SLFRS S1 and S2, reflecting a significant evolution in our reporting approach. These Standards have been carefully integrated into relevant sections of the Report, including Governance (page 252), Strategy (page 81), Risk Management (page 331) and Metrics and Targets (page 137), ensuring that material sustainability and climate-related disclosures are presented clearly and meaningfully. This integration enhances the transparency, reliability and relevance of our reporting, strengthens alignment with global best practices and demonstrates our commitment to providing stakeholders with a comprehensive view of the risks, opportunities and impacts shaping our business.

5. 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 (page 361) and Deloitte Partners (Page 504)

4th **Board and Board Sub Committees**
Board Audit Committee (Page 305), Board Integrated Risk Management Committee (Page 310), Board Nomination and Governance Committee (Page 313), Board Human Resources and Remuneration Committee (Page 316), Board Related Party Transactions Review Committee (Page 318), Board Information Security Committee (Page 320), Board Sustainability Committee (Page 323)

6. FORWARD-LOOKING STATEMENTS AND LIMITATIONS

This report includes forward-looking statements reflecting the beliefs, expectations and assumptions of LBF's Directors and Senior Management regarding plans, strategies, operations and future events, which are not historical facts. These statements are subject to risks and uncertainties that may cause actual outcomes to differ materially and LBF is not obliged to update them unless required by future events. They have not been reviewed by external auditors and statements made at the release of the 2025/26 results were based on business plans and economic forecasts as of early 2025.

7. STAKEHOLDER VOICES THAT GUIDE US

To ensure the relevance of this report, we engaged in a structured process to understand the key priorities of our stakeholders, including investors, customers, employees and regulatory bodies. Material issues were identified through multiple feedback channels such as surveys, discussions and formal meetings. This approach ensures that the report focuses on matters of greatest significance to both our stakeholders and the organisation.

8. YOUR OPINION COUNTS

We welcome your feedback on this report. Your insights help us improve and ensure our reports meet your expectations. Please share your thoughts so we can continue to evolve and deliver even better content.

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.

011 2155 504

011 2575 096

WEB **1**

Alternatively, you can visit our microsite at https://lbannualreports.lk/en/connect to share your feedback directly online.

The Company

The Core That Powers the System

Movement that Endures, Movement that Navigates

Like a mechanism designed to remain accurate despite constant motion, our journey at LB Finance PLC is defined by consistency, precision and a clear sense of direction. This strong foundation enables us to serve customers, support enterprise and create value with reliability. Thus, we continue to navigate change while remaining steady in purpose.

Marine chronometers use intricate gear trains to maintain precise time at sea, enabling reliable navigation despite the continuous movement of a ship.



THE COMPANY

22 Introducing LB Finance | **30** Awards and Accolades | **32** Advancing Socio-economic Prosperity | **36** Financial Highlights
38 Sustainability (EESG) Highlights | **40** Our Journey of Movement and Growth | **42** Year in Review

DELIVERING MOMENTUM CREATING VALUE

LB Finance (LBF) stands at the forefront of Sri Lanka's Non-Banking Financial Institution (NBFI) sector, built on a legacy of trust, resilience and disciplined growth. For over five decades, the Company has played a pivotal role in expanding financial access, empowering individuals and businesses and contributing meaningfully to national economic progress.

Group Assets surpassing

Rs. 400 Bn

Reflecting scale, strength and sustained growth

Record-breaking performance with highest ever Pre Taxes Profit of

Rs. 25 Bn

and Profit after Tax of

Rs. 13 Bn

Income reaching

Rs. 60 Bn

Demonstrating strong business momentum

Lending portfolio exceeding

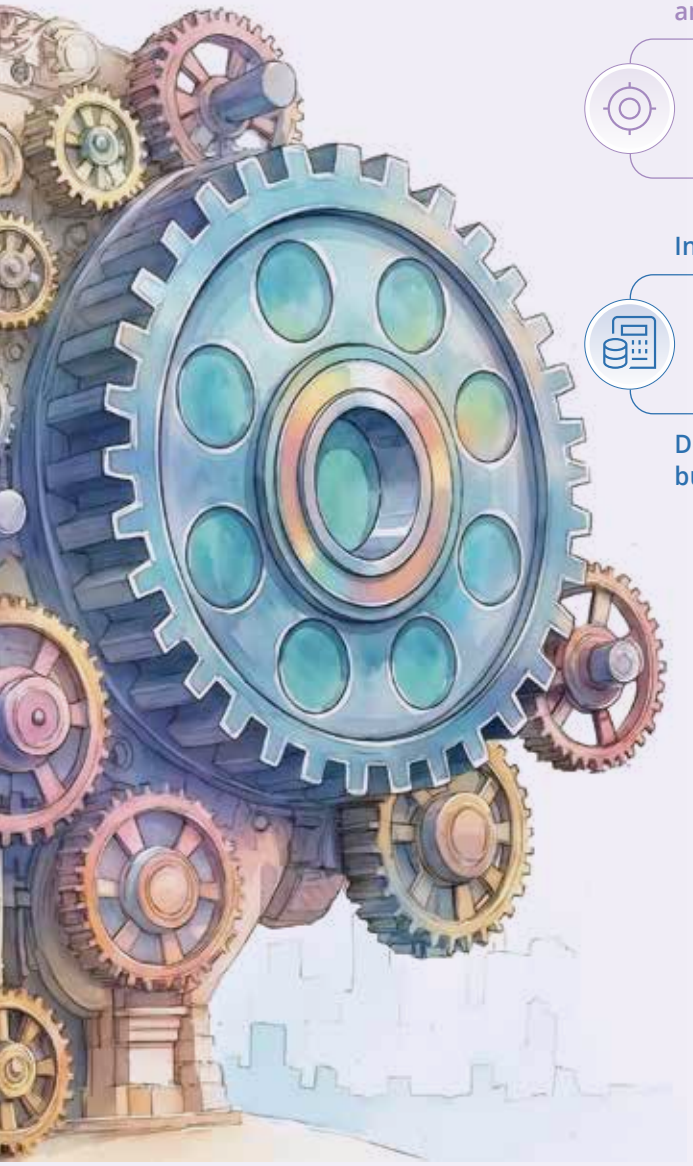
Rs. 312 Bn

225 Branches

the largest network in the NBFI sector, delivering unmatched reach and accessibility

Industry-leading asset quality with the lowest

NPL Ratio 1.35%



ONE MOVEMENT EVERY WHEEL DRIVING GROWTH MOMENTUM

Every movement we make powers a stronger tomorrow-driving sustainable growth, creating value and building lasting impact for all our stakeholders.

Sustained returns with

ROE of 24.28% and **ROA of 4.30%,**

reflecting disciplined growth and efficient performance

OUR PURPOSE
OUR PROMISE
OUR MOVEMENT FORWARD



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

OUR STRENGTH LIES IN OUR VALUES. OUR FUTURE IS DRIVEN BY OUR PURPOSE.
Together, we create values that lasts.

PLAY **9**

Scan QR code to watch our core value drivers

MOVING AHEAD

OUTPERFORMING TO LEAD

Consistent momentum across key indicators strengthening our leadership in the NBFI sector.

Sri Lanka's NBFI sector continues to play a vital role in expanding access to finance and supporting economic activity across communities. In this dynamic landscape, LB Finance has sustained a balanced and resilient growth trajectory.

Our performance across core indicators reflects the strength of our strategy, disciplined execution and customer centric approach. We continue to outperform the industry on market share while maintaining stability, efficiency and trust.

HUMAN CAPITAL GEAR

A distinctive culture that fosters engagement, innovation and ownership

EFFICIENCY GEAR

Effective cost optimisation strategies driving operational efficiency and profitability

GROWTH ENGINE GEAR

A robust and loyal customer base driving sustainable revenue expansion

STRATEGIC LEADERSHIP GEAR

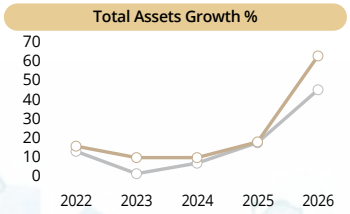
Expert leadership and management excellence steering strategic growth and industry leadership

Drivers of Market Momentum

TOTAL ASSETS

Sustained asset growth outperforming industry trends





LOANS AND RECEIVABLES

Strong loan book growth driven by customer trust

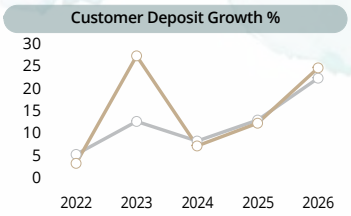




CUSTOMER DEPOSITS

Growing deposit base reflects strong customer confidence

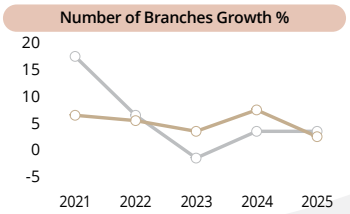




NUMBER OF BRANCHES

Expanding our reach to be closer to customers





*2026 March CBSL provisional data **2025 CBSL December data

LBF NBFI

A WIDE FOOTPRINT
A DEEPER CONNECTION

Reaching every community. Empowering every aspiration.

LB Finance combines the strength of our extensive branch network with the convenience of digital channels to deliver accessible and inclusive financial solutions across Sri Lanka and beyond. Our presence is build around people, connecting opportunity with every community we serve.

225
Branches across the Island
(FY 2024/25: 216)

63
Branches in Northern and Eastern Provinces
(FY 2024/25: 57)

20
Branches in Myanmar
(FY 2024/25: 20)

1.2 Mn+
Customers connected through digital channels
(FY 2024/25: 950,000+)

LBF's regional expansion marks a strategic entry into the **Philippine** market

PHYSICAL PRESENCE
Growing our network to better serve customers nationwide

COMMUNITIES WE SERVE
Reaching communities across urban, semi-urban and rural Sri Lanka

BEYOND BORDERS
Extending our reach through LB Microfinance Myanmar

DIGITAL ACCESS
Anywhere anytime financial solutions

Sri Lanka Footprint



Northern and Eastern Presence
Strong and growing presence to drive financial inclusion in underserved communities

We serve all 9 Provinces in the Island

Outside Western Province
More than 60% of our branches are outside the Western Province, strengthening our nationwide reach

Myanmar Operations

Present in key regions supporting financial empowerment and economic growth



SUSTAINABLE GROWTH
Responsible expansion creating long-term value for all

STRATEGIC PARTNERSHIP
Strong collaborations enhancing value and reach

Multiple Channels, One Promise

- Branch Network
- Relationship Officers
- LB CIM Mobile App
- Internet Banking
- Call Centre
- Social Media Platforms

ONE NETWORK. MANY TOUCHPOINTS.

Delivering seamless, reliable and inclusive financial experiences, wherever our customers are.

INNOVATING FORWARD TRANSFORMING EXPERIENCE



TRANSFORMATION, INNOVATION AND DIGITAL FINANCIAL SOLUTIONS

Launching LB Sanmitha

LB Sanmitha represents LBF's strategic commitment to supporting the MSME sector through a comprehensive suite of solutions, by providing timely and accessible financing, the initiative contributes to entrepreneurship, local economic growth and financial inclusion.

LB Sanmitha represents more than a financial product, it embodies a relationship of trust, growth, and enduring support. Just like a good friend who stands by your side, LB Sanmitha evolves with the entrepreneur, from humble beginnings to thriving business success. This name reflects the core mission of LB Finance: to act as a balanced financial partner for small and medium-scale enterprises across Sri Lanka.

Refer to page 245 for more information

Cash In Mobile by LB FINANCE



ENHANCING LIVES WITH LB CIM APP

During the year, we introduced a range of LB CIM app features designed to deliver the latest digital experiences, allowing you to enjoy seamless, convenient and secure services right from your mobile wallet that includes, but not limited to:

Fully AI powered personal loan
First among fintech applications in Sri Lanka

e-channeling & e-gifting
Enjoy lifestyle conveniences at your fingertips

Virtual card integration
Make seamless local and international payments with ease

FD and savings documents
Access your fixed deposit and savings documents anytime

University fees smart pay
Simplify tuition payments with our smart pay option

Bill presentment
Monitor and pay your LECO and water bills effortlessly

WHT certificate
Retrieve your withholding tax certificate instantly

Refer to page 12 for more information

OUR VALUE CREATION STORY

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.

Refer to page 62 for more information

DIVERSIFIED SOLUTION SUSTAINABLE VALUE

OUR BUSINESS VERTICALS

Product Portfolio

LENDING

Key areas of strength and differentiation

Wide range of lending solutions for individuals and businesses

Presence
- Sri Lanka
- Myanmar

Key performance indicators
More information on page 229

Strategic goals
- Expand lending portfolio by deepening customer relationships
- Enhance portfolio quality through robust risk management
- Strengthen market leadership in core lending segments
- Leverage data and analytics to improve credit decisioning and customer experience



FUNDING

Key areas of strength and differentiation

Diverse deposit and savings solutions with a customer-centric approach

Presence
- Sri Lanka
- Myanmar

Key performance indicators
More information on page 238

Strategic goals
- Grow low-cost funding base sustainably
- Enhance customer value through innovative savings solutions
- Strengthen customer loyalty and long-term relationships
- Optimise funding mix to support business growth



VALUE ADDED SERVICES

Key areas of strength and differentiation

Convenient, transaction and digital solution including bill payment, remittances, foreign exchange and CIM app services

Presence
- Sri Lanka

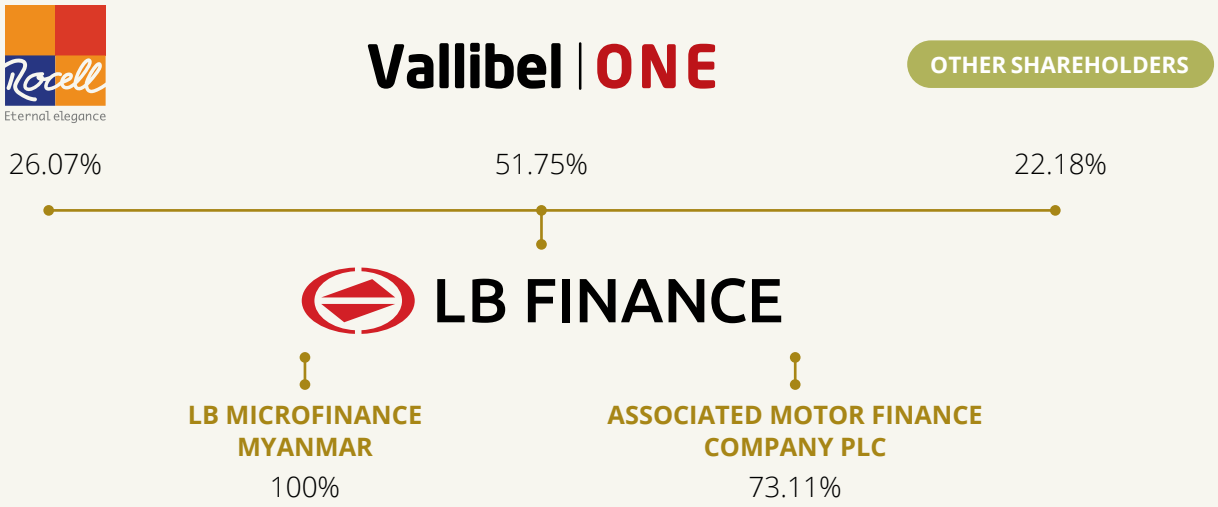
Key performance indicators
More information on page 241

Strategic goals
- Expand digital capabilities and self-service platforms
- Enhance convenience and accessibility across channels
- Improve operational efficiency through automation and digitalisation
- Deliver superior customer experience through seamless solutions



Introducing LB Finance

OWNERSHIP STRUCTURE



OUR 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.

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.

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.

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.

OUR SUSTAINABILITY JOURNEY

Net-zero across all LBF operations

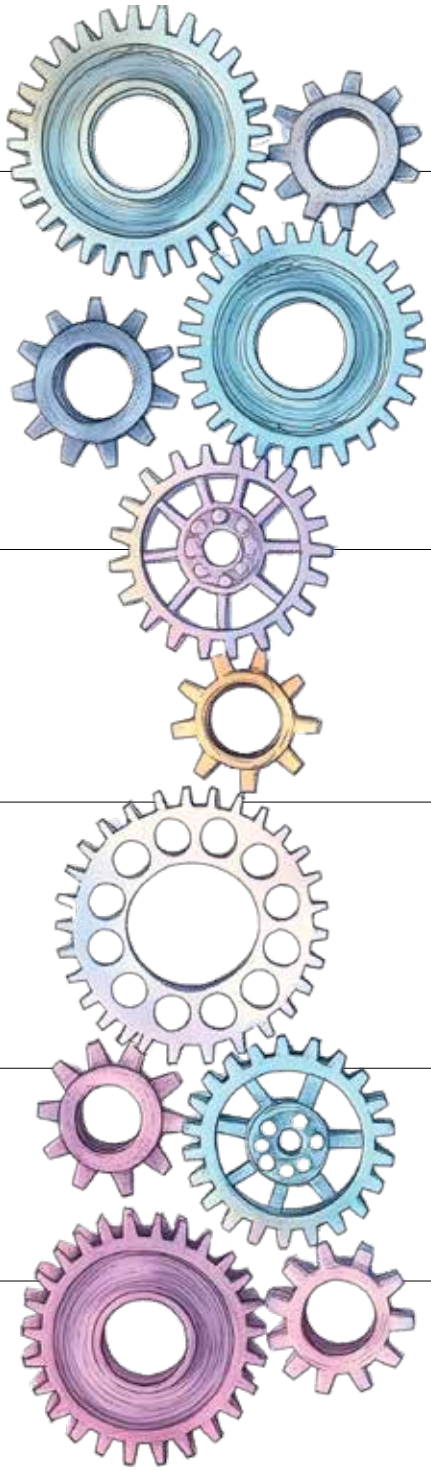
2050/51

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

- Implemented ESG Roadmap 2.0
- Secured ISO 14001:2015 Certification
- Commit to the SBTi
- Became a member of the PCAF
- Obtained ESG rating of AAA from IdealRatings

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

Awards and Accolades





01 TAGS Awards 2025

1. Digitally Transformative Reporting - Overall Silver Award
2. Finance and Leasing Companies - Gold Award
3. Corporate Governance Disclosure (Financial Services) - Overall Bronze Award
4. Certificate of Recognition - Sustainability Reporting
5. Certificate of Recognition - Integrated Reporting

02 National ICT Awards NBQSA 2025

1. AI Powered Business Loan - Merit Award (Non-ICT Company Category)

03 Technovation Awards 2025

1. Best Institution for Excellence in Customer Convenience (Non-Bank Financial Institutions) - Gold Award
2. Best Institution for Financial Inclusivity (Non-Bank Financial Institutions) - Gold Award
3. Most Popular Digital Payment Solution (Medium and Small Banks Non-Bank Financial Institutions) - Gold Award
4. Overall Award Excellence in Digital Payments (Non-Bank Financial Institutions) - Silver Award

04 ICSDB Excellence Awards 2025

1. Digital Personal Loan Granting Scheme - In House Solutions - Bronze Award
2. Journey Towards a Low Carbon Future - In House Solutions - Merit Award









05 IFFSA Awards - 2025

1. ESG – Gold Award
2. Rising Star of the Year (Male) – Gold Award
3. Digital Product / Fintech Offering of the Year – Silver Award
4. 15th Year Celebration in the Industry (Recognition)

06 SAFA Awards 2025

1. Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance Disclosure for Financial Services - Gold Award

07 CMA Excellence in Integrated Reporting Awards - 2025

1. Overall Excellence - Bronze Award
2. Best Integrated Report (Finance and Leasing Sector) - Gold Award
3. Ten Best Integrated Reports

08 National Project Management Excellence Awards (NPME) - 2025

1. Best Managed Project in AI and Data Science - Gold Award

Advancing Socio-Economic Prosperity

OVERVIEW

LB Finance's socio-economic contribution in the 2025/26 financial year reflects its continued commitment to inclusive growth, financial empowerment, digital access and national development. By expanding access to responsible financial services, supporting Micro, Small and Medium Enterprises (MSMEs) and fostering financial literacy across diverse communities, the Company plays a vital role in strengthening livelihoods and stimulating economic activity.

1. COMMITMENT TO INCLUSIVE GROWTH

1.1. Expanding Branch Network

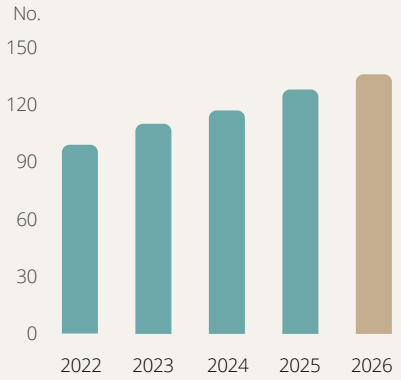
During 2025/26, LBF expanded its branch network strategically to improve financial accessibility, strengthen regional presence and support inclusive economic growth across Sri Lanka.

LBF Branches
225

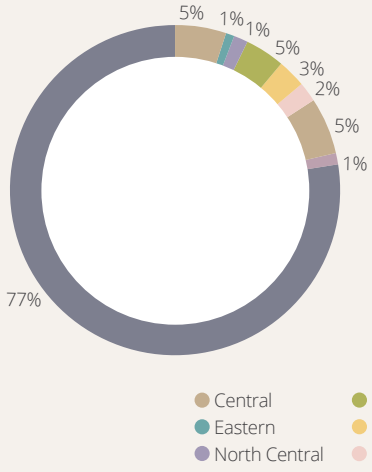
Branches outside the Western Province
136

Branches in Northern and Eastern Provinces
63

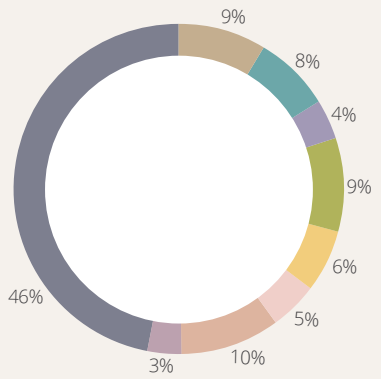
Branches Outside the Western Province



Provincial Distribution of Deposits



Provincial Distribution of Loans









Refer to page 158 for more information

1.2. Supporting the MSME Sector through LB Sanmitha

In 2025/26, LBF introduced LB Sanmitha, a dedicated proposition designed to empower the MSME/ SME sector, a vital driver of Sri Lanka's economy.







Number of Sanmitha loans granted

4,900+

Value of Sanmitha loans granted

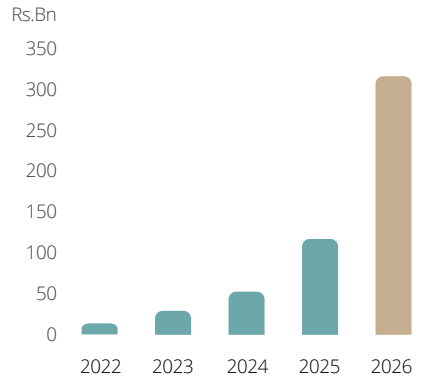
Rs. 2,400+ Mn

Refer to page 245 for more information

2. ENABLING SEAMLESS DIGITAL ACCESS THROUGH LB CIM APP

The LB CIM app continues to evolve rapidly, delivering innovative features that enhance convenience and accessibility. LBF is committed to advancing digital payments in line with the CBSL's Financial Inclusion Roadmap.

LB CIM App Transaction Value





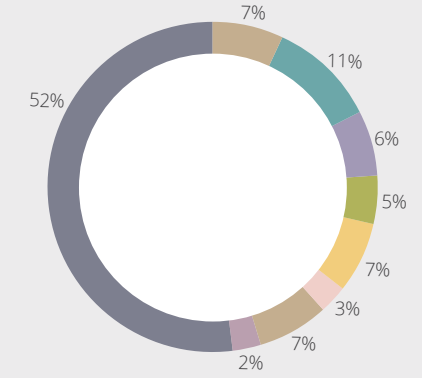


Refer to page 12 for more information

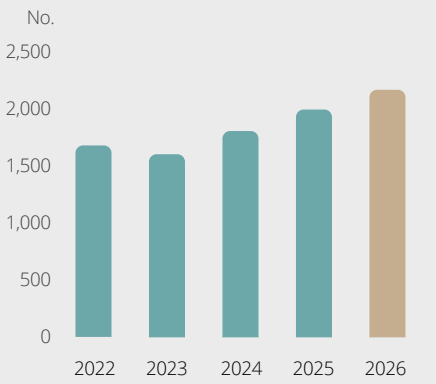
3. EMPLOYMENT GENERATION

We are committed to creating employment opportunities as a core responsibility, driving economic progress and strengthening communities across Sri Lanka.

Province-wise New Recruitments



Employees Outside Western Province



Advancing Socio-Economic Prosperity

GRI 201-1

4. EMPOWERING WOMEN

LBF is committed to empowering women by promoting their financial independence and enabling greater participation in economic activities.



5. ECONOMIC VALUE CREATION

Our Economic Value Added (EVA) and Market Value Added (MVA) are key indicators that reflect our commitment to disciplined value creation and sustainable growth. These measures demonstrate how effectively we convert resources into lasting value for the economy.

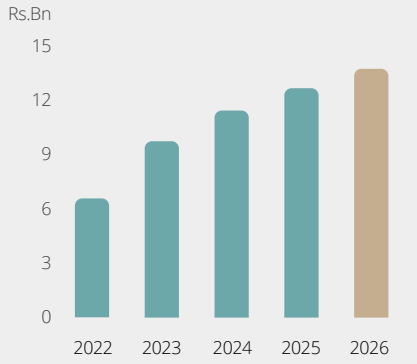
Economic Value Added (EVA)	2025/26 Rs. Mn	2024/25 Rs. Mn
Invested Equity		
Shareholders' funds	61,383.32	51,266.00
Add: Cumulative loan loss provision/ provision for impairment	8,321.58	7,112.63
	69,704.90	58,378.63
Earnings		
Profit attributable to shareholders	13,672.85	10,805.63
Add: Loan losses and provisions/ impairment provision	1,202.79	(256.24)
	14,875.64	10,549.39
Economic cost % (average treasury bill rate plus 2% risk premium)	10.14	11.51
Economic cost	6,493.84	6,291.02
Economic value added	8,381.80	4,258.37

Market Value Added (MVA)	2025/26 Rs. Mn	2024/25 Rs. Mn
Market capitalisation		
Market value of equity	78,537.60	47,925.94
Less: Equity owners' funds		
Total equity owners' funds	61,383.32	51,266.00
Market value added/(destroyed)	17,154.28	(3,340.06)

6. CONTRIBUTION TO GOVERNMENT REVENUE

As the largest taxpayer in the NBFI sector, the Company consistently upholds its fiscal responsibilities while maintaining robust business performance.

Taxes Paid to the Government

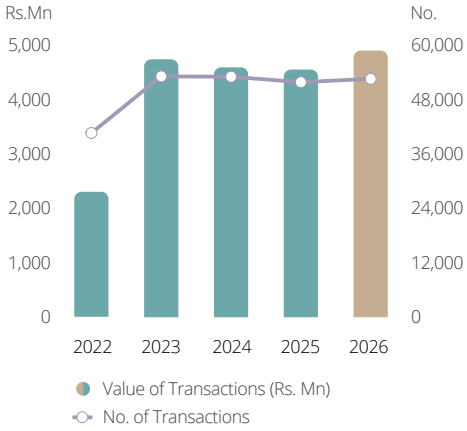


Refer to page 55 for more information

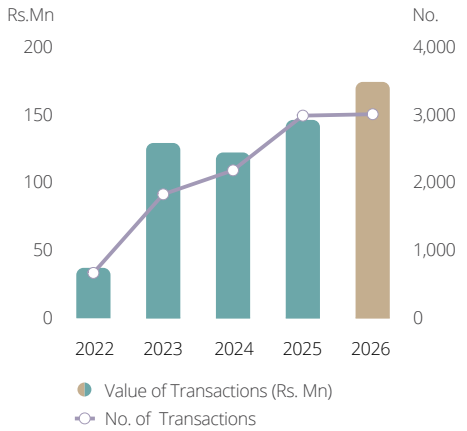
7. FOREIGN CURRENCY EXCHANGE

LBF leverages its position as a principal agent for Western Union Money Transfer systems, along with its foreign currency exchange services, to facilitate and enhance the inflow of foreign currency to Sri Lanka.

Western Union Transactions



Foreign Currency Exchange Transactions

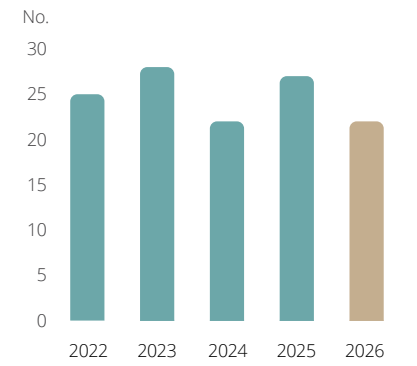


Refer to page 242 for more information

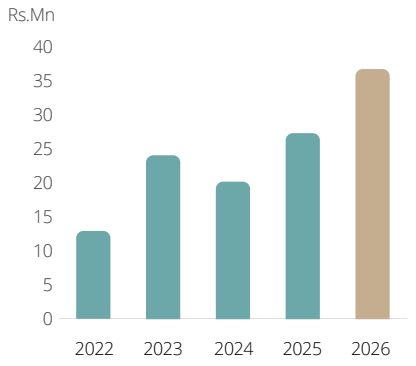
8. STRENGTHENING COMMUNITIES

Company aims to address key social needs while contributing to the wellbeing and upliftment of underserved communities.

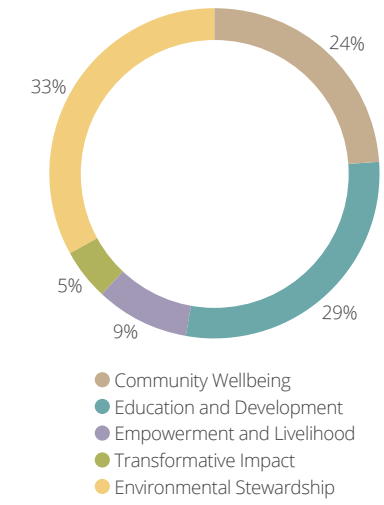
Number of CSR Projects



Investment in CSR



CSR Composition







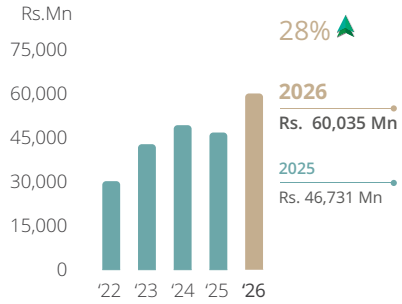
Refer to page 209 for more information

Financial Highlights

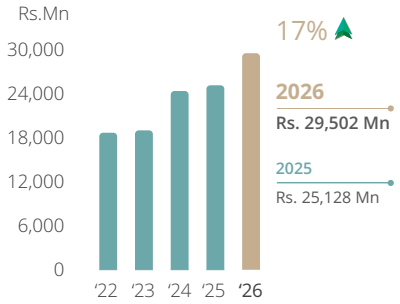
IR 4F

		Company			Group		
Indicators		2026	2025	Change (%)	2026	2025	Change (%)
Operating Results							
Income	Rs. Million	**60,035.30**	46,730.95	28.47	**62,896.39**	47,156.26	33.38
Interest Income	Rs. Million	**51,805.12**	41,815.46	23.89	**54,357.26**	42,201.90	28.80
Net Interest Income	Rs. Million	**29,501.83**	25,128.08	17.41	**31,328.45**	25,418.19	23.25
Profit before Taxation (PBT)	Rs. Million	**19,877.38**	16,341.67	21.64	**20,455.95**	16,412.68	24.64
Profit after Taxation (PAT)	Rs. Million	**13,672.85**	10,805.63	26.53	**14,042.81**	10,861.93	29.28
Financial Position							
Total Assets	Rs. Million	**395,331.49**	240,890.24	64.11	**415,568.30**	241,984.41	71.73
Loans and Receivables	Rs. Million	**312,660.31**	197,766.69	58.10	**332,998.82**	199,271.05	67.11
Due to Depositors	Rs. Million	**173,329.15**	138,496.87	25.15	**189,559.70**	138,823.90	36.55
Borrowings	Rs. Million	**148,367.38**	42,417.09	>100.00	**148,856.88**	42,805.11	>100.00
Equity	Rs. Million	**61,383.32**	51,266.00	19.73	**63,348.48**	51,590.15	22.79
Investor Information							
Market Price per Share	Rs.	**141.75**	86.50	63.87	**N/A**	N/A	-
Market Capitalisation	Rs. Million	**78,537.60**	47,925.94	63.87	**N/A**	N/A	-
Net Asset Value per Share	Rs.	**110.79**	92.53	19.73	**112.08**	93.11	20.37
Earning per Share (EPS) Basic	Rs.	**24.68**	19.50	26.53	**25.22**	19.60	28.65
Earning per Share (EPS) Diluted	Rs.	**24.68**	19.50	26.53	**25.22**	19.60	28.65
Dividend per Share (DPS)	Rs.	**8.20**	6.50	26.15	**N/A**	N/A	-
Dividend Yield	%	**5.78**	7.51	(23.02)	**N/A**	N/A	-
Dividend Payout Ratio	%	**33.23**	33.33	(0.30)	**N/A**	N/A	-
Statutory Ratios							
Core Capital to Risk Weighted Assets Ratio (Tier I) (Minimum 10%)	%	**21.65**	30.45	(28.90)	**20.47**	30.37	(32.60)
Total Risk Weighted Capital Ratio (Tier I & II) (Minimum 14%)	%	**21.39**	31.31	(31.68)	**21.05**	31.38	(32.92)
Equity to Deposits (Minimum 10%)	%	**35.41**	37.02	(4.35)	**32.76**	37.16	(11.84)
Liquidity Ratio	%	**19.56**	20.01	(2.25)	**19.09**	19.98	(4.45)
Other Ratios							
Return on Assets (ROA)	%	**4.30**	4.88	(11.89)	**4.27**	4.88	(12.50)
Return on Equity (ROE)	%	**24.28**	22.77	6.63	**24.58**	22.72	8.19
Net Interest Margin (NIM)	%	**9.94**	12.22	(18.66)	**10.15**	12.21	(16.87)
Cost to Income	%	**30.52**	32.58	(6.32)	**30.58**	33.05	(7.47)
Loan to Deposits	Times	**1.80**	1.43	26.32	**1.76**	1.44	22.38
Gross Non-Performing Loans Ratio (Gross NPL)	%	**1.35**	2.25	(40.00)	**2.19**	2.29	(4.37)
Net Non-Performing Loans Ratio (Net NPL)	%	**(1.24)**	(1.22)	1.64	**(0.74)**	(1.19)	(37.82)
Provision Coverage Ratio	%	**192.35**	154.02	24.89	**133.97**	151.84	(11.77)
Total Impairment as a Percentage of Gross Loans and Advances	%	**2.59**	3.47	(25.36)	**2.93**	3.48	(15.80)

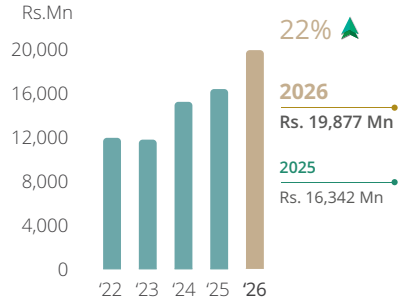
Income



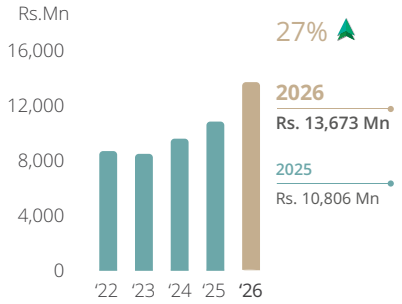
Net Interest Income



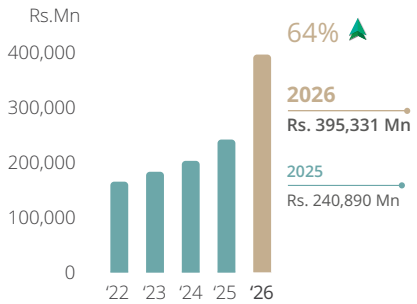
Profit before Tax



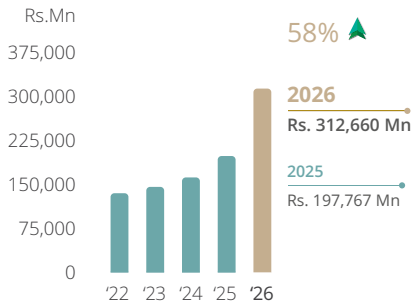
Profit after Tax



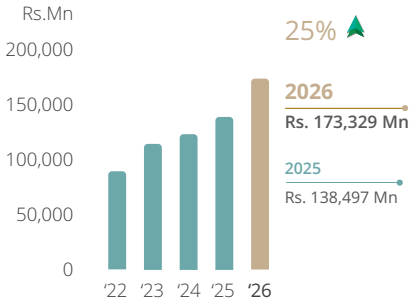
Total Assets



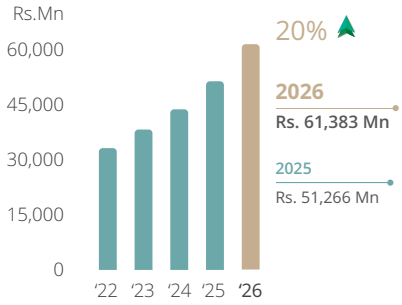
Loans and Receivables



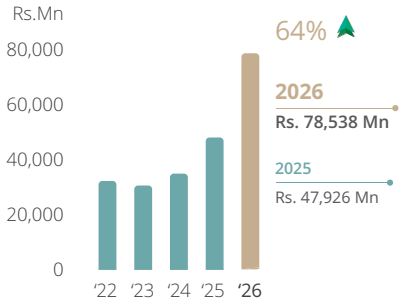
Due to Depositors



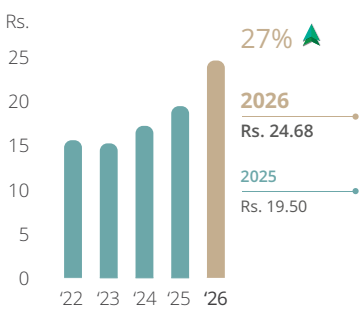
Equity



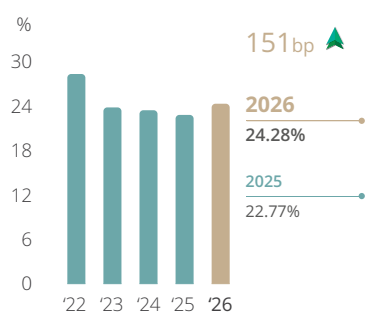
Market Capitalisation



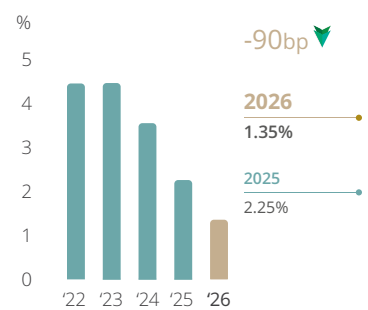
Earnings per Share (EPS)



Return on Equity (ROE)



Gross NPL Ratio



Sustainability (EESG) Highlights

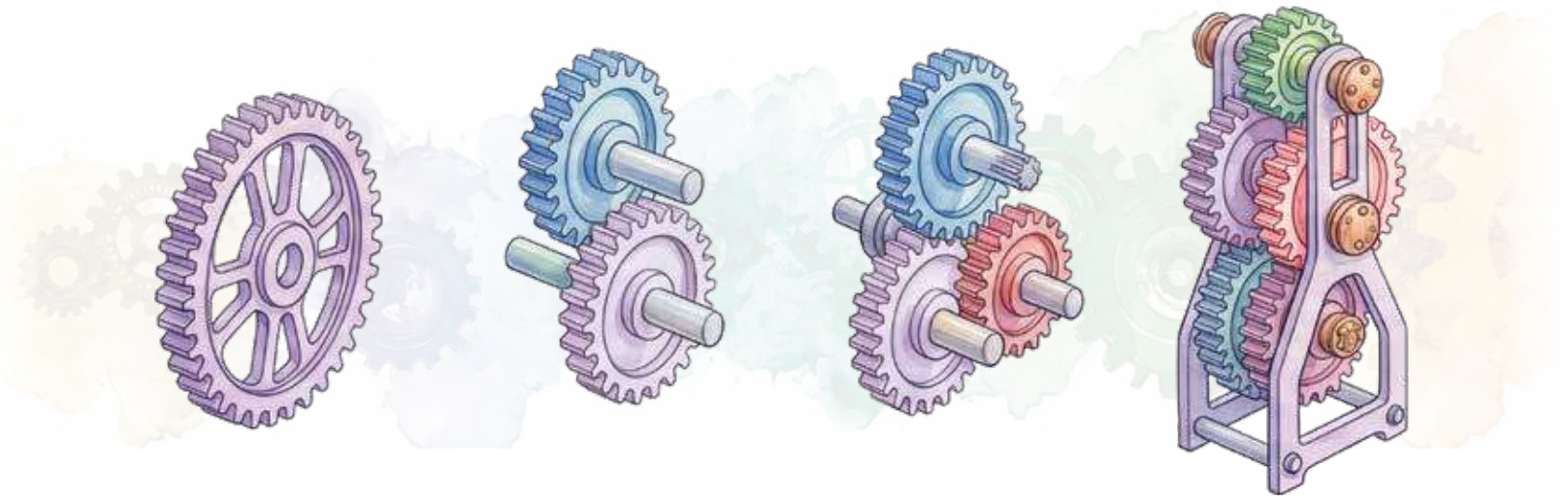
IR 4F

		2025/26	2024/25	2023/24	Related Capital
E - Economic Performance					
Economic Value Generated and Distributed					
Economic value created	Rs. Mn	**8,381.81**	4,258.38	1,796.45	FC
Economic value distributed to:					
Depositors and lenders	Rs. Mn	**22,029.04**	16,432.58	21,144.19	SRC
Employees	Rs. Mn	**5,986.44**	5,124.55	4,353.25	HC
Government	Rs. Mn	**12,684.34**	10,145.77	9,485.08	SRC
Shareholders	Rs. Mn	**4,543.27**	3,601.37	3,185.83	SRC
E - Environmental Stewardship					
Carbon Footprint					
Total carbon footprint	tCO_2e	**58,958.08**	36,934.07	3,982.90	NC
Total carbon footprint per Rs. Million of profit	tCO_2e	**4.31**	3.41	0.41	NC
Resource Efficiency					
Solarised branches	Number	**58**	40	26	NC
Electricity saving through solar power generation	kWh	**180,154.8**	122,472	79,606.80	NC
Paper recycled	kg	**49,959**	52,604	20,109	NC
Trees saved from digital operations	Number	**256**	440	-	NC
Water consumption	m^3	**50,280**	48,514	44,908	NC
Water consumption per Rs. Million of profit	m^3	**3.68**	4.49	4.69	NC
Energy consumption	GJ	**75,418.53**	55,714.08	16,852.95	NC
Energy per Rs. Million of profit	GJ	**5.52**	5.16	1.76	NC
Sustainable Financing					
Green financing portfolio	Rs. Bn	**42.72**	7.35	5.05	NC
Green financing facilities facilitated during the year	Number	**11,125**	2,716	1,597	NC
Environmental Responsibility					
Environment related projects	Number	**8**	9	3	NC
Trees planted/ distributed	Number	**1,100**	375	8,200	NC
S - Social Responsibility					
Customer					
Total customer base	Number	**950,000+**	850,000+	800,000+	SRC
Customer financial solutions	Number	**35**	34	33	SRC
Net Promoter Score (NPS)	Score	**29**	41	-	SRC
Complaint Resolution Rate	%	**95**	89	95	SRC
Service Network					
Total branches/ Total outlets	Number	**225**	216	200	MC
CDM machines	Number	**24**	24	24	MC
Branches outside Western province	Number	**136**	128	117	MC
New outlets opened	Number	**9**	10	8	MC

		2025/26	2024/25	2023/24	Related Capital
Digital Banking					
CIM app downloads	Number	**800,000+**	300,000+	250,000+	IC
CIM app transaction value growth	%	**170**	124	82	IC
Market Recognition					
Brand ranking (Brand Finance)	Number	**17**	20	28	IC
Credit rating (Fitch Rating)	Rating	**" A-(lka) (Stable Outlook) "**	" A-(lka) (Stable Outlook) "	" BBB+(lka) (Stable Outlook) "	IC
Employees					
Workforce Profile					
Total employees	Number	**4,665**	4,407	4,132	HC
New recruits during the year	Number	**2,214**	2,207	2,194	HC
Gender diversity ratio (Male : Female)	Ratio	**1:1**	1:0.9	1:0.85	HC
Learning and Development					
Investments in training and development	Rs. Mn	**24.92**	21.70	23.22	HC
Training programmes carried out	Number	**143**	130	68	HC
Total training hours	Hours	**54,922**	53,845	43,677	HC
Average training hours per employee	Hours	**6.96**	5.75	5.67	HC
Employee Wellbeing and Engagement					
Staff remuneration and benefits	Rs. Mn	**5,782.04**	4,902.96	4,095.93	HC
Internal staff promotions	Number	**947**	1,145	1,037	HC
Community					
Community development programmes	Number	**13**	18	18	SRC
Staff volunteered hours	Hours	**5,031**	7,552	7,132	SRC
Investment in CSR projects	Rs. Mn	**36.81**	27.35	20.20	SRC
G - Governance and Leadership					
Board Composition					
Total Directors	Number	**12**	12	10	HC
1. Female	Number	**2**	3	3	HC
2. Male	Number	**10**	9	7	HC
Independent Non-Executive Directors	Number	**6**	5	3	HC
Governance Structure					
Board sub-committees	Number	**7**	7	7	HC
Leadership Development					
Board level trainings	Number	**4**	9	1	HC
Leadership and motivational programmes	Number	**23**	12	4	HC

Our Journey of Movement and Growth

1971 – 1981 | 1982 – 2001 | 2002 – 2011 | 2012 – 2015



1971 – 1981

The First Turn of the Wheel

- Established as a private company on 30 May 1971 with its registered office in Colombo 10. The majority shareholding was held by Lewis Brown and Company Limited, laying the foundation for future growth

1982 – 2001

Expanding the Engine of Growth

- Transitioned into a public company and strengthened shareholding under Vanik Incorporation Limited
- Listed on the Colombo Stock Exchange, marking a key milestone in corporate growth
- Diversified into gold loans and established the first Gold Loan centre in Maradana
- Relocated Head Office to Colombo 07 and introduced innovative Savings products such as 'Siya Savi'

2002 – 2011

Turning Around, Accelerating Forward

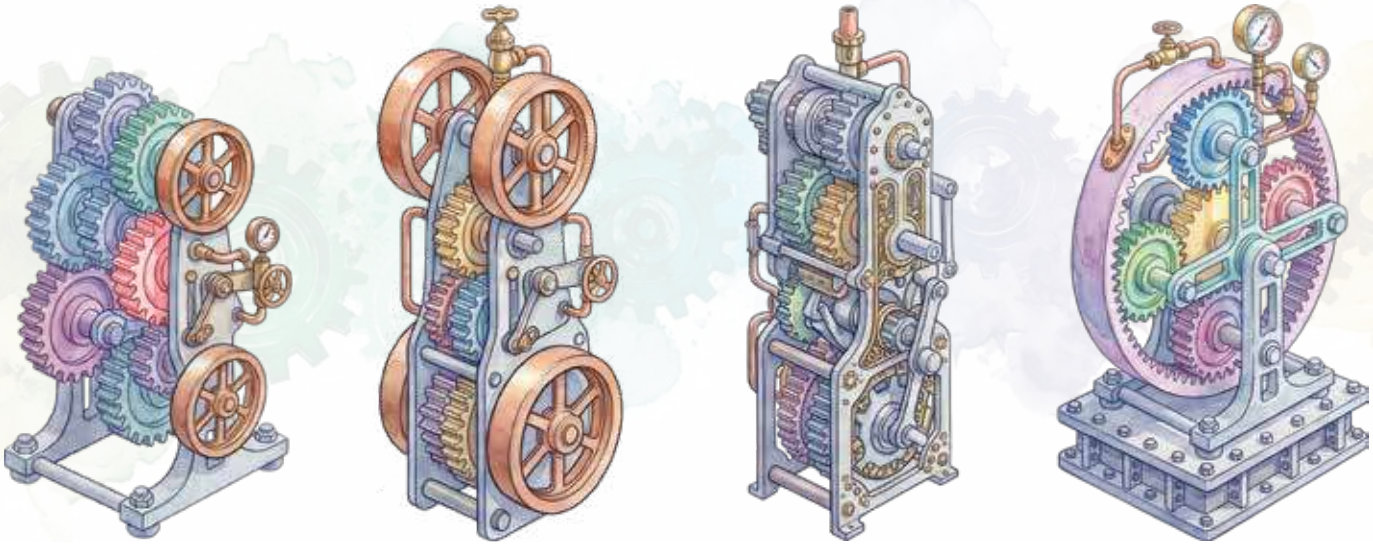
- A strategic transformation phase under new leadership, converting the Company into a profitable venture
- Achieved regulatory milestones and re-registered under the Companies Act No. 07 of 2007
- Expanded market presence into the North and East regions
- Strengthened digital capabilities with online platforms and doubled profits, surpassing Rs. 1 billion for the first time
- Became part of Vallibel One PLC and emerged as a leading Licensed Finance Company with improved credit ratings

2012 – 2015

Scaling Momentum, Strengthening Reach

- Relocated to a modern corporate office in Colombo 03 and introduced new financial products and services
- Undertook one of the largest expansion drives in the industry, significantly increasing branch presence
- Achieved recognition for excellence and sustainability, including ISO 27001 certification
- Strengthened market leadership with the largest deposit base and growing brand value
- Became the first carbon-neutral finance company in Sri Lanka
- Ranked 26 among the top 100 brands in the Country by Brand Finance

2016 – 2017 | 2018 – 2019 | 2020 – 2025 | 2026



2016 – 2017

Powering New Pathways

- Completed 45 years in the finance industry with a profit after tax growth of 70% (Rs. 3.7 Billion)
- Expanded digital offerings with the launch of LB e-connect
- Enhanced payment infrastructure through CEFTS integration and international remittance services via MoneyGram
- Surpassed Rs. 100 billion in assets and introduced new customer engagement initiatives

2018 – 2019

Crossing Borders, Embracing Change

- Upgraded the ratings from BBB+/P2 to A-/ P2 by RAM Ratings (Lanka) Limited
- Expanded internationally with entry into Myanmar
- Adopted cloud-based technologies to enhance operational efficiency
- Ranked among the top 20 brands in Sri Lanka by Interbrand

2020 – 2025

Intelligent Movement, Sustainable Growth

- Automation of the credit verification process and automation of the insurance renewal process
- Fully automated risk assessment scorecard for branches and Gold Loan centres
- Tied up with DRP to fast-track digital financial services
- Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs
- 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
- Opened 200th branch in Pallai
- Ranked 16 among the top 40 Corporates by Business Today

2026

Redefining Scale, Shaping the Future

- Entered the Philippine market, expanding our regional presence
- Awarded an A+ (Stable) credit rating by Lanka Rating Agency
- Enabled AI-driven personal loan approvals via the LB CIM app
- Among the first in South Asia to develop a carbon-neutral Annual Report microsite, with project lifecycle emissions measured and offset
- First financial institution in Sri Lanka to commit to the Science Based Targets initiative (SBTi)
- First in Sri Lanka's finance industry to obtain an ESG Rating (AAA)
- First NBFI in Sri Lanka to achieve ISO 14001 certification

Year in Review



April
Murunkan Branch Opening Ceremony



May
LB Pinnacle Club and Silver Circle Awards



June
Behavioural Training Space for Children with Autism



July
Launch of LB Sanmitha for MSME Sector



August
Toyota Experience Zone



September
Kedella and Motor Show 2025



October
'Arunu Dora' - National Initiative to Promote Reading



November
MoU Signing with Green Building Council of Sri Lanka



December
Donation to National Disaster Relief Services Centre for 'Ditwah' cyclone



January
Pongal Celebration in Chavakachcheri



February
TAGS Awards 2025



March
Ittapana Mangrove Reforestation

Strategy and Value Creation

Gears that Set Direction and Drive Progress

Movement that Adapts, Movement that Performs

Like interlocking cogs that shift with precision, strategy ensures that movement responds to the road ahead. As conditions change, pace and direction are adjusted to sustain momentum. This is how performance is managed, measured, and strengthened at LB Finance, through every turn.

Automotive transmission gears form a system that adjusts seamlessly to changing conditions and ensures the right balance of speed, control and performance at every moment.



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81 Strategic Focus and Resource Allocation | **86** Movement Beyond 2026

Chairman's Statement



LBF remains deeply connected to the nation's economic progress through its continued commitment to empowering individuals, businesses and communities across Sri Lanka. As a trusted institution within the financial services sector, we recognise our role in supporting economic advancement by expanding financial inclusion, enabling entrepreneurship and facilitating access to responsible financial solutions that contribute to sustainable development.

G A R D PRASANNA | Chairman

CHAIRMAN'S STATEMENT - DIGITAL VERSIONS

Readable Version

In English	In Sinhala	In Tamil
DOC **3**	DOC **4**	DOC **5**

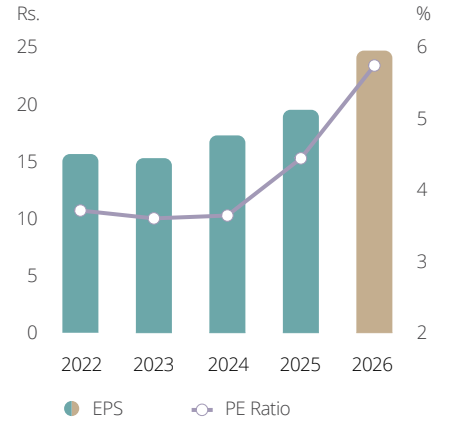
Audible Version

English	Sinhala	Tamil
PLAY **2**	PLAY **3**	PLAY **4**

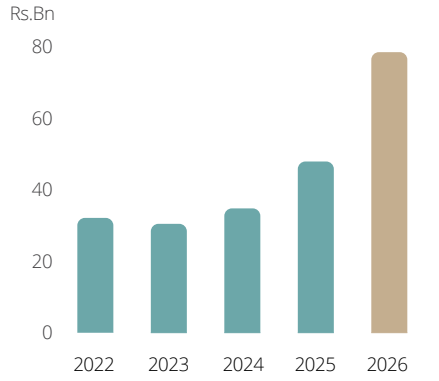
ACCESSIBLE FORMATS

Explore this statement through trilingual PDF and audio formats for a more accessible and engaging experience. These resources are designed to ensure information is available to a wider audience, promoting inclusivity and ease of access

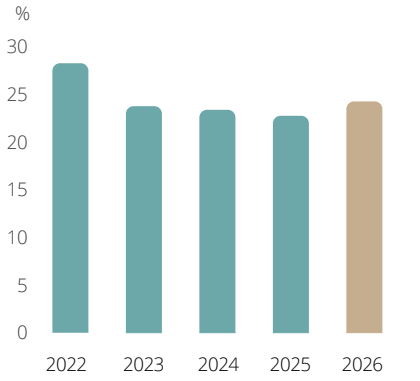
EPS and PE Ratio



Market Capitalisation



Return on Equity



FROM STABILISATION TO OPPORTUNITY

The financial year 2025/26 marked an important turning point in Sri Lanka's economic recovery, as improving macroeconomic conditions and greater political stability gradually restored confidence across businesses and consumers. A more supportive interest rate environment during the early part of the year helped reactivate credit demand and support broader economic activity across several sectors.

Several developments further amplified this momentum. The lifting of the vehicle importation ban unlocked pent-up demand within the mobility sector, while stronger business sentiment, steady remittance inflows, improving tourism activity and renewed investment confidence supported the continued impetus towards economic growth. Importantly, the recovery of the micro, small and medium-sized enterprise sector gained further traction, reinforcing its role as a critical engine of employment, entrepreneurship and regional economic progress.

While adverse weather conditions towards the latter part of the third quarter created temporary disruptions across several segments of the economy, the broader direction remained positive. On the whole, the year reflected a distinct transition from stabilisation towards opportunity, creating a stronger platform for enterprise, investment and growth.

AN EXCEPTIONAL PERFORMANCE

Against this improving macroeconomic backdrop, the Group delivered an outstanding performance in 2025/26, recording profit before tax of Rs. 20.45 billion (2024/25: Rs. 16.41 billion) and profit after tax of Rs. 14.04 billion (2024/25: Rs. 10.86 billion), supported by gross income of Rs. 62.90 billion (2024/25: Rs. 47.16 billion).

The year marked record-breaking results, with the Company recording its highest ever pre-tax profit of Rs. 19.88 billion, reflecting growth of 22%, while profit after tax increased by 27% to Rs. 13.67 billion. Gross income reached Rs. 60.03 billion, representing growth of 28%, demonstrating strong business momentum and disciplined execution during the year.

Capital adequacy and liquidity buffers remained at healthy levels, while asset quality continued to strengthen through disciplined underwriting practices, prudent credit risk management and proactive portfolio monitoring, enabling the Company to maintain the one of the industry's lowest NPL ratio. The Company also drive sustainable margins through calibrated asset-liability management strategies, ensuring performance was achieved without compromising resilience or long-term stability.

This performance reflects the strength of LBF's business model and its ability to consistently deliver strong outcomes through changing market conditions, while maintaining the discipline, prudence and resilience requisite of a leading financial services institution.

A LEGACY OF PERFORMANCE AND TRUST

The achievements of the year are rooted in a broader legacy of adaptability, consistency and enduring institutional strength. Over the years, LBF has built a strong track record of sustained performance, demonstrating steady growth, sound financial discipline and the ability to create value across changing economic cycles.

Chairman's Statement

We consolidated our position within mobility financing through the acquisition of a controlling stake in Associated Motor Finance PLC, thereby strengthening our presence within a strategically important market segment.

This consistency is anchored in the strong fundamentals upon which the organisation has been built combining prudent governance, operational excellence, customer trust and a clearly articulated long-term vision that continues to guide our progress.

Each period of uncertainty has strengthened our ability to adapt, respond and move forward with purpose, shaping the institutional knowledge and strategic perspective that steer the Company today. It is this strong foundation that has enabled LBF to remain steadfast, preserve momentum and retain both relevance and leadership across generations.

CONTRIBUTING TO NATIONAL ECONOMIC PROGRESS

LBF remains deeply connected to the nation's economic progress through its continued commitment to empowering individuals, businesses, and communities across Sri Lanka. As a trusted institution within the financial services sector, we recognise our role in supporting economic advancement by expanding financial inclusion, enabling entrepreneurship, and facilitating access to responsible financial solutions that contribute to sustainable development.

Our continued focus on micro, small and medium-sized enterprises reflects our belief that sustainable growth must be inclusive and far-reaching.

As key drivers of entrepreneurship, employment, and regional economic activity, MSMEs remain integral to Sri Lanka's long-term economic progress.

Supported by the sector's largest branch network spanning 225 locations and a rapidly expanding digital ecosystem, LBF continues to bring financial access closer to individuals, entrepreneurs and businesses across urban and rural communities. This reach enables us to support livelihoods, strengthen enterprise and promote broader economic participation across the country.

As the largest taxpayer within the NBFI sector and an organisation employing 4,500+ individuals, our contribution extends beyond financial services. We remain deeply connected to Sri Lanka's development journey, helping expand opportunity, employment and inclusive growth across society at large.

ACCELERATING DIGITAL TRANSFORMATION

During the year under review, LB Finance continued to strengthen its digital capabilities in line with evolving customer expectations and the increasing adoption of digital financial services across the country. The Company remained focused on progressively enhancing its digital platforms, customer accessibility, and operational efficiency within an increasingly interconnected financial landscape.

At the centre of this transformation, the LB CIM platform continued to strengthen its position as a key pillar of the Company's long-term digital agenda, processing over 6 million transaction volumes during the year.

As digital adoption accelerates across the country, we remain committed to investing in future ready digital capabilities that deepen customer engagement, enhance service delivery and support broader financial inclusion. Looking ahead, our ambition is to further evolve our digital ecosystem into a more integrated platform that seamlessly connects financial solutions, lifestyle services and customer experiences within a unified ecosystem.

EXPANDING INTO NEW FRONTIERS

During the year, LBF took significant steps towards shaping the foundations that will define its next phase of growth. Through targeted investments and expansion into adjacent and emerging segments, we continue to build a broader, more future-ready business positioned to serve evolving customer needs and capture new sources of value.

We consolidated our position within mobility financing through the acquisition of a controlling stake in Associated Motor Finance, thereby strengthening our presence within a strategically important market segment.

We also expanded into emerging growth segments, including affordable housing, SME financing, electric mobility, and energy-efficient financing solutions, aligning the business with evolving national priorities and long-term market opportunities. Reflecting our broader regional aspirations, the Company made an advance investment towards establishing operations in the Philippines, with the venture expected to commence operations during the forthcoming financial year, focusing on microfinance and auto finance solutions.

BUILDING A FUTURE-READY INSTITUTION

Beyond financial performance and market expansion, we continued to prioritise strengthening the structures, processes and institutional frameworks that will enable LBF to grow with discipline, agility and resilience.

Our commitment to responsible stewardship was reflected in continued enhancements across governance, risk management, cybersecurity, transaction monitoring and data governance, ensuring that the Company's growth remains supported by strong oversight and institutional integrity.

Sustainability also remained a core element of our long-term strategy, as we continued to strengthen our environmental and climate related agenda through enhanced accountability, improved environmental management practices and a growing focus on sustainable financing.

At the same time, we continued to invest in talent retention, leadership development and continuous learning, recognising that the dedication, capability and commitment of our people remain fundamental to the Company's long-term success.

THE WAY FORWARD

As we look ahead, LBF enters the new financial year from a position of strength. Improving economic fundamentals, stronger business activity and rising digital adoption provide a positive platform for expansion, while our strong balance sheet, trusted brand and proven execution capabilities give us the confidence to pursue opportunity with discipline.

As LBF evolves within an increasingly competitive financial landscape, our vision remains clear: to ensure that LBF continues to be the first name in finance for individuals, entrepreneurs and businesses across Sri Lanka.

Our ambition extends beyond financial growth alone. We aspire to build an institution whose reach, technology, products and services contribute meaningfully towards national economic and social progress, enabling opportunity, supporting enterprise, advancing financial inclusion and creating enduring value for all stakeholders.

APPRECIATION

On behalf of the Board, I extend my sincere appreciation to our customers, employees, regulators, business partners, and shareholders for their continued trust, confidence, and support extended to LB Finance throughout the year.

I also wish to place on record our deepest appreciation to Mr. Sumith Adhihetty for his outstanding contribution, exemplary leadership, and dedicated service rendered to LB Finance during his tenure as Managing Director. His vision, stewardship, and unwavering commitment have played a pivotal role in strengthening the institution, enhancing its resilience, and shaping its long-term strategic direction. We thank him for his invaluable service and wish him every success and fulfilment in his future endeavours.

I am also pleased to extend a warm welcome to Mr. Niroshan Udage on his appointment as Managing Director of LB Finance. With his extensive industry expertise, strategic insight, and leadership capabilities, we are confident that he will guide the Company through its next phase of growth, innovation, and value creation.

We look forward to working closely with him as we continue to build on our strong foundations and pursue new opportunities.

Further, on behalf of the Board, I warmly welcome Mr. Ravindra Tissera and Prof. T. N. K. De Zoysa to the Board of Directors. We look forward to benefiting from their extensive experience, valuable insights, and guidance as we continue to steer the Company through an evolving business landscape and support its long-term growth and transformation.

I further extend my gratitude to the management team and every member of the LB Finance team, whose passion, resilience, and dedication were instrumental in delivering the exceptional performance achieved during the year. I also thank my fellow Board members for their continued guidance, counsel, and stewardship, which have been invaluable in navigating opportunities and challenges alike.

Together, we remain committed to creating sustainable value for all stakeholders and advancing LB Finance's position as one of Sri Lanka's most trusted and respected financial institutions.



G A R D Prasanna
Chairman

29 May 2026

Managing Director's Statement



In 2025/26, the Company delivered a strong financial performance while preserving balance sheet resilience, maintaining disciplined underwriting standards and strengthening operational efficiency across the business. Profit before tax amounted to Rs. 19.88 Bn., while profit for the year reached Rs. 13.67 Bn.

NIROSHAN UDAGE | Managing Director

MANAGING DIRECTOR'S STATEMENT - DIGITAL VERSIONS

Readable Version

In English	In Sinhala	In Tamil
DOC **6**	DOC **7**	DOC **8**

Audible Version

English	Sinhala	Tamil
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ACCESSIBLE FORMATS

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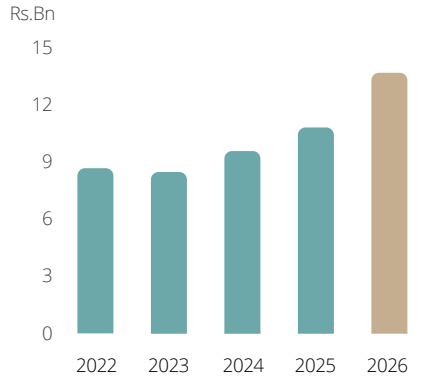
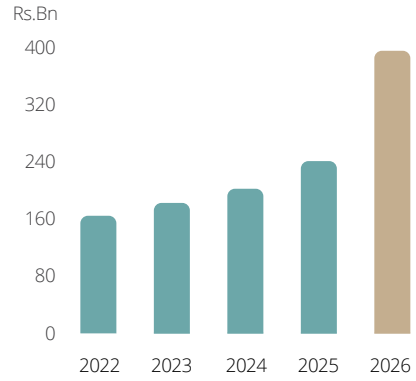
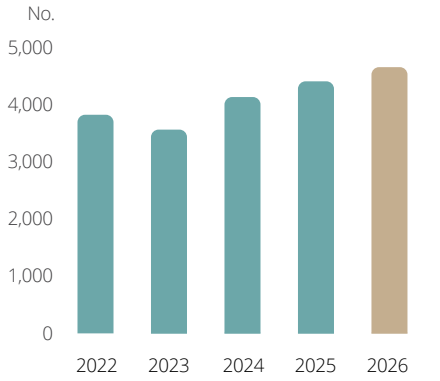
Profit After Tax



Total Assets



Number of Employees



EXECUTING WITH DISCIPLINE, SCALING WITH PURPOSE

The financial year 2025/26 marked a defining year for LBF, characterised by strong operational execution, record financial performance, accelerated digital adoption and continued progress in strengthening portfolio quality across the business. As Sri Lanka's operating environment gradually stabilised and economic activity strengthened across key sectors, our focus remained firmly centred on disciplined growth, operational resilience, customer accessibility and long-term value creation.

Throughout the year, we remained committed to converting improving market conditions into sustainable business outcomes. This involved expanding our lending portfolio with prudence, enhancing customer engagement across physical and digital channels, improving productivity across the organisation, strengthening partnerships and preserving strong risk discipline across all areas of operation.

The results achieved during the year reflect the strength of our operating model, the quality of execution across the organisation and the collective commitment of our teams across branch operations, digital platforms, recoveries, risk management, finance, technology and other support functions.

FINANCIAL PERFORMANCE DRIVEN BY OPERATIONAL DISCIPLINE

In 2025/26, the Company delivered a strong financial performance while preserving balance sheet resilience, maintaining disciplined underwriting standards and strengthening operational efficiency across the business. Profit before tax amounted to Rs. 19.88 billion, while profit for the year reached Rs. 13.67 billion, supported by growth in operating income, disciplined cost management.

During the year, the Company continued to strengthen its lending business through disciplined portfolio expansion across strategically important segments. Supported by improving market conditions and healthy customer demand, the lending portfolio recorded strong growth, reinforcing LB Finance's position as one of Sri Lanka's leading and most diversified Non-Bank Financial Institutions.

Total assets increased by 64%, to Rs. 395.33 billion, while deposits grew by 25%, to Rs. 173.33 billion, reflecting continued customer confidence in the Company's financial strength, liquidity and long-standing market reputation.

Asset quality improved further during the year, with disciplined credit monitoring, strengthened recovery mechanisms and prudent risk management contributing towards the Company maintaining one of the industry's lowest NPL ratio of 1.35%. The Company also delivered sustained shareholder returns, recording a Return on Equity of 24.28% and Return on Assets of 4.30%, reflecting disciplined growth, operational efficiency and prudent capital utilisation.

Importantly, the year demonstrated that scale and discipline can successfully coexist. The Company expanded its business, strengthened portfolio quality, preserved liquidity and capital strength and maintained prudent governance standards, all while continuing to enhance customer accessibility and operational scalability across the organisation.

Managing Director's Statement

SCALING DIGITAL TRANSFORMATION

Digitalisation continued to be a key driver of transformation across the business during the year, as LBF further strengthened its technology capabilities, digital infrastructure and operational agility to support evolving customer expectations and changing behavioural trends across the financial services landscape.

Digital engagement accelerated significantly during the year, with total transaction volume through LB CIM exceeding Rs. 300 billion, reflecting the platform's growing importance within the Company's customer ecosystem. More importantly, LB CIM continued to strengthen customer accessibility, service convenience and operational scalability across the organisation, supporting deeper customer engagement while improving efficiency across multiple business functions.

During the year, the Company advanced several strategic digital initiatives aimed at strengthening operational efficiency, decision making capability and customer responsiveness. This included streamlining loan settlement processes through the Eclipse module, integrating AI-powered credit appraisal and scoring models, enhancing cloud-based data architecture and analytics capabilities and accelerating process digitalisation and automation across key operational areas.

At the same time, considerable emphasis was placed on strengthening infrastructure resilience, cybersecurity governance and information security capabilities amidst an increasingly complex digital risk environment. Enhanced cybersecurity monitoring systems, advanced threat intelligence capabilities and strengthened transaction security mechanisms were implemented during the year. The Company also successfully sustained its ISO 27001:2022 Information Security certification, reaffirming LBF's commitment towards maintaining internationally recognised standards in information security and data protection.

EXPANDING ACCESS AND ENABLING ENTERPRISE

Our operating model continues to be built around customer proximity, market understanding and the ability to deliver relevant financial solutions across diverse customer segments. During the year, we witnessed growing demand across individuals, entrepreneurs and businesses seeking access to mobility finance, working capital solutions, gold loans, leasing and other income generating financial facilities.

The launch of LB Sanmitha marked an important milestone in strengthening our support for MSMEs and emerging entrepreneurs. Designed to provide more accessible financing solutions across underserved segments, the initiative reflects our commitment towards enabling entrepreneurship, supporting livelihoods and expanding economic participation across the country.

As the largest branch network within Sri Lanka's NBFI sector, our islandwide presence remains a significant strategic advantage. Combined with our expanding digital channels, this reach enables us to serve customers across both urban and rural communities with speed, local insight and relationship-driven service delivery.

PARTNERSHIPS AND CUSTOMER ECOSYSTEMS

During the year, we continued to strengthen our customer proposition through strategic partnerships across automotive, healthcare, mobility, agriculture and lifestyle-related sectors. These collaborations enabled us to position financial services closer to customer decision points while creating more integrated customer experiences across multiple touchpoints.

Partnerships with organisations including Toyota Lanka, DIMO, Browns EV, Hayleys Group entities and E-Channelling PLC supported this direction by enhancing accessibility, improving convenience and enabling more connected customer journeys across selected segments.

As customer behaviour continues to evolve, these partnerships also create opportunities for LBF to further integrate lending, payments and lifestyle-oriented services within a broader ecosystem-based operating model.

FUNDING, LIQUIDITY AND FINANCIAL CAPACITY

Maintaining a stable, diversified and cost-efficient funding structure remained a key priority during the year. Reflecting the confidence placed in LBF by both domestic and international stakeholders, the Company successfully strengthened its funding base while preserving liquidity and financial flexibility amidst changing market conditions.

Customer deposits continued to form a core component of the Company's funding profile, supported by the strong trust and confidence placed in the institution by depositors across the country. At the same time, the Company also secured USD 60 million in foreign funding during the year, further enhancing liquidity and supporting future growth opportunities.

Our disciplined approach towards liquidity management, funding diversification and asset-liability optimisation enabled the Company to support business expansion while preserving financial stability and resilience across the balance sheet.

OPERATIONAL EFFICIENCY AND RISK MANAGEMENT

Operational efficiency remained central to our performance during the year. Across the organisation, we continued to strengthen process discipline, improve service delivery, optimise costs and utilise data-driven insights to enhance operational decision-making.

These efforts contributed towards margin protection, improved productivity and stronger operational scalability across the business. At the same time, disciplined credit monitoring, enhanced recovery mechanisms and more proactive portfolio oversight further strengthened asset quality during the year.

The launch of LB Sanmitha marked an important milestone in strengthening our support for MSMEs and emerging entrepreneurs. Designed to provide more accessible financing solutions across underserved segments, the initiative reflects our commitment towards enabling entrepreneurship, supporting livelihoods and expanding economic participation across the country.

As digital adoption accelerated, the importance of cybersecurity, data governance, operational resilience and regulatory compliance continued to increase significantly. In response, the Company further strengthened its control environment across information security, operational risk management, transaction monitoring and governance frameworks to ensure the continued protection of customer trust, business continuity and system integrity.

SUSTAINABILITY IN OPERATIONS

Sustainability continues to become increasingly embedded within the way LBF manages its operations, lending practices and long-term strategic direction. During the year, we further strengthened our ESG Policy 2.0, ESG Roadmap 2.0 and Environmental and Social Management System, enabling greater integration of environmental and social considerations into operational decision-making, lending practices and risk assessment processes.

Reflecting our continued commitment towards responsible and sustainable business practices, LBF also became the first finance company in Sri Lanka to obtain ISO 14001 environmental management certification, reinforcing the Company's leadership in institutionalising internationally recognised environmental management standards across its operations.

During the year, the Company also completed its second carbon footprint assessment covering Scope 1, Scope 2 and Scope 3 emissions, utilising globally recognised methodologies including the Greenhouse Gas Protocol (GHG Protocol), ISO 14064 standards and the Partnership for Carbon Accounting Financials (PCAF) methodology. These initiatives further strengthened the Company's climate accountability framework while improving the measurement, management and transparency of operational and financed emissions across the organisation.

As climate-related considerations continue to gain importance globally and locally, LBF remains committed to aligning its sustainability agenda with Sri Lanka's broader environmental priorities and national climate commitments, including supporting the country's Nationally Determined Contributions (NDCs) and long-term transition towards a lower-carbon and more sustainable economy.

INVESTING IN PEOPLE AND SERVICE CULTURE

Our people remain fundamental to the performance, resilience and long-term success of LBF. With a workforce exceeding 4,665 employees, our priority during the year remained focused on strengthening capability, developing leadership, preserving service standards and creating meaningful opportunities for professional growth across the organisation.

As competition for talent intensified across the financial services sector, we continued to invest in recruitment, learning and development, performance management, employee engagement and leadership succession initiatives designed to strengthen institutional capability over the long-term.

Initiatives such as the Super Grade Branch Manager programme further reflected our commitment towards recognising high-performing talent, strengthening leadership pipelines and building the management capabilities required to sustain operational excellence across our islandwide network.

The dedication, adaptability and resilience demonstrated by our teams across the country remained central to the Company's achievements during the year and continue to represent one of the organisation's greatest strengths.

RECOGNITION FOR EXCELLENCE

The Company's performance during the year was further validated through a wide range of awards and recognitions across reporting, governance, digital innovation, customer convenience, sustainability, financial inclusion and operational excellence.

LBF secured over 20 awards and recognitions during the year, including significant accolades at the TAGS Awards, SAFA Awards, CMA Excellence in Integrated Reporting Awards and LankaPay Technovation Awards. These recognitions affirm the strength of the Company's governance standards, reporting quality, digital capabilities, customer-centricity and commitment towards operational excellence.

Collectively, these achievements reflect the discipline, innovation, transparency and service standards that continue to define LBF's operating model and institutional culture.

Managing Director's Statement

As competition for talent intensified across the financial services sector, we continued to invest in recruitment, learning and development, performance management, employee engagement and leadership succession initiatives designed to strengthen institutional capability over the long-term.

PERFORMANCE OF SUBSIDIARIES

The acquisition of Associated Motor Finance Company PLC (AMF) during the year represented a significant milestone in advancing the Group's diversification strategy and strengthening its presence within Sri Lanka's financial services sector. As at 31 March 2026, AMF maintained a solid financial position with total assets of Rs. 22.30 billion, supported by a lending portfolio of Rs. 18.82 billion and customer deposits of Rs. 15.59 billion.

LB Microfinance Myanmar Company Limited continued to contribute to the Group's regional diversification objectives, demonstrating resilience and steady business expansion despite a challenging operating environment. The lending portfolio increased to Rs. 2.20 billion, while total assets grew to Rs. 2.31 billion. Customer deposits also increased to Rs. 638.01 million during the year, reflecting continued progress in customer acquisition, funding mobilisation and market penetration.

LOOKING AHEAD

As we look towards the future, our strategic direction remains anchored on three key priorities, new technology, new markets and new products. These priorities will guide how we continue to scale the business, deepen customer engagement and strengthen competitiveness within an increasingly dynamic financial services landscape.

Our focus will remain on advancing digital capabilities, improving operational efficiency, expanding strategically across selected markets and segments and developing more integrated financial solutions aligned with evolving customer needs and behavioural trends. Following the successful introduction of the virtual card under the UnionPay platform, the Company will continue to strengthen its digital payment capabilities and lifestyle ecosystem during the upcoming financial year. We also remain committed to supporting the Central Bank of Sri Lanka's National Financial Inclusion Strategy through the continued expansion of LankaQR-enabled payment solutions, improving accessibility, convenience and broader adoption of digital financial services across the country.

Reflecting our longer-term regional ambitions, the Company also made a strategic investment towards establishing operations in the Philippines, with the business expected to commence operations during the upcoming financial year focusing on microfinance and auto finance solutions.

Supported by a strong balance sheet, trusted brand, expanding ecosystem and committed workforce, LB Finance enters the future with confidence in its business model, strategic direction and ability to continue executing with discipline while scaling with purpose.

APPRECIATION

I extend my sincere appreciation to our customers for their continued trust and loyalty, and to our business partners and regulators for their guidance, collaboration and support throughout the year.

I am deeply grateful to every member of the LB Finance team for their professionalism, commitment and contribution. The achievements of the year reflect their collective expertise, customer-centric approach and steadfast focus on delivering excellence across our operations.

I would also like to place on record my sincere appreciation to the former Managing Director, Mr. Sumith Adhihetty, for his distinguished leadership to LB Finance PLC.

I also wish to thank the Chairman and the Board of Directors for their continued guidance, support and confidence as we continue to strengthen an organisation that is agile, responsible, future-ready and well-positioned to capitalise on the opportunities ahead while creating sustainable value for all stakeholders.



Niroshan Udage
Managing Director

29 May 2026

Chief Financial Officer's Review



"FY 2025/26 was characterised by continued balance sheet expansion and disciplined financial stewardship. Total assets increased to Rs. 395.33 billion, loans and receivables grew to Rs. 312.66 billion and the acquisition of Associated Motor Finance Company PLC expanded the Group's asset base beyond Rs. 400 billion. Throughout the year, management remained focused on maintaining liquidity, funding flexibility and capital strength to support sustainable growth and long-term value creation."

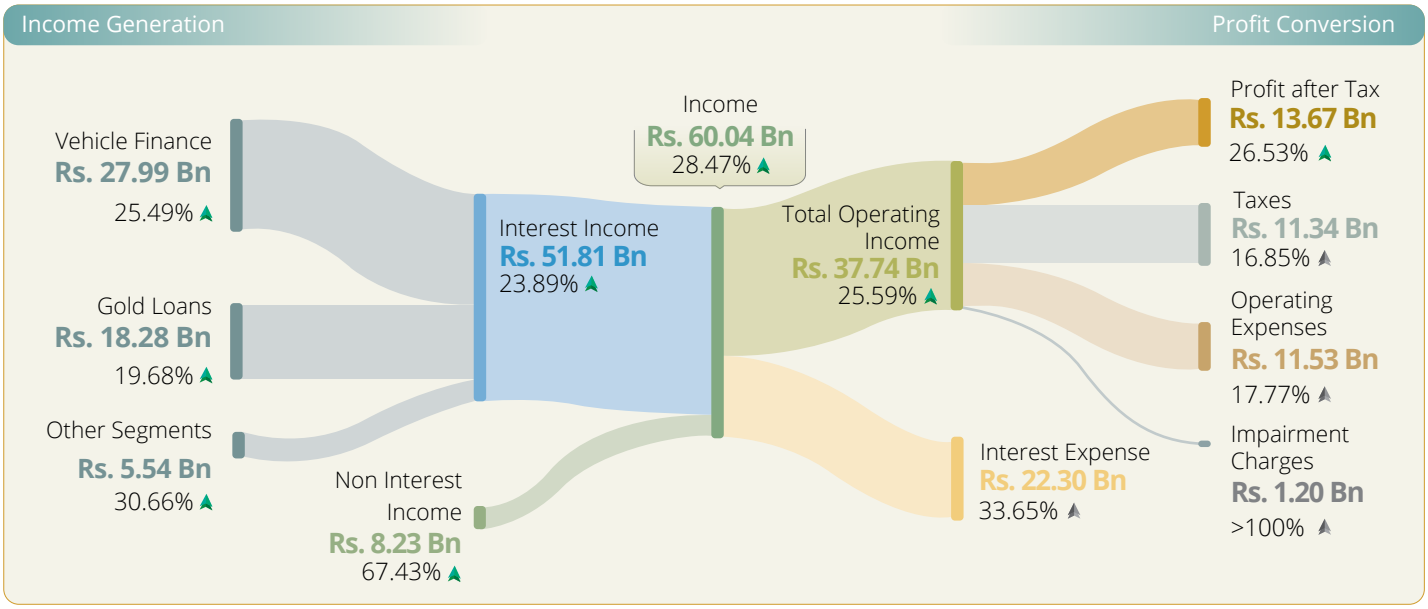
MALITH HEWAGE | Chief Financial Officer

DRIVING SUSTAINABLE FINANCIAL PERFORMANCE

"Strong portfolio growth, disciplined financial management and operational efficiency supported improved profitability during the year."

Key Financial Indicators	2026	2025	Change
Total Income	Rs. 60.04 Bn	Rs. 46.73 Bn	+28%
Net Interest Income	Rs. 29.50 Bn	Rs. 25.13 Bn	+17%
Operating Profit before Tax on Financial Services	Rs. 25.01 Bn	Rs. 20.51 Bn	+22%
Profit after Tax	Rs. 13.67 Bn	Rs. 10.81 Bn	+27%
Cost to Income Ratio	30.52%	32.58%	Improved
Effective Income Tax Rate	31.25%	33.91%	Improved

EARNINGS FLOW AND PROFITABILITY DRIVERS

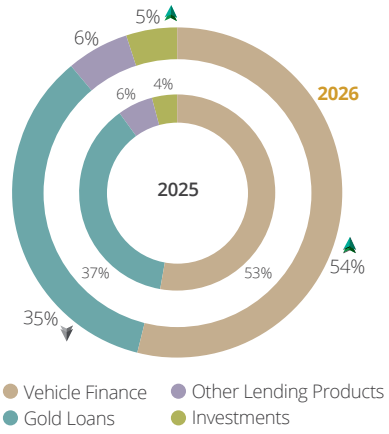


Chief Financial Officer's Review

NET INTEREST INCOME

Interest income grew by 23.89% to Rs. 51.81 billion, reflecting strong growth in average lending volumes across key business segments, particularly vehicle financing and gold backed lending.

Composition of Interest Income



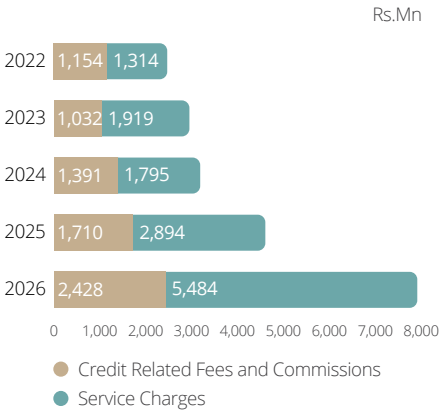
Interest expenses increased by 33.65% to Rs. 22.30 billion, mainly due to the elevated interest rate environment and higher funding requirements associated with portfolio growth. Increased reliance on bank borrowings, foreign borrowings and securitisation funding during the year also contributed to the rise in funding costs.

Despite the pressure arising from elevated funding costs, the Company was able to maintain healthy interest margins through disciplined asset pricing, portfolio optimisation and continued growth in earning assets, reflecting the strength of its core lending franchise and its ability to effectively manage spreads in a dynamic operating environment.

NON INTEREST INCOME

Non interest income demonstrated significant growth during the year, with fee and commission income increasing by 71.83% to Rs. 7.91 billion. The increase was primarily driven by higher credit related fees associated with increased lending volumes, together with growth in gold loan service charge income, strengthening recurring fee based income and revenue diversification.

Fee and Commission Income



IMPAIRMENT CHARGES AND CREDIT QUALITY

Impairment charges for the year amounted to Rs. 1.20 billion, largely reflecting the continued expansion of the lending portfolio and the corresponding increase in Stage 1 provisioning requirements under SLFRS 09. The increase in impairment provisions was primarily driven by growth in performing loan exposures and the prudent recognition of expected credit losses in line with portfolio expansion.

Notably, the Company recorded net reversals in Stage 3 impairments after considering recoveries from previously written-off exposures. This positive outcome was supported by continued improvements in credit underwriting standards, strengthened recovery mechanisms, vigilant credit monitoring practices and disciplined portfolio management initiatives implemented amidst gradually improving macroeconomic conditions. These measures contributed towards improved management of portfolio quality and overall credit risk across the lending portfolio.

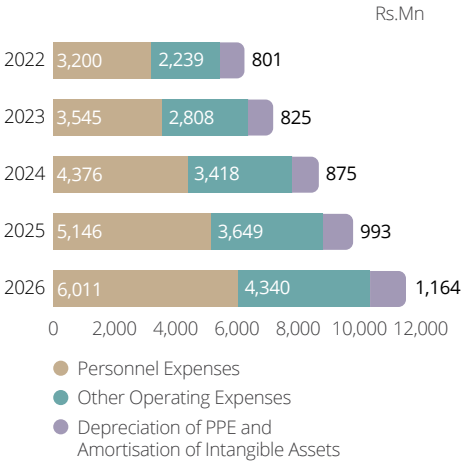
The Company continued to maintain sound credit quality indicators during the year, with the gross NPL ratio improving to 1.35% while the net NPL ratio remained at -1.24%, reflecting healthy impairment coverage levels maintained against non performing exposures. In addition, the Stage 3 impairment coverage ratio stood at 72.61%, underscoring the Company's prudent provisioning approach, sound asset quality and disciplined credit risk management practices.

OPERATING EXPENSES

Operating expenses increased by 17.77% to Rs. 11.53 billion, mainly due to higher personnel costs and variable operational overheads associated with portfolio expansion and business growth initiatives.

The increase also reflects ongoing investments in human capital, operational capabilities, technology enablement and business development activities undertaken to support long-term growth and service delivery enhancements.

Operating Expenses



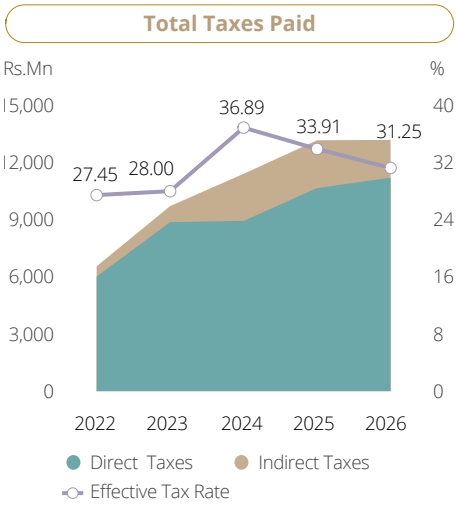
Despite the increase in costs, income growth significantly outpaced operating expense growth, resulting in an improvement in the cost to income ratio to 30.52% from 32.58% in the previous year, reflecting continued focus on operational efficiency, productivity improvements and disciplined cost management.

TAXATION AND ECONOMIC CONTRIBUTION

The Company continued to make a significant contribution to government revenue during the year and remained among the highest taxpayers within the NBFI sector. Total taxes paid during the year amounted to approximately Rs. 13.72 billion, comprising income taxes, value added tax on financial services, social security contribution levy and other indirect taxes.

Income tax expense increased to Rs. 6.20 billion from Rs. 5.54 billion in the previous year, in line with higher taxable profits generated during the year. The effective tax rate declined to 31.25% from 33.91%, supported by the recognition of qualifying tax benefits amounting to Rs. 1.24 billion arising from the acquisition of Associated Motor Finance Company PLC.

Despite the elevated tax environment applicable to the financial services sector, the Company continued to maintain strong profitability, generate sustainable shareholder returns and make a substantial contribution to the national economy.



STRENGTHENING FINANCIAL STABILITY

"Prudent liquidity management and diversified funding mobilisation strengthened the Company's financial position and supported strong business growth during the year."

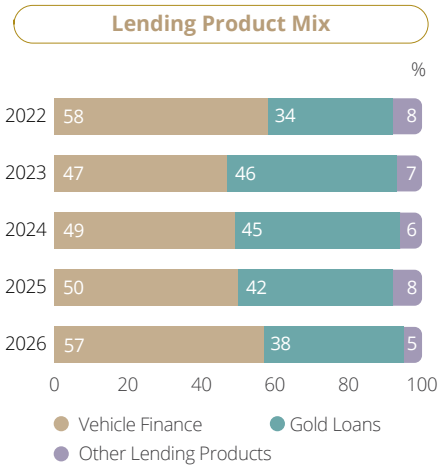
Key Financial Indicators	2026	2025	Change
Total Assets	Rs. 395.33 Bn	Rs. 240.89 Bn	+64%
Loans and Receivables	Rs. 312.66 Bn	Rs. 197.77 Bn	+58%
Customer Deposits	Rs. 173.33 Bn	Rs. 138.50 Bn	+25%
Debt Funding	Rs. 148.37 Bn	Rs. 42.42 Bn	>100%
Total Equity	Rs. 61.38 Bn	Rs. 51.27 Bn	+20%
Cash and Cash Equivalents	Rs. 18.72 Bn	Rs. 9.02 Bn	>100%

ASSET GROWTH AND PORTFOLIO EXPANSION

Total assets increased by 64.11% to Rs. 395.33 billion as at 31 March 2026, primarily driven by the expansion of lending activities across key business segments. Financial assets at amortised cost, comprising loans and receivables, increased by 58.10% to Rs. 312.66 billion.

Growth across the lending portfolio remained broad based during the year, led by Gold Loans which increased to Rs. 117.95 billion, supported by continued customer demand and portfolio expansion. Vehicle Financing activities also recorded growth during the year, with the overall Vehicle Financing portfolio increasing to Rs. 177.25 billion, comprising Vehicle Loans of Rs. 93.64 billion, Lease Receivables of Rs. 37.90 billion and Power Draft facilities amounting to Rs. 45.71 billion. Impairment provisions increased in line with portfolio expansion and prudential provisioning requirements under SLFRS 09.

Interest earning assets continued to represent a significant proportion of the total asset base at 93.23%, underscoring the Company's continued focus on optimising balance sheet deployment through growth in income generating assets and efficient capital allocation.



FUNDING AND LIABILITY MANAGEMENT

Total liabilities increased by 76.11% to Rs. 333.95 billion during the year, primarily driven by the funding requirements arising from strong lending growth and balance sheet expansion.

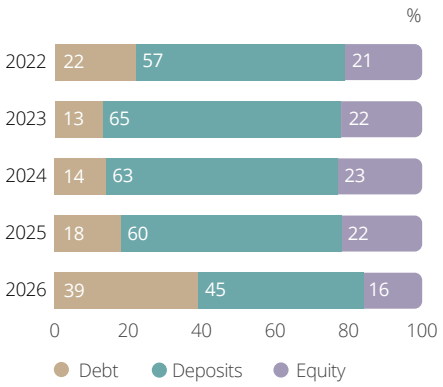
Deposits increased by 25.15% to Rs. 173.33 billion and continued to represent the Company's primary and most stable source of funding, with fixed deposits remaining the dominant contributor to the deposit base.

Chief Financial Officer's Review

Due to banks increased to Rs. 102.97 billion as the Company expanded its utilisation of bank funding facilities to support portfolio growth and liquidity management.

In addition, debt instruments issued and other borrowed funds increased significantly to Rs. 45.40 billion, supported by increased securitisation related funding arrangements and long-term borrowings obtained from international financial institutions including Enabling Qapital, BlueOrchard and responsAbility.

Funding Mix



The Company continued to diversify its funding base while maintaining adequate liquidity and funding flexibility. The Company also remained fully compliant with all loan covenants and repayment obligations throughout the year.

LIQUIDITY AND CASH FLOW MANAGEMENT

The Company continued to focus on liquidity management and funding flexibility during the year amidst balance sheet expansion and lending growth.

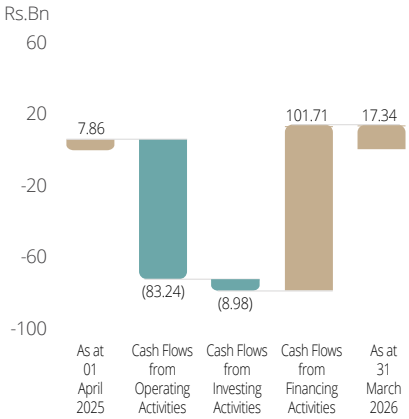
Cash and cash equivalents more than doubled to Rs. 18.72 billion, supported mainly by increased investments in short-term reverse repurchase agreements and higher balances maintained with banks. Other financial assets also increased to Rs. 40.54 billion, mainly due to growth in treasury related placements and short-term liquid investments. Financial assets measured at fair value through profit or loss also increased during the year, primarily reflecting higher investments in unit trusts.

Net cash used in operating activities increased to Rs. 83.24 billion, primarily driven by the expansion in loans and receivables during the year. The increase in lending activities was partly supported by growth in customer deposits and diversified debt funding.

Investing activities recorded a net cash outflow of Rs. 8.98 billion, mainly due to investments undertaken to support future business growth and operational capacity enhancement. Financing activities generated a net cash inflow of Rs. 101.71 billion, supported by funding mobilisation through bank borrowings, foreign funding facilities and securitisation related funding arrangements.

Consequently, cash and cash equivalents increased to Rs. 17.34 billion from Rs. 7.86 billion recorded in the previous year, strengthening the Company's liquidity position and funding flexibility.

Statement of Cash Flows



CAPITAL POSITION AND SHAREHOLDER VALUE

Total equity increased by 19.73% to Rs. 61.38 billion, supported primarily by strong profitability and growth in retained earnings. Sustained growth in retained earnings, alongside the Company's consistent dividend distribution policy, reflects its strong internal capital generation capabilities and ability to support future business expansion through internally generated capital.

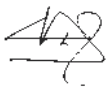
Net asset value per share improved to Rs. 110.79 from Rs. 92.53, reflecting continued value creation for shareholders. The Company also maintained a dividend payout ratio of one third of earnings and declared a dividend per share of Rs. 8.20, balancing shareholder returns with long-term capital preservation objectives. The Company retained capital buffers above regulatory requirements, supporting long-term financial resilience and sustainable business growth.

OUTLOOK AND FUTURE READINESS

Looking ahead, the Company's strategy remains focused on expanding the lending portfolio through appropriate product pricing, optimising liquidity and strengthening funding diversification.

In parallel, the Company continues to monitor emerging developments in financial reporting, regulatory disclosures and sustainability reporting frameworks, including the implementation of SLFRS 18 relating to the presentation and disclosure of financial statements, together with evolving sustainability related disclosure requirements under SLFRS S1 and SLFRS S2. Management remains committed to further strengthening reporting transparency, governance standards, data quality and disclosure practices in line with evolving regulatory expectations and stakeholder requirements.

Despite evolving macroeconomic conditions and industry challenges, the Company remains well positioned to sustain long-term growth momentum, preserve financial stability and continue delivering sustainable value creation to shareholders and other stakeholders through disciplined financial management and resilient business operations.



Malith Hewage
Chief Financial Officer

29 May 2026

Operating Environment

OVERVIEW

The operating environment during the 2025/26 financial year reflected a gradual transition towards economic stabilisation and recovery, supported by easing domestic monetary conditions, improving business sentiment, renewed activity in the vehicle imports and continued digital transformation across Sri Lanka's financial services landscape. However, the year also remained characterised by heightened geopolitical uncertainty, climate related risks evolving regulatory expectations and rapid technological disruption all of which continued to shape the broader operating landscape for financial institutions



1. GLOBAL OPERATING CONTEXT

The global economy demonstrated relative resilience during the period despite heightened geopolitical tensions, evolving trade policies and increasing market uncertainty. According to the International Monetary Fund (IMF), global economic growth was projected at 3.1% in 2026 compared to 3.2% in 2025, reflecting the impact of geopolitical instability and global trade fragmentation on economic activity. Meanwhile, the US Federal Reserve adopted a more accommodative monetary stance, with the Federal Funds Rate declining to 3.50%–3.75% as at March 2026 from 4.25%–4.50% at end-2024, easing liquidity pressures across emerging markets. The weakening of the US Dollar Index (DXY) by approximately 10%–11% during 2025 also supported global trade activity and moderated external inflationary pressures across developing economies.

Geopolitical tensions escalated significantly in 2026, particularly arising from the Israel–Iran–US conflict and continued instability surrounding the Strait of Hormuz, through which nearly 20% of global oil trade passes. The resulting increase in energy prices, supply chain disruptions, freight costs and global financial volatility weighed on economic activity and inflation expectations globally. Gold prices exceeded USD 5,000 per troy ounce amidst heightened safe-haven demand and continued reserve diversification by central banks, while global electric vehicle (EV) sales exceeded 20 million units in 2025, representing more than 25% of global new vehicle sales according to the International Energy Agency (IEA), reflecting continued momentum towards energy efficient mobility solutions.

NBFI SECTOR REVIEW

The Sri Lankan Non-Bank Financial Institution sector demonstrated strong recovery and expansion during the financial year ended March 2026, supported by improving macroeconomic conditions, easing Monetary Policy, the reopening of vehicle imports and strengthening business confidence.

The finance companies sector recorded significant balance sheet growth during the year, with total assets increasing by 46.4% to Rs. 3,059.6 billion as at end-March 2026 from Rs. 2,089.3 billion in the previous year. This growth was primarily driven by a substantial expansion in lending activity, as loans and advances increased by 56.5% to Rs. 2,451.4 billion.

The reopening of vehicle imports and improved economic activity supported strong growth in vehicle financing, while gold-backed lending and SME financing also remained key contributors to sector expansion. Deposits increased by 22.9% to Rs. 1,376.9 billion, reflecting improved depositor confidence and liquidity inflows into the financial system. Borrowings also increased significantly by 174.9%, indicating stronger funding requirements to support accelerated credit growth.

The sector recorded notable improvements in profitability during the year. Net interest income increased by 25.9% to Rs. 253.1 billion, supported by higher lending volumes and stronger interest-earning asset growth. Non-interest income also expanded by 31.6% to Rs. 44.4 billion.

The sector's asset quality indicators improved considerably during the year. Gross Stage 03 loans to total loans declined to 4.6% from 8.6%, while net Stage 03 loans reduced to 2.5% from 4.5%, indicating improving borrower repayment capacity amidst economic recovery and lower interest rates.

Source: CBSL Provisional Data

Operating Environment

IR 2A, 4A

2. SRI LANKAN CONTEXT

2.1. PESTEL Analysis

Political Environment

Sri Lanka's political and policy environment demonstrated improved stability during the year, supporting renewed business confidence, economic activity and private sector investment. A significant policy development was the relaxation of vehicle import restrictions effective from 1 February 2025 following nearly five years, revitalising activity across the automotive, leasing, insurance and mobility financing sectors. The reopening of imports contributed towards increased vehicle registrations, stronger government revenue collections and renewed momentum across mobility related industries. Simultaneously, continued progress under the International Monetary Fund's Extended Fund Facility (EFF) programme further strengthened investor confidence and macroeconomic policy stability.

Impact on LBF

The resumption of vehicle imports created significant opportunities for LBF to expand its vehicle financing product financing portfolio amidst rising demand across the automotive sector. The improving policy environment also supported broader lending growth and strengthened business confidence, while the Company continued to diversify its lending portfolio across industries and customer segments to maintain resilience amidst evolving global and domestic uncertainties.

Economic Environment

In 2025, Sri Lanka's economy continued its recovery momentum, supported by sustained macroeconomic stabilisation, policy reforms and improving investor confidence despite global uncertainties and adverse weather conditions. Real GDP growth was estimated at 5%, marking the second consecutive year of expansion, while lower interest rates and relaxed monetary conditions supported stronger private sector credit growth and increased economic activity.

The removal of vehicle import restrictions contributed to higher imports and lending demand, while external sector performance remained resilient, supported by strong remittance inflows and improved services exports. Financial sector performance also strengthened during the year, with both banks and non-bank financial institutions recording improved profitability, enhanced asset quality and capital and liquidity levels remaining above regulatory requirements.

Impact on LBF

The improving economic environment supported stronger lending activity across leasing, gold loans, SME financing and mobility related financing segments. In response LBF continued to strengthen its market position through disciplined portfolio expansion, prudent liquidity management and diversified lending growth across strategically important sectors while maintaining strong asset quality and operational resilience.

Social Environment

Sri Lanka continued to prioritise financial inclusion, employment generation and social welfare amidst ongoing economic recovery efforts. The unemployment rate declined to 3.9% in 2025 from 4.4% in 2024, while welfare and social protection programmes continued supporting vulnerable communities across the country. Concurrently, the Central Bank of Sri Lanka advanced initiatives under the National Financial Inclusion Strategy (NFIS) promoting broader access to financial services across underserved segments.

Impact on LBF

Reflecting its commitment towards inclusive growth and socioeconomic empowerment, LBF continued to support communities through targeted CSR initiatives focused on education, healthcare, social upliftment and livelihood development. The Company also launched LB Sanmitha during the year, a dedicated initiative aimed at empowering MSMEs and emerging entrepreneurs through accessible financing solutions designed to strengthen enterprise development and financial inclusion.



Technological Environment

Sri Lanka's digital transformation agenda accelerated further during the year through increasing internet penetration, expanding digital payment infrastructure, fintech integration and stronger regulatory support for digital financial services. Internet penetration increased to 109 subscriptions per 100 persons in 2025, while digital literacy reached 65.0% among the population aged 5–69 years. Meanwhile, GovPay, the Government Digital Payment Platform, launched in February 2025, processed over 80,000 transactions amounting to approximately Rs. 2 billion. across more than 200 government institutions by December 2025.

Impact on LBF

The growing digital ecosystem created a more conducive environment for the adoption of digital financial services and digitally enabled customer engagement. In response, LBF accelerated investments in AI, data science, cybersecurity resilience, analytics and process automation to strengthen operational efficiency and customer experience. During the year, the Company surpassed 5.8 million transactions through the LB CIM mobile application and became the first Sri Lankan NBFI to introduce a Virtual Debit Card. The Company further collaborated with the CBSL to promote the adoption of LankaQR and strengthen awareness of digital financial inclusion across communities.

Ecological Environment

Environmental and climate related risks continued to intensify globally and locally during the year. According to the World Economic Forum's Global Risks Report 2025, extreme weather events were ranked as the second most severe global risk over the next two years and the highest long-term risk over the next decade. Sri Lanka also strengthened its climate commitments through Nationally Determined Contributions (NDC 3.0), committing to reduce greenhouse gas emissions by 20.09% by 2035 under the Paris Agreement framework. Meanwhile, rooftop solar accounted for approximately 9.4% of Sri Lanka's electricity generation in 2025, reflecting continued growth in renewable energy adoption.

Impact on LBF

Responding to these developments, LBF further strengthened its sustainability framework during the year through enhancements to its ESG Policy 2.0, ESG Roadmap 2.0 and Environmental and Social Management System (ESMS). The Company also became the first finance company in Sri Lanka to sustain ISO 14001:2015 Environmental Management System certification while completing its second financed emissions assessment under the Partnership for Carbon Accounting Financials (PCAF), aligned with the GHG Protocol and ISO 14064 standards. Renewable energy adoption across the branch network was also expanded through hybrid solar installations and rooftop solar infrastructure.

Legal and Regulatory Environment

Sri Lanka's financial sector regulatory landscape continued to evolve during the year, with increasing emphasis placed on sustainability, governance, digitalisation, financial inclusion, customer protection and operational resilience. A significant development was the launch of the CBSL's Sustainable Finance Roadmap 2.0 Scaling-Up Action for the Financial Sector of Sri Lanka, outlines a comprehensive implementation framework for the period 2025–2029 relating to sustainable finance, climate-related disclosures, governance enhancement and environmental and social risk management. The mandatory implementation of SLFRS Sustainability Disclosure Standards S1 and S2 further elevated sustainability-related governance and reporting expectations across listed entities and financial institutions.

Impact on LBF

In response, LBF continued strengthening governance frameworks, sustainability related disclosures, customer protection practices, cybersecurity resilience and ESG integration across its operations while aligning its business practices with evolving regulatory expectations and international standards. The Company also continued to strengthen compliance practices relating to Financial Consumer Protection (FCP), AML/CFT requirements, LankaQR adoption and digital financial services governance across the organisation.

Operating Environment

3. BEYOND THE SWOT - TOWS ANALYSIS

SWOT (strengths, weaknesses, opportunities and threats) are the key pillars that underpin LBF's competitive position and industry standing. At LBF we consider the SWOT not as a fixed constituent, but rather as something that is continuously evolving. Premised on this, we frequently perform TOWS analysis to match our strengths against discernible opportunities and evaluate our threats vis-a-vis identifiable weaknesses.

TOWS MATRIX	EXTERNAL OPPORTUNITIES	EXTERNAL THREATS
	1. Promote financial inclusion 2. Attraction of new customers 3. Technology enhancement 4. Increase market share	1. High competition 2. Volatility market conditions 3. Low carbon economies 4. Customers switching
INTERNAL STRENGTHS 1. Operational resilience 2. Best brand amongst NBFIs 3. Widest geographical reach 4. Experienced and qualified Board	⊛ Increase market share through branch expansion (O4, S3) ⊛ Investment on new ventures and expand the regional presence (O1, S1) ⊛ Conducting brand loyalty programmes (O2, S2)	⊛ Investment on research and development (S1, T1) ⊛ Increasing product qualities and customised products (S3, T4) ⊛ Focus on profit around customer (S1, T1) ⊛ Board attention on green financing and green initiatives (S4, T3)
INTERNAL WEAKNESSES 1. High attrition 2. Untouched potential markets 3. Possible automated areas	⊛ Capacity building and increase investment on Training (O2, W1) ⊛ Further strengthen the digital wallet to the MSME/SME (O1, W2) ⊛ Capitalise on digital innovation and infrastructure (O3, W3)	⊛ Install fully fledged digital branches (T3, W3) ⊛ Technological empowered employees (T2, W1) ⊛ Strengthen in-house software developments (T3, W2)

4. MARKET FORCES AND COMPETITIVE LANDSCAPE (FIVE FORCES)

Power of the customer

IMPACT H — 1

Big ticket loans (mainly leasing) customers are highly price sensitive and also have a higher bargaining power, whereas MSMEs have traditionally been less rate sensitive and have less bargaining power. However, as they become more financially savvy, it is quite likely that they will also be more price sensitive and consequently more demanding.

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

MD's Statement on pages 48 to 52, Integrated Social and Relationship Capital on pages 118 to 210, Business Review pages 228 to 247

Threat of new entrants

IMPACT L

2

Even though the local financial sector consists of several banks and greater number of NBFIs, the possibility of new entrants cannot be ruled out. The likelihood of new entrants is also based on the decision by authorities to grant new licenses.

Strategic response
Build a strong and credible brand that stands out among peers

MD's Statement on pages 48 to 52, Business Review on pages 228 to 247

Competitive rivalry

IMPACT H

3

Competition within Sri Lanka's financial services sector remains intense, with 33 licensed banks and 43 non-bank financial institutions operating in the market. The high concentration of service providers results in relatively low switching costs for customers, enabling them to move between institutions with ease. While Sri Lankan customers have traditionally demonstrated a degree of loyalty towards financial institutions, increasing competition and aggressive market strategies have gradually reduced loyalty levels, particularly among high-net-worth customer segments. As a result, institutions must continuously differentiate themselves through service quality, innovation, customer experience, and value-added offerings.

Strategic 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

MD's Statement on pages 48 to 52, Integrated Social and Relationship Capital on pages 188 to 210, Business Review on pages 228 to 247

Power of the business partners

IMPACT H

4

As a financial institution, the Company's key suppliers primarily provide support and operational services. Given the availability of alternative service providers and the non-critical nature of these services to core operations, supplier bargaining power remains relatively low.

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

Social and Relationship Capital on pages 188 to 210, Business Review on pages 228 to 247

Threat of substitute products

IMPACT M

5

Low threat within the NBFI industry. However, if we consider loans and leasing products from banks and NBFI as substitute products, then the threat is high. Additionally, for some segments, there exists a high threat of substitute products; for instance, in Vehicle Loans where some of the vehicle suppliers themselves offer the vehicles in instalments, removing the need of getting a financier involved. There is a material threat in the medium and long-run, with the potential for innovating alternative ways of creating value in meeting lending needs of businesses and individuals

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

Integrated Social and Relationship Capital on pages 210 to 188, Business Review on pages 228 to 247

Our Value Creation Business Model

IR 2B, 2D, 4C

Availability and Quality of Our Six Capitals

Capital Inputs (2024/25)

FINANCIAL CAPITAL (FC)

Our capital base, together with diversified sources of deposits and funding from investors and clients is used to support our customers. This includes extending credit, facilitating payments and transactions and rewarding shareholders for the capital invested through dividends. Furthermore, paying salaries, taxes, developing products, investing in technology, operations also come under this. (page 142-154)

- **Rs. 51.27 Bn** equity
- **Rs. 138.50 Bn** deposits
- **Rs. 42.42 Bn** external borrowings

MANUFACTURED CAPITAL (MC)

Our business structure and operational processes, including our local and international branch network, property and equipment, cash deposit machines and information technology systems, provide the foundation that supports our operations and enables efficient value creation. These capabilities enhance service delivery, improve operational efficiency and support our ability to meet evolving customer needs while sustaining long-term growth. (page 155–160)

- **216** local branches
- **20** Myanmar branches
- **Rs. 81.39 Mn** in freehold buildings
- **Rs. 214.58 Mn** in IT hardware

HUMAN CAPITAL (HC)

Our dedicated employees, supported by a vibrant culture, bring together collective knowledge, skills and experience that enable us to deliver innovative and competitive solutions for our clients. This strong Human Capital foundation drives our performance, fosters continuous improvement and creates sustainable value for our organisation and its stakeholders. (page 161–179)

- **4,407** full time employees
- **47.42%** women in workforce
- **53,845** total training hours
- **130** total training programmes
- **6** trainings for Directors

INTELLECTUAL CAPITAL (IC)

Our intangible assets, including brand strength, reputation, digital capabilities, research and development expertise, talent and strategic partnerships, enable innovation, reinforce our market position and foster lasting customer trust and loyalty. These strengths collectively enhance our ability to adapt to changing market dynamics, support sustainable growth and deliver long-term value to our stakeholders. (page 180–187)

- Over half a century of financial expertise
- **20th** place as most respected entity (LMD Brand Finance - 2025)
- **Rs. 316 Bn** of total transactions through LB CIM app
- **Rs. 67.11 Mn** in intangible assets

SOCIAL AND RELATIONSHIP CAPITAL (SRC)

Strong relationships with our customers, business partners, regulators and communities are central to our operations and the environment in which we operate. We actively engage with these stakeholders to support their wellbeing and development. By fostering meaningful connections and participating in community initiatives, we aim to build a thriving society and a resilient financial ecosystem. (page 188-210)

- **850,000+** Customer Base
- Partnership with government and government organisations for contributing to nation's interest
- **Rs. 27.35 Mn** invested in CSR

NATURAL CAPITAL (NC)

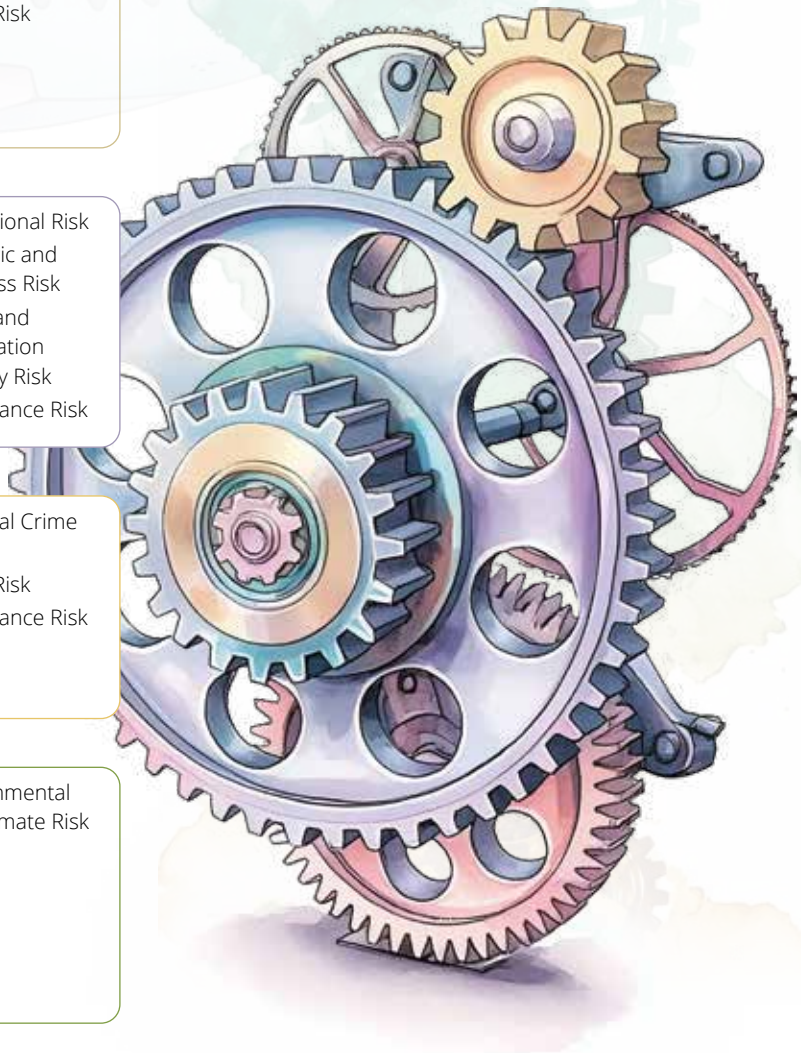
Our operations have an impact on natural resources through energy use, water consumption and emissions. We are committed to managing these resources responsibly by improving efficiency, adopting sustainable practices and reducing our environmental footprint. Through continuous monitoring and responsible resource management, we aim to support environmental sustainability while maintaining operational effectiveness. (page 211-227)

- Natural resources consumed - electricity, fuel, renewable energy, water, paper, etc.
- ESG screening of portfolio
- **40** solar powered hybrid branches

Challenges and Risks

Strategic Enablers for Value Creation

CHALLENGES	RISKS (page 332-333)	MATERIAL MATTERS (page 75-80)	STRATEGIC PRIORITIES (page 81-85)
• High cost of funding and interest rate volatility, capital adequacy and regulatory compliance requirements • Competition for deposits and market funding • Maintaining adequate liquidity • Credit risk and related provisions pressure	• Market Risk • Financial Crime Risk • Credit Risk • Liquidity Risk	• Sustainable business growth • Digital strategy and innovation • Good governance and risk optimisation • Supporting social cohesion • Serving and meeting customer needs • Integrating ESG and sustainability	• Disciplined growth • Business transformation • Risk and impact management
• High operating costs of maintaining physical branches • Balancing digital growth with continued need for physical presence • Deciding between relocation, consolidation, or expansion • Risk of physical infrastructure becoming underutilised	• Operational Risk • Environmental and Climate Risk • Cyber and Information Security Risk		
• Shortage of skilled and job-ready talent, balancing fair pay with cost control • Competition for digital, tech and specialised roles • Knowledge transfer from retiring employees • Resistance to change and new technologies • Cybersecurity risks from remote work	• Operational Risk • Compliance Risk • Social Risk		
• Managing brand perception across digital channels • Dependence on external vendors for advanced technologies • Risk of data breaches compromising intellectual assets • Loss of institutional knowledge when experienced staff leave	• Operational Risk • Strategic and Business Risk • Cyber and Information Security Risk • Compliance Risk		
• Low financial literacy limiting product uptake • Service quality varying across branches and channels • Balancing expectations of regulators, investors, customers and communities • Measuring long-term impact of community investments	• Financial Crime Risk • Social Risk • Compliance Risk		
• Rising pressure to reduce Scope 3 carbon emissions • Customer preference for paper statements in some segments • Limited monitoring of water footprint • Growing stakeholder pressure for responsible and green financing • Need to assess environmental risks in credit decisions	• Environmental and Climate Risk		



Our Value Creation Business Model

Transformed Into Dynamic Capabilities Through Strategic Activities

VISION

MISSION

Driven by Core Values

CORE BUSINESS ACTIVITIES

- Lending (Finance Leases, Gold Loans, Mortgage Loans, Personal Loans, Other Credit Facilities)
- Funding (Deposits, Bank Borrowings, Equity)
- Value Added Services (Foreign Currency Operations, Money Remittances, Bill Payments, Bulk Insurance Payments)

SUPPORTING ACTIVITIES

- Legal and Compliance
- Treasury
- Human Resources
- Finance
- Administration
- Marketing
- Information Technology
- Internal Audit
- Recoveries

Strengthened by Corporate Governance and Risk Management

CORPORATE GOVERNANCE

Corporate governance at LBF provides the foundation for responsible decision-making, ethical conduct and long-term value creation. Through a strong governance framework supported by Board oversight, transparent policies and regulatory compliance, the Company ensures accountability, stakeholder confidence and sustainable business stewardship across all operations.

RISK MANAGEMENT

Risk management is embedded within the Company's business model to support resilience, operational stability and informed strategic decision-making. Through structured risk governance, proactive monitoring and robust internal controls, LBF manages financial, operational, technological and emerging risks while safeguarding stakeholder value and supporting sustainable growth.

FUTURE FOCUS

LBF continues to evolve its business model through innovation, digital transformation, diversified financial solutions and strong governance practices. Integrated across the six capitals, these strategic priorities support sustainable growth, stakeholder value creation and long-term business resilience.

Outputs

LENDING (page 228-235)

Category	Value Rs. Mn
Lease Receivables	39,056.14
Vehicle Loans	95,160.52
Power Drafts	46,738.34
Gold Loans	120,392.44
Term Loans	14,674.66
Mortgage Loans	4,959.79

FUNDING (page 55-56)

Category	Value Rs. Mn
Deposits	173,329.15
Bank Borrowings	148,367.38
Equity	61,383.32

VALUE ADDED SERVICES (page 241-243)

Category	Value Rs. Mn
Foreign Currency Operations	173.53
Money Remittances	4,904.13
Bill Payments	1,755.64
Bulk Insurance Payments	2,083.61



Capital Outcomes (2025/26)

FINANCIAL CAPITAL (page 142-154)

- Income: Rs. 60 Bn ↑
- Dividend per share: Rs. 8.20 ↑
- ROE: 1.51% ↑
- Net assets value per share: Rs. 110.79 ↑
- Total assets: Rs. 395.33 Bn ↑
- Share price: Rs. 141.75 ↑

MANUFACTURED CAPITAL (page 155-160)

- New branch openings: 09 ↑
- LB CIM app transactions: Rs. 316 Bn ↑
- Profit per branch: Rs. 60.76 Mn ↑

HUMAN CAPITAL (page 161-179)

- New recruitments: 2,214 ↑
- Internal promotions: 947 ↑
- Investment in training: Rs. 24.92 Mn ↑
- Salaries and benefits paid: Rs. 5,782.04 Mn ↑
- Employee talent turnover ratio: 7.79% ↑
- New HR policies introduced: 1 ↑

INTELLECTUAL CAPITAL (page 180-187)

- Brand ranking: 17 ↑
- New IT systems developed: Rs. 420.4 Mn ↑
- Number of technical trainings conducted: 29 ↑
- Credit rating given by Lanka Rating Agency: A+ ↑
- Digital loans granted: 2,312 ↑

SOCIAL AND REL. CAPITAL (page 188-210)

- Customer base: 950,000 ↑
- Investment in social CSR projects: Rs. 8.97 Mn ↑
- Volunteer hours on CSR activities: 5,031 ↑
- Tax paid to the government: Rs. 13.72 Bn ↑
- Customer complaints resolution rate: 95% ↑

NATURAL CAPITAL (page 211-227)

- Green finance portfolio: Rs. 42.72 Bn ↑
- Branches with solar panels: 58 ↑
- Paper recycled: 49,959 kg ↑
- Investment in green branch: Rs. 70 Mn ↑
- Investment in green CSR projects: Rs. 27.83 Mn ↑
- GHG emissions: 58,958.08 tCO_2e ↓
- Number of green certificates / memberships obtained: 06 ↑

↑ Value Creation ↔ Value Preservation ↓ Value Erosion

Our Dependencies, Impacts and Influence on the Capitals

Driven by Values

FC MC HC IC SRC NC

Dependencies - What we rely on for capital value retention/protection



- Cash flow
- Robust financial position
- Islandwide branch network
- Freehold buildings
- A safe and healthy workforce
- Diverse skills and talents
- Intellectual property
- IT software
- Socio-economic stability
- Good working relationships with the communities
- Relationships with government and regulators
- Energy/ water/ waste and emissions management
- Environmental initiatives

Impacts - What happens to our capitals as a result of what we do

FC	MC	HC IC	SRC	NC
Profitability	Sustaining capital expenditure	Employee health and safety	Wealth creation	Energy/water use and impact
Cash flow generation	Growth in capital expenditure	Employment (permanent/ temporary)	Job creation	Biodiversity impact
Robust financial position	Assets disposals	Diversity and inclusion	Community health impacts	GHG emissions
Competitive returns for shareholders	Community-focused infrastructure	Remuneration	Community education and skills development	Waste generation
Sustainable income		Training and development	Infrastructure development for benefit of communities	Rehabilitation activities
		Ethical working conditions	Local business opportunities and support	
		Fair pay for performance	Anti-corruption/ fraud	
		Culture of high governance standards	Local economic development initiatives	
		Good working relationships with labour organisations		

Our Value Creation Business Model

Value Distribution

Distributable Interest Income	+	Distributable Fee and Other Income	−	Distributable Operating Cost	=	Net Value Created
Rs. 51.81 billion (FY25 : Rs. 41.81 billion)		**Rs. 8.23 billion** (FY25: Rs. 4.91 billion)		**Rs. 6.56 billion** (FY25 : Rs. 4.27billion)		**Rs. 53.48 billion** (FY25: Rs. 42.45 billion)

Funders
Distributed **41.19%**
(FY25 : 38.70%)

Employees
Distributed **11.19%**
(FY25 : 12.07%)

Capital Providers
Distributed **8.50%**
(FY25 : 8.48%)

Government
Distributed **23.72%**
(FY25 : 23.90%)

Community
Distributed **0.07%**
(FY25 : 0.06%)

Value retained
15.33%
(FY25 : 16.78%)

Scan this QR to explore the value distribution in detail
DOC **10**

TRADE-OFFS BETWEEN CAPITALS

Activity	Financial	Manufactured	Intellectual	Human	Social and Relationship	Natural
Investment in Digital Finance	↓ | S	↑ | S/M	↑ | M/L	↑ | M	↑ | M/L	↑ | L
Branch Expansion	↓ | S	↑ | M/L	-	↑ | M	↑ | M/L	↓ | M
Branch Relocations	↓ | S	↑ | M	↑ | M	↑ | M	↑ | M	↑ | L
New Recruits	↓ | S	-	↑ | M	↑ | M/L	↑ | M	-
Training and Development	↓ | S	-	↑ | M/L	↑ | M/L	↑ | M	-
Benefit Structure	↓ | S/M	-	↑ | L	↑ | M/L	↑ | M	-
Investment towards Customer Service	↓ | S	↑ | M	↑ | M	↑ | M	↑ | M/L	-
Systemised Supplier Registration	↓ | S	-	↑ | M	-	↑ | M/L	↑ | M
Increasing Community Service Efforts	↓ | S	-	↑ | M	↑ | M	↑ | M/L	↑ | M
Green Office Practices	↓ | S	↑ | M	↑ | M	↑ | M	↑ | M	↑ | L
Green Financing	↓ | S	-	↑ | M/L	↑ | M	↑ | M/L	↑ | L

↑ Increase ↓ Decrease S - Short-term M - Medium-term L - Long-term

Integrated Stakeholder Engagement

GRI 2-23, 2-24, 2-29 IR 3C

OVERVIEW

At LB Finance (LBF), Stakeholder Engagement is a structured and continuous process that enables us to understand, respond to and align with the evolving needs of our stakeholders. Through a clearly defined engagement framework supported by strong governance, we identify key stakeholder groups, assess their expectations and influence and maintain open and transparent communication across all levels of the organisation. This integrated approach ensures that stakeholder insights are embedded into our strategic decision-making, strengthens relationships, enhances accountability and supports the creation of sustainable long-term value.

1. GOVERNANCE AND MANAGEMENT OF STAKEHOLDER RELATIONSHIPS

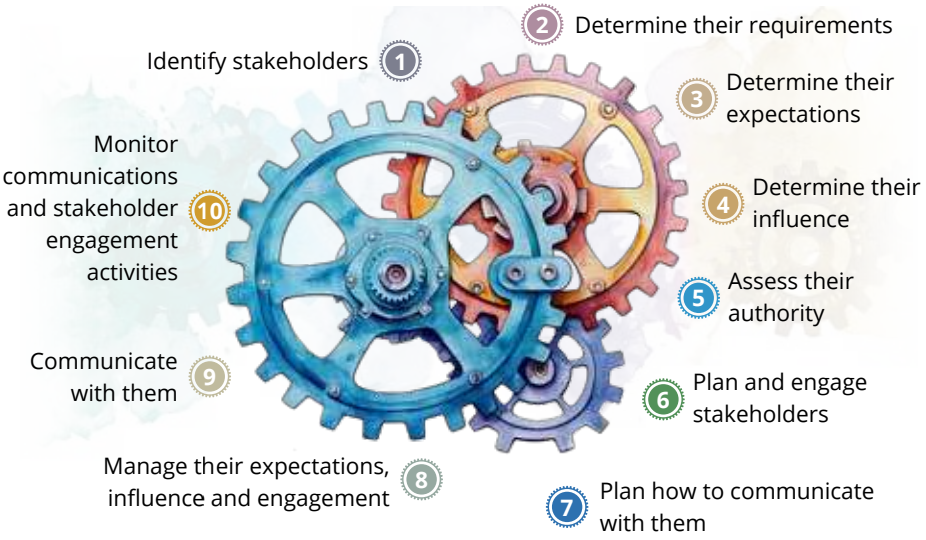
At LBF, the final accountability for stakeholder engagement is vested in the Board of Directors, which sets the strategic direction and tone from the top. Governance oversight is exercised through the Board Sustainability Committee (BSC) and supported at management level by the Sustainability Management Committee (SMC), ensuring that stakeholder considerations are embedded within corporate strategy and decision-making processes.

While engagement activities are carried out across operational clusters and business units in alignment with their respective mandates, the Corporate Sustainability Department provides central coordination, guidance and monitoring of day-to-day stakeholder interactions. This integrated structure promotes clarity of roles, consistency in communication and responsiveness to stakeholder concerns.

Additionally, discussions with stakeholders serve as a platform to review emerging issues, share insights and ensure the uniform application of the Company's Stakeholder Engagement Policy across all operations, thereby strengthening transparency, accountability and long-term relationship management.

2. APPROACH TO STAKEHOLDER ENGAGEMENT

At LBF, stakeholder engagement follows a structured and continuous life cycle to ensure meaningful and effective interactions. The process begins by identifying our stakeholders and understanding their needs, expectations, influence and authority.

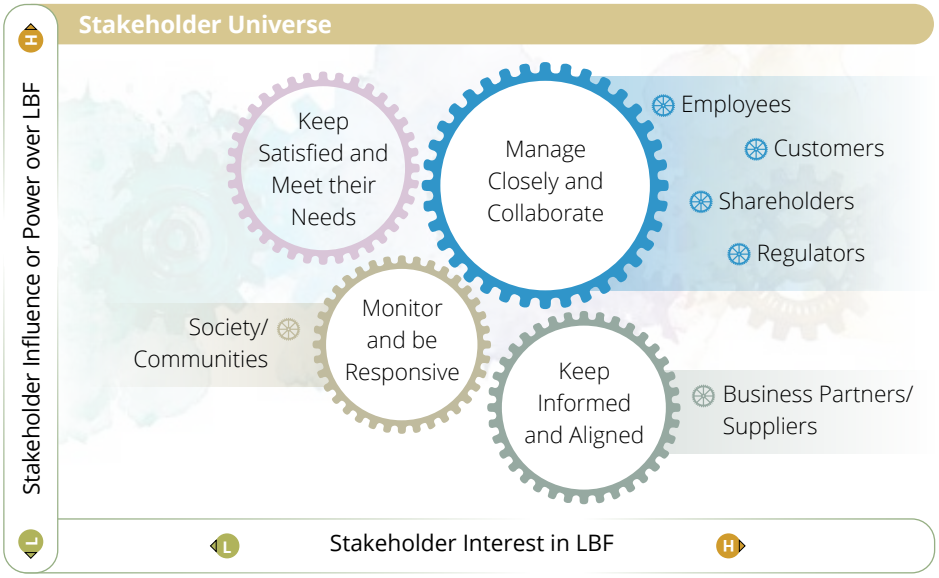


Scan the QR code to view the comprehensive stakeholder engagement process in video format

PLAY **10**

3. STAKEHOLDER MAPPING

We categorise our stakeholders based on their influence and interest in LBF and we continually measure the effectiveness of our relationships. The diagram to the right illustrates stakeholder groups and their level of influence and interest, which determines our approach to stakeholder relationships.



H High L Low

Integrated Stakeholder Engagement

4. STAKEHOLDER VALUE CREATION

Stakeholder value creation outlines how LBF generated economic value during the financial year and distributed that value among its key stakeholder groups, including employees, customers, providers of capital, government and the wider community. It reflects the organisation's commitment to creating sustainable financial returns while ensuring equitable value sharing that supports long-term stakeholder relationships and inclusive growth. This value distribution demonstrates how LBF's business activities contribute to broader economic and social wellbeing, reinforcing the interconnected nature of stakeholder value creation.

Refer to Our Value Creation Business Model on page 62 for further details on how LBF creates, preserves and delivers value across all capitals

5. OPEN AND TRANSPARENT ENGAGEMENT

CUSTOMERS (Involve)

950,000+
2024/25: 800,000+

Individual customers: 950,000+
Corporate customers: 1,000+

RELATIONSHIP QUALITY: Short | Performing | Excellent
2023/24 | 2024/25 | 2025/26

SDG LINK

Why We Engage

To understand evolving customer needs and deliver relevant, sustainable and practical financial solutions that build trust, loyalty and long-term relationships.

PLAY **11**

Scan the QR code to view their story

Engagement Methodology

- Customer visits AR
- Respond to complaints AR
- Branch network, call centre and digital channels C
- Social media platforms C
- Corporate website C

Shared Priorities

- Sustainable and compliant financial products
- Safe, convenient and digital-first access
- Excellence in customer service
- Responsible financial solutions and trusted partnerships
- Access to finance and financial literacy
- Support for a just transition to a net-zero economy

Relationship Improvement Initiatives

- Strategic partnerships with service providers Page 199
- Enhanced LB CIM Mobile app functionality Page 192
- Effective complaint resolution mechanisms Page 99
- Strengthened data privacy and information security Page 121
- Long-term customer trust and loyalty building Page 190

Challenges

- Changing consumer demand
- Regulatory changes

Opportunities

- Technological developments enabling customer-centric, data-driven services
- Growing demand for sustainable products

Material Themes Link: MT 1 | MT 2 | MT 5

Strategy Link: [ST 2]

Key Concern: Interest rates and affordablity

Key Indicators

Customer satisfaction score (NPS)	Complaints resolved	Digital transactions
29%	95%	5 Mn+
2024/25: 41%	2024/25: 89%	2024/25: 3 Mn+

Links to Further Information

- Integrated Social and Relationship Capital Page 188
- Integrated Intellectual Capital Page 180

Future Focus

- Co-create ecosystem solutions with customers
- Support market-wide financial sector development
- Implement a customer experience framework for consistent service excellence

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

Level of Engagement - Involve | Consult | Collaborate

SHAREHOLDERS (Consult)

7,605
2024/25: 5,348

Local shareholders: 7,563
Foreign shareholders: 42

RELATIONSHIP QUALITY
Short Performing Excellent
2023/24 2024/25 2025/26

SDG LINK

Why We Engage

To provide transparent, timely and relevant information on industry, performance, growth plans and strategic direction to enable informed investment decisions.

PLAY **12**

Scan the QR code to view their story

Engagement Methodology

- Annual reports and AGMs (A) (AR)
- Extraordinary general meetings (AR)
- Interim financial statements (A) (Q)
- Press conferences and releases (AR)
- Announcements to CSE (AR)
- Corporate website (C)

Shared Priorities

- Strategy, vision, financial performance and market responses
- ESG disclosure
- Financial impact of risks and opportunities
- Anti-corruption and ethical business conduct
- Future investments and innovations

Relationship Improvement Initiatives

- Measuring performance against financial sustainability metrics
  Page 93
- Engaging with foreign lending partners
  Page 56
- Industry-related Board trainings
  Page 287
- Appointment of a new Non-Executive Director
  Page 300

Challenges

- Legislative and regulatory uncertainties

Opportunities

- Strong alignment with strategic direction
- Enhanced reputation and investor confidence

Material Themes Link (MT 1) (MT 3) (MT 6)
Strategy Link [ST 1] [ST 3]
Key Concern: Sustainable returns

Key Indicators

Income
Rs. **60.03** Bn
2024/25: Rs. 46.73 Bn

ROA
4.30%
2024/25: 4.88%

ROE
24.28%
2024/25: 22.77%

DPS
Rs. **8.20**
2024/25: Rs. 6.50

EPS
Rs. **24.68**
2024/25: Rs. 19.50

Links to Further Information

- Integrated Financial Capital
  Page 142
- Integrated Risk Management Report
  Page 331
- Corporate Governance Report
  Page 252
- Investor Relations
  Page 485

Future Focus

- Strengthen financial performance
- Align ESG and sustainability goals with financial performance
- Invest in innovation and market expansion

(AR) As Required (C) Continuous (A) Annually (M) Monthly (Q) Quarterly

Level of Engagement - Involve | Consult | Collaborate

Integrated Stakeholder Engagement

EMPLOYEES (Collaborate)

4,665
2024/25: 4,407

Male: 2,341
Female: 2,324

RELATIONSHIP QUALITY
Short Performing Excellent
2023/24 2024/25 2025/26

SDG LINK

Why We Engage

To build a diverse, inclusive and safe workplace that supports employee wellbeing, skills development and long-term career growth, recognising employees as a key driver of organisational resilience and prosperity.

PLAY **13**

Scan the QR code to view their story

Engagement Methodology

- Business meetings (M)
- Training programmes (AR)
- Intranet (C)
- Special staff events (A)
- Employee satisfaction survey (AR)

Shared Priorities

- Safe and healthy workplace
- Fair working conditions and human rights
- Recognition and inclusive culture
- Learning, development and career progression
- Effective grievance mechanisms

Relationship Improvement Initiatives

- Performance-based award schemes
  Page 167
- Employee promotions and career advancement opportunities
  Page 178
- Leadership training and development programmes
  Page 167

Challenges

- Limited availability of critical skills
- Evolving industry perceptions among younger generations

Opportunities

- Diverse workforce enabling access to emerging markets
- Strong safety culture improving personal and operational outcomes
- Enhanced employer attractiveness among Millennials and Gen Z

Material Themes Link: MT 1 | MT 2 | MT 5

Strategy Link: [ST 1] | [ST 2]

Key Concern: Fair pay and job security

Key Indicators

Investment in training
Rs. **24.92** Mn
2024/25: Rs. 21.70 Mn

Employee talent turnover rate
7.8%
2024/25: 10.1%

Employee talent retention rate
92.2%
2024/25: 89.9%

Links to Further Information

- Integrated Financial Capital
  Page 142
- Integrated Human Capital
  Page 161
- Integrated Intellectual Capital
  Page 180

Future Focus

- Training, development and awareness
- Open and transparent communication culture
- Mental health and employee wellbeing

AR As Required C Continuous A Annually M Monthly Q Quarterly

Level of Engagement - Involve | Consult | Collaborate

REGULATORS (Involve)

CBSL, SEC, Department of Inland Revenue and other regulatory bodies

RELATIONSHIP QUALITY: Short | Performing | Excellent — 2023/24 | 2024/25 | 2025/26

SDG LINK

Why We Engage

To maintain open and constructive dialogue to ensure regulatory expectations, policy priorities and emerging requirements are clearly understood, while transparently communicating LBF's position on key industry, sustainability and governance matters.

PLAY **14**

Scan the QR code to view their story

Engagement Methodology

- On-site and off-site regulatory audits AR
- Directives and circulars AR
- Meetings and consultations AR
- Press releases AR
- Periodic returns AR
- Submissions to policymakers AR
- Attending training programmes AR

Shared Priorities

- Climate change and sustainability-related regulations
- Supervision and regulatory compliance
- Implementation of government development policies
- Employee, supplier and contract workforce wellbeing

Relationship Improvement Initiatives

- Strengthening governance and compliance culture
  Page 259
- Transparent and accurate reporting
  Page 258
- Participation in regulatory forums and consultations
  Page 287
- Capacity building and awareness programmes
  Page 287

Challenges

- Evolving regulatory requirements
- Increasing compliance and reporting complexity
- Balancing innovation with regulatory expectations
- Integration of ESG and sustainability regulations

Opportunities

- Early adoption of regulatory reforms
- Constructive and proactive regulatory engagement
- Technology-enabled compliance solutions
- Alignment with national financial stability objectives

Material Themes Link: MT 1 | MT 3 | MT 6

Strategy Link: [ST 1] | [ST 3]

Key Concern: Compliance with laws and regulations

Key Indicators

Taxes paid

Rs. **13,719** Mn

2024/25: Rs. 12,646 Mn

Carbon footprint

58,958.08 tCO_2e

2024/25: 36,934.07 tCO_2e

Amount invested in biodiversity conservation

Rs. **27.84** Mn

2024/25: Rs. 19 Mn

Links to Further Information

- Integrated Financial Capital
  Page 142
- Integrated Natural Capital
  Page 211

Future Focus

- Engagement in new capabilities and market-development initiatives
- Contribution to digital and validated regulatory frameworks in Sri Lanka

AR As Required C Continuous A Annually M Monthly Q Quarterly

Level of Engagement - Involve | Consult | Collaborate

Integrated Stakeholder Engagement

SUPPLIERS AND BUSINESS PARTNERS (Involve)

19,000+
2024/25: 19,000+

RELATIONSHIP QUALITY
Short Performing Excellent
2023/24 2024/25 2025/26

SDG LINK

Why We Engage

To build collaborative and reliable partnerships with suppliers and business partners, while promoting ethical business practices and quality-driven value creation.

PLAY **15**

Scan the QR code to view their story

Engagement Methodology

- Regular communications AR
- On-site visits and meetings AR

Shared Priorities

- Efficient and transparent sourcing
- Support for SMEs and local enterprises
- Local procurement
- Secure and long-term contracts
- Supplier diversity
- Capacity building and resource support

Relationship Improvement Initiatives

- Strategic partnerships
  Page 199
- Timely payments and financial discipline
  Page 200
- Supporting local and responsible suppliers
  Page 199
- Sustainability and ESG alignment
  Page 200

Challenges

- Dependence on third-party service providers
- Service continuity and performance risks
- Contract management complexity

Opportunities

- Strategic partnerships for innovation
- Cost optimisation and value for money
- Support for local vendors and SMEs

Material Themes Link MT 1 MT 4 MT 6

Strategy Link [ST 1] [ST 3]

Key Concern: Long term relationships

Key Indicators

Suppliers registered

19,000+

2024/25: 19,000+

Strategic partnerships with vehicle dealers

07

2024/25: None

Links to Further Information

- Integrated Financial Capital
  Page 142
- Integrated Social and Relationship Capital
  Page 188

Future Focus

- Strengthening long-term supplier relationships
- Enhance supply chain transparency and traceability
- Promote consistent quality and performance standards

AR As Required C Continuous A Annually M Monthly Q Quarterly

Level of Engagement - Involve | Consult | Collaborate

COMMUNITY AND ENVIRONMENT

21
2024/25: 27

Community-based projects : 13
Environmental initiatives : 08

RELATIONSHIP QUALITY

Short Performing Excellent

2023/24 2024/25 2025/26

SDG LINK

Why We Engage

To contribute meaningfully to community wellbeing and environmental protection by delivering purpose-driven initiatives that create shared social and environmental values through collaboration and transparency.

PLAY **16**

Scan the QR code to view their story

Engagement Methodology

- Multiple delivery channels AR
- Press releases, conferences and media briefings, informal briefings and communications AR
- Public events AR
- Corporate website AR

Shared Priorities

- Socio-economic solutions with environmental sustainability
- Job creation, skills and enterprise development
- Environmental and climate protection
- Long-term, locally driven community development
- Diversity, inclusion and women empowerment

Relationship Improvement Initiatives

- Community development programmes Page 209
- Environmental conservation projects Page 223
- Sustainable financing and green products Page 222
- Awareness and capacity-building campaigns Page 205
- Partnerships with external parties Page 223

Challenges

- Measuring impact and outcomes
- Managing community expectations
- Resource and funding constraints
- Regulatory and policy changes

Opportunities

- Strengthen community trust
- Improve brand reputation
- Alignment with national ESG and development priorities
- Higher employee engagement and retention
- Long-term sustainable development outcomes
- Expanded partnerships and collaborations

Material Themes Link MT 4 MT 5 MT 6

Strategy Link [ST 1] [ST 2]

Key Concern: Ethical and responsible business practices

Key Indicators

Investment in CSR
Rs. **36.81** Mn
2024/25: Rs. 27.35 Mn

Number of CSR projects
21
2024/25: 27

Training programmes focused on women
04
2024/25: 03

Green lending portfolio
Rs. **42.72** Bn
2024/25: Rs. 7.35 Bn

Links to Further Information

- Integrated Social and Relationship Capital Page 188
- Integrated Natural Capital Page 211

Future Focus

- Expand financial literacy and inclusion
- Student-focused CSR initiatives
- Enrich women empowerment and women entrepreneurship development

AR As Required C Continuous A Annually M Monthly Q Quarterly

Level of Engagement - Involve | Consult | Collaborate

Integrated Stakeholder Engagement

VALUE CREATION FOR OUR STAKEHOLDERS

Capitals	Stakeholders	Key indicators of capital management	Unit	Outcome on the capital 2025/26	Outcome on the capital 2024/25
FC Financial Capital	Shareholders, Lenders, Employees	Income growth	%	28.47	5.08
		PAT growth	%	26.53	12.99
		Assets growth	%	64.11	19.15
		Market price per share	Rs.	141.75	86.50
		Dividend yield	%	5.78	7.51
		Market capitalisation	Rs. Mn	78,537.60	47,925.94
		Dividend per share	Rs.	8.20	6.50
MC Manufactured Capital	Shareholders, Employees	Profit per outlet	Rs. Mn	60.75	50.02
		Income per outlet	Rs. Mn	266.82	216.34
		Freehold land and buildings	Rs. Mn	6,087.58	6,065.92
		Branches in Myanmar	Number	20	20
HC Human Capital	Employees	Investment on training and development	Rs. Mn	24.92	21.70
		No. of promotions	Number	947	1,145
		Remuneration and benefits paid	Rs. Mn	5,782.04	4,902.96
IC Intellectual Capital	Customers	Investment on software development	Rs. Mn	80.85	58.87
		Investment on IT	Rs. Mn	420.40	273.44
SRC Social and Relationship Capital	Employees, Regulators, Community	Projects to uplift the communities wellbeing	Number	21	21
		Taxes paid to government	Rs. Mn	13.72	12.65
		Corporate social investment	Rs. Mn	36.81	27.35
		Economic value distributed	Rs. Mn	60.03	46.73
NC Natural Capital	Community, Employees	Paper recycle	kg	49,959	52,604
		Energy consumption	GJ	75,418.53	55,714.08
		Carbon footprint	tCO_2e	58,958.08	36,934.07

Material Matters

GRI 3-1 IR 3D, 4H

OVERVIEW

At LB Finance (LBF), Material Matters are the key economic, environmental, social, and governance factors that influence our ability to create sustainable value. Identified through stakeholder engagement and assessment of risks and opportunities, these matters guide our efforts to strengthen resilience, build stakeholder trust, and support long-term growth.

1. DETERMINING MATERIALITY

Our approach to identifying Material Matters follows a double materiality framework, considering both internal and external perspectives. This means we assess how a matter affects our ability to create value (financial materiality) as well as its broader impact on society and the environment (impact materiality). In carrying out this assessment, we evaluate significant events from the past year and, crucially, incorporate insights and feedback from our internal stakeholders. The Material Matters identified through this comprehensive process, aligned with <IR>, GRI and SLFRS standards, are those with the potential to substantially influence our business strategy and our ability to create and sustain value over time.

Applicable Standards/ Frameworks

Global Reporting Initiative

IMPACT MATERIALITY

Applicable Standards/ Frameworks

Sri Lanka Accounting Standards

SLFRS Sustainability Disclosure Standards

Global Reporting Initiative

FINANCIAL MATERIALITY

Reviewing and Monitoring

STEP 1
UNDERSTAND the context
Stakeholders | Activities | Relationships

STEP 2
IDENTIFY impacts
Engaging with experts
Internal assessments



People

Impacts of Your Business

STEP 3
ASSESS materiality
Likelihood | Severity

STEP 4
DETERMINE material matters
Applying financial thresholds
Topics and sub-topics

STEP 5
Approval for material matters



Environment



IMPACTS

RISKS

Climate-related
- Physical
- Transitional

Impacts on Your Business

Other environmental-related

Social-related

Governance-related

STEP 1
EXPLORE interdependencies
Business model | Partners and resources
Vulnerable assets

STEP 2
IDENTIFY impacts
Risks | Opportunities

STEP 3
ASSESS materiality
Likelihood | Financial effects

STEP 4
DETERMINE material matters
Applying financial thresholds
Topics and sub-topics

STEP 5
Approval for material matters

Reviewing and Monitoring

PLAY 17

Scan this QR and experience the visual explanation of our materiality determination process

Material Matters

GRI 3-2

2. OUR MATERIAL MATTERS

During the year, 24 material topics were identified through our materiality assessment process and have been grouped under six themes: Sustainable Business Growth, Digital Strategy and Innovation, Good Governance and Risk Optimisation, Supporting Social Cohesion, Serving and Meeting Customer Needs and Integrating ESG and Sustainability. While most of these Material Matters were carried forward from the previous financial year, a few new material topics have been identified in the current year. A detailed evaluation of the Material Matters for 2025/26 is presented in the following table.

MT 1 1 Sustainable Business Growth

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
1 Sustainable revenue growth	No change	Sustainable returns	High	Market risk Operational risk Credit risk
2 Brand trust	No change	Market leading customer experience	High	
3 Operational excellence	No change	Digital leadership	Medium	
4 Business expansion	New	Market Expansion	High	

MT 2 2 Digital Strategy and Innovation

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
5 Process excellence	No change	Risk management	Medium	Cybersecurity risk Operational risk IT risk
6 Digital transformation	No change	Digital leadership	High	
7 Product development	New	Market leading customer experience	High	
8 Strategic partnerships	New	Positive impact	Medium	

MT 3 3 Good Governance and Risk Optimisation

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
9 Internal control and risk management	No change	Risk management	High	Market risk Operational risk IT risk Reputational risk
10 Ethical and transparent practices	No change	Positive impact	Medium	
11 Regulatory compliance	No change	ESG and sustainability integration	Medium	
12 Information security and data privacy	No change	Digital leadership	High	

With our Operating Environment (page 57), the risks and opportunities arising there from, as well as our stakeholder relationships (page 67) continuously influencing our ability to create and deliver value (page 155), we believe it is vital that we understand the material matters within this ecosystem and take steps to align these factors with our strategy (page 75).

S - Short-term M - Medium-term L - Long-term

Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Drive customer-centric innovations	FC MC IC		Economic	201-1, 207	S M L	
Optimise cost through technology			Social	2-24, 2-25, 2-26	S M L	
Strengthen customer loyalty			Economic/Governance	2-12, 2-14, 2-22	S M L	
Diversify of revenue streams			Economic	203-1	S M L	

Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Enhance customer experience and operations with advanced technologies	IC SRC		Economic	2-23, 2-24, 2-26	S M L	
Position LBF as a leader in digital financial services and sustainable finance			Economic/Governance	418-1	S M L	
Offer innovative digital solutions and personalised services			Economic	201-1	M L	
Leverage growing demand for sustainable financial products to boost brand and market share			Economic	204-1	M L	

Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Enhance communication and transparency with stakeholders	FC SRC		Governance	2-12, 2-13, 2-14, 2-15, 2-16	S M L	
Ensure compliance with international regulatory standards			Social/Governance	2-23, 2-24, 2-25, 2-26, 2-27, 205-2	S M L	
Leverage AI and data analytics for proactive risk mitigation			Governance	2-24	S M L	
Increase operational efficiency through automation and improved cybersecurity measures to protect customer data			Social/Governance	418-1, FN-CF-220a.1, FN-CF-230a.1	S M L	

Material Matters

MT 4 4 Supporting Social Cohesion

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
13 Employee engagement	No change	Positive impact	Medium	
14 Training and development	No change	Future talents	High	Operational risk Reputational risk
15 Health and safety	No change	Risk management	High	Sustainability risk
16 Community engagement	New	ESG and sustainability integration	Medium	

MT 5 5 Serving and Meeting Customer Needs

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
17 Customer satisfaction	New	Sustainable returns	High	
18 Customer experience	No change	Market leading customer experience	High	Operational risk Reputational risk
19 Financial inclusion	No change	Positive impact	High	Sustainability risk
20 Selling practices	No change	Market leading customer experience	Medium	

MT 6 6 Integrating ESG and Sustainability

Material Matters	Status Compared to 2024/25	Strategic Alignment	Importance to Stakeholders	Associated Risks
21 Responsible lending	New	Positive impact	Medium	
22 GHG emissions management	New	ESG and sustainability integration	Medium	Sustainability risk Reputational risk
23 Climate resilience	New	Risk management	High	Operational risk
24 Sustainability partnerships	New	ESG and sustainability integration	Medium	

S - Short-term M - Medium-term L - Long-term

Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Introduce innovative community outreach programmes	FC SRC		Social	2-23, 401-2	M L	
Establish partnerships with public organisations			Social	404	M L	
Promote employee volunteering opportunities			Social	403-1	L	
Introduce cross-departmental training programmes			Social	413-1	M L	

Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Use customer insights to offer targeted financial advice and solutions that enhance relevance and value	SRC MC FC HC		Social	418-1	S M L	
Implement AI-driven solutions to streamline processes like loan approval to provide faster and more efficient services			Social	418-1	S M L	
Anticipate customer needs and provide proactive solutions to prevent issues before they arise			Economic / Social	203-2	M L	
Offering the right solutions through ethical and responsible sales			Economic / Social	FN-CF-270a.2, FN-CF-270a.3, FN-CF-270a.4, FN-CF-270a.5	M L	

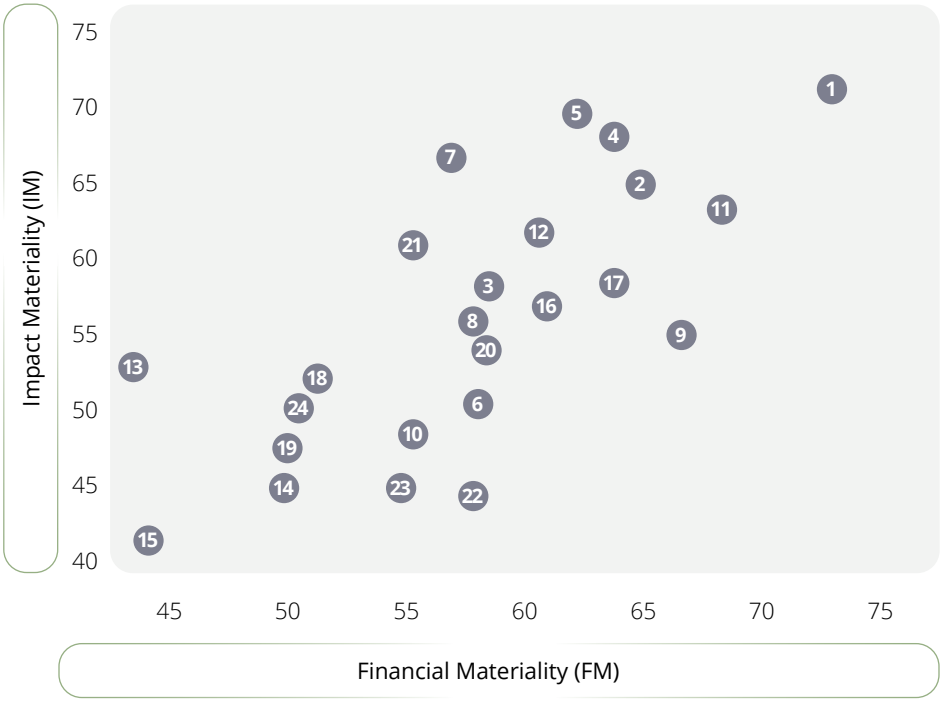
Associated Opportunities	Related Capitals	Related SDGs	EESG Lens	GRI/SASB	Time Horizon	Page
Attract ESG-focused international fund providers and clients	SRC NC		Economic / Social	201-1	S M L	
Reduce exposure to borrowers with poor environmental or social practices			Environmental	305-1, 305-2, 305-3, 305-4, 305-5, 305-7	M L	
Offer loans for renewable energy, energy efficiency, or low-carbon projects			Environmental	201-2	L	
Collaborate with experts and NGOs on ESG best practices			Social / Environmental	305-5, 413-1	M L	

Material Matters

3. DOUBLE MATERIALITY ASSESSMENT

A materiality matrix has been developed to map the identified material matters across two dimensions: financial materiality and impact materiality. In accordance with SLFRS Sustainability Disclosure Standards, sustainability related financial disclosures are based on financial materiality, while impact materiality is presented to provide a broader stakeholder perspective. Each topic is positioned according to its significance, categorised as low, medium, or high. This framework provides a clear visualisation of which issues are most critical to LBF's business performance and which have the greatest impact on society and the environment, serving as a guide for strategic focus and informed decision-making.

Materiality Matrix



4. OUR DIRECTION

Commitment to Continuous Improvement

LBF remains committed to continuously refining its Material Matters to reflect evolving stakeholder expectations, regulatory developments and global best practices. As sustainability disclosure maturity strengthens under SLFRS S1 and S2, the Company will continue enhancing the quality, consistency and connectivity of its reporting.

Creating Value Through Resilience and Risk Management

LBF recognises that effectively managed risks can create opportunities to strengthen resilience, improve operational performance and support long-term value creation. By integrating material matters into strategy and risk management processes, the Company continues to drive sustainable growth and stakeholder confidence.

1. Sustainable revenue growth
2. Brand trust
3. Operational excellence
4. Business expansion
5. Process excellence
6. Digital transformation
7. Product development
8. Strategic partnerships
9. Internal control and risk management
10. Ethical and transparent practices
11. Regulatory compliance
12. Information security and data privacy
13. Employee engagement
14. Training and development
15. Health and safety
16. Community engagement
17. Customer satisfaction
18. Customer experience
19. Financial inclusion
20. Selling practices
21. Responsible lending
22. GHG emissions management
23. Climate resilience
24. Sustainability partnerships

Strategic Focus and Resource Allocation

GRI 2-23, 2-24 IR 3A, 3E, 4E

OVERVIEW

Having outlined the challenges within the operating environment, this section explains how these forces shape LB Finance's (LBF) business model and strategic direction. It highlights the structural and market factors influencing our operations, the adjustments undertaken to strengthen resilience and our approach to resource allocation across our capitals. Detailed financial performance is discussed in the Financial Information section (page 142-154), with strategic responses elaborated in the Managing Director's Statement (page 48-52) and broader long-term direction presented in the Chairman's Statement (page 44-47).

1. STRATEGIC PROGRESSION

At LBF, growth is guided by strong Board oversight and disciplined governance. The Board provides strategic direction, upholds governance standards and ensures that long-term sustainability remains central to our operations, while empowering management to execute the Company's vision.

Our progress is driven through structured strategic cycles focused on enhancing operational efficiency, strengthening market positioning and supporting sustainable expansion. This balanced governance–management dynamic enables steady growth while safeguarding financial stability, maintaining regulatory compliance and reinforcing stakeholder confidence.



2. STRATEGIC DESIGN

Strategic Value Drivers

- Disciplined Growth
- Business Transformation
- Risk and Impact Management

Strategic Value Unlocks

- Sustainable Assets Growth
- Sustainable Returns
- Market Expansion
- Digital Leadership
- Marketing Leading Customer Experience
- Future Talents
- Positive Impact
- ESG and Sustainability Integration
- Risk Management

Strategic Formulation Process

1. Formulation of the 3-year strategic plan
2. Approval by the Board
3. Monthly/quarterly progress review
4. Joint review by the Management and the Board
5. Execution and adjustments to external environment

Scan QR code to view comprehensive strategic formulation process in video format

PLAY **18**

3. RESOURCE ALLOCATION

Our strategy formulation follows a disciplined and integrated approach. Clear strategic objectives aligned with our corporate purpose are translated into measurable goals across business segments and supported by defined KPIs and performance targets. This ensures accountability, transparency and excellence in execution.

Resource allocation decisions are guided by responsible capital stewardship, stakeholder priorities and regulatory expectations. Consistent with the principles of SLFRS S1 and S2, sustainability and climate-related risks and opportunities are embedded within governance oversight, risk management frameworks and financial planning processes, strengthening long-term value creation.

Strategic Focus and Resource Allocation



4. BUSINESS MODEL ADAPTABILITY AND CHANGE READINESS

LBF's business model is designed for agility and resilience. Through proactive liability management and strong deposit mobilisation, we balance internal and external funding sources to maintain liquidity and optimise funding costs. Robust asset, liability management and governance frameworks enable us to withstand economic volatility while maintaining financial stability.

Strategic partnerships and access to development-focused funding enhance flexibility, while our commitment to responsible lending, sound risk management and sustainable finance ensures alignment with the CBSL's regulatory framework and evolving SLFRS S1 and S2 disclosure expectations.

5. EMERGING TRENDS AND CHANGE REQUIREMENTS

As we expand across business verticals in a dynamic environment, continuous adaptation remains essential. We have strengthened centralised operations, streamlined processes and enhanced efficiency to support business transformation. Increased investment in technology will drive automation, digital product expansion and improved customer experience, while diversifying non-funded income through fee-based activities. We also anticipate growth beyond metropolitan markets, supported by lower ticket sizes and enhanced customer relationship platforms. These initiatives reinforce our scalability, competitiveness and long-term sustainability.

6. OUR STRATEGY IN MOTION

LBF's strategy is centred on achieving sustainable growth while maintaining strong governance, operational excellence and customer focus. Built around three key pillars; Disciplined Growth, Business Transformation and Risk and Impact Management, our strategic approach ensures that we grow responsibly, innovate continuously and manage risks effectively. This enables us to deliver consistent performance, strengthen stakeholder trust and create long-term value in a dynamic business environment.

7. OUR STRATEGIC PROMISE

Promise to LBF

Shared identity

- Individually responsible for our organisation's success
- Stronger together, than the sum of our individual parts

Common purpose

- Each colleague has a role in achieving our purpose
- Bringing to life the 'art of the possible'

Meaningful experiences

- Actively promote learning and growth
- Create organisation-wide development opportunities

Promise to customers

Caring

- We genuinely care about the communities we serve
- We will form a strong bond with our customers

Connected

- We will understand and anticipate our customers' needs and aspirations
- We will empower our customers to make their future better

Simple, but not basic

- We will deliver seamless service to our customers
- We will create solutions that continuously aim to make our customers' lives better and easier

Promise to society

Contributing and empowering

- We will provide leadership regarding the development of new and innovative solutions to societal challenges
- We will aim to promote inclusive growth in the societies in which we operate

Do the best for people and planet

We will test our decisions against the promise of:

- 'Best' as the most desirable and sustained standard
- 'People' are individuals, communities and society
- 'Planet' is the natural environment

8. KEY STRATEGIC DISCUSSION

[ST 1] **DISCIPLINED GROWTH** To grow faster and focus on gaining profitable market share

S 01 Sustainable Assets Growth | S 02 Sustainable Returns | S 03 Market Expansion

Why it Matters

'Disciplined Growth' drives long-term stakeholder value by balancing financial performance with social and environmental responsibility. This approach views success beyond short-term profitability, focusing on sustainable value creation, resilience, and the ability to adapt to evolving market and environmental conditions. It ensures that the business grows responsibly while creating a lasting positive impact for future generations, society, and the environment

Resources Allocated to Achieve Results

- Invested Rs. 50.94 million in the establishment of land and building
- Strengthened liquidity position by securing USD 60 million through strategic foreign funding
- Executed 07 strategic partnerships with top branded vehicle dealers
- Rs. 4.14 billion (73.11%) strategic investment in AMF acquisition
- Established digital tools to track portfolio performance, customer data and market trends

Related Risks

Operational Risk

Market Risk

Supporting Our Purpose

Short-term
Strengthening Core Stability

- Strengthen portfolio monitoring and risk-based pricing
- Improve cost efficiency to protect margins and profitability
- Optimise capital allocation to balance growth and stability

Medium-term
Expanding with Control

- Enhance risk analytics to support sustainable lending decisions
- Improve return on assets and return on equity through operational discipline
- Expand selectively into high-potential regions and emerging market segments

Long-term
Building a Resilient Growth Engine

- Establish a well-diversified, balanced and future-ready asset portfolio
- Deliver consistent, sustainable returns across economic cycles
- Expand market presence while maintaining strong governance and risk culture

Performance Scorecard and Roadmap

Indicator	Past		Present	Future*	
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Net Interest Income (Rs. Bn)	19.03	24.35	25.13	29.50	38.08	43.41
Profit After Tax (Rs. Bn)	8.46	9.56	10.81	13.67	15.58	17.38
Total Assets (Rs. Bn)	182.35	202.18	240.89	395.33	463.19	543.41
Cost-to-Income Ratio (%)	32.42	31.13	32.58	30.52	27.91	27.77
Market Capitalisation (Rs. Bn)	30.47	34.80	47.93	78.54	87.59	94.43
New Branches Opened (No.)	11	08	10	09	10	12

Capitals Affected: FC IC SRC

Stakeholders Impacted

SDGs Impacted

Material Matters Impacted: 1 4 8 21

*Projected figures are forward looking estimates and may differ from actual future outcomes

Strategic Focus and Resource Allocation

[ST 2] BUSINESS TRANSFORMATION To strengthen business performance through strategic transformation initiatives

S 04 Digital Leadership | S 05 Marketing Leading Customer Experience | S 06 Future Talents

Why it Matters

'Business Transformation' matters because it unites digital leadership, customer-centricity and a people-focused culture to secure long-term competitiveness. By leveraging technology, delivering personalised solutions and empowering diverse, future-ready talent, we enhance agility, strengthen relationships, drive innovation and ensure sustainable growth in an increasingly dynamic business environment

Resources Allocated to Achieve Results

- Allocated Rs. 420.40 million for IT infrastructure
- Invested Rs. 24.92 million in employee development programmes for leadership, innovation and customer service skills
- Rs. 5,782.06 million paid as remuneration and benefits to employees
- Allocated 337 dedicated staff for IT and Digital units
- Continuous investments in data centres, information security and systems

Related Risks

Operational Risk

Market Risk

IT Risk

Supporting Our Purpose

Short-term
Strengthening the Foundation

- Enhance digital tools to simplify processes and improve turnaround times
- Improve customer experience across all service touchpoints
- Upskill employees and strengthen a customer-first culture

Medium-term
Accelerating Growth and Innovation

- Introduce more personalised and data-driven financial solutions
- Use analytics to understand better and anticipate customer needs
- Foster innovation, collaboration and agile ways of working

Long-term
Building a Future-Ready Institution

- Become a fully digitally enabled and customer-centric financial partner
- Embed innovation into organisational culture
- Develop new revenue streams through technology and partnerships

Performance Scorecard and Roadmap

Indicator	Past		Present	Future*	
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Digital Transaction Value Growth (%)	19	82	124	170	100	100
LB CIM App Downloaded	200,000+	250,000+	300,000+	800,000+	900,000+	1,000,000+
Total Workforce (No.)	3,562	4,132	4,407	4,665	5,000	5,500
Brand Ranking (No.)	24	28	20	17	15	10
Financial Solutions	32	33	34	35	36	37
Customer Base	750,000 +	800,000 +	850,000 +	950,000 +	1,000,000+	1,200,000+

Capitals Affected: HC IC SRC

Stakeholders Impacted

SDGs Impacted

Material Matters Impacted: 3 6 13 18

*Projected figures are forward looking estimates and may differ from actual future outcomes

[ST 3] **RISK AND IMPACT MANAGEMENT** To drive sustainable performance through responsible risk and ESG integration

S 07 Positive Impact | **S 08** ESG and Sustainability Integration | **S 09** Risk Management

Why it Matters

'Risk and Impact Management' matters to LBF because sustainable success depends on balancing growth with responsibility. By integrating ESG principles, managing risks proactively and creating positive social and environmental impact, we protect our assets, strengthen stakeholder trust, enhance resilience and ensure long-term value creation in an evolving financial landscape

Resources Allocated to Achieve Results

- Invested Rs. 42.72 billion in sustainable lending
- Invested Rs. 82.39 million in solar installations in branches
- Implemented ISO 14001:2015, to become an environmentally certified company
- Trained credit and risk staff on ESG and climate risk assessment
- Conducted climate scenario analysis and stress testing
- Conducted 04 Board/Management-level ESG trainings
- Invested Rs. 8.97 million in community initiatives

Related Risks

Operational Risk

Reputational Risk

Sustainability Risk

Supporting Our Purpose

Short-term
Strengthening ESG Foundation

- Embed ESG considerations into credit evaluation and approval processes
- Enhance portfolio-level risk monitoring and early warning systems
- Build staff awareness on sustainability and risk integration

Medium-term
Advancing Sustainable Integration

- Integrate ESG risk scoring into core credit and investment decisions
- Develop sustainable finance products supporting green and inclusive sectors
- Strengthen climate risk assessment and stress testing practices

Long-term
Building Resilience and Impact

- Build a resilient, climate-aware and impact-driven lending portfolio
- Leverage data and analytics to measure positive social and environmental outcomes
- Deliver long-term financial stability while creating measurable community impact

Performance Scorecard and Roadmap

Indicator	Past			Present	Future*	
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Emission Intensity (tCO_2e/employee)	0.98	0.96	08.38	12.64	16.75	20.80
Sustainability/ESG Trainings	-	-	13	15	17	20
Paper Recycling (Kg)	48,643	20,109	52,604	49,959	45,000	40,000
Liquid Assets Ratio (%)	19.31	21.02	20.01	19.56	18.60	18.65
Capital Adequacy Ratio - Total (%)	31.31	32.19	31.31	21.39	20.84	20.01

Capitals Affected: FC NC SRC

Stakeholders Impacted

SDGs Impacted

Material Matters Impacted: 9 21 23 24

*Projected figures are forward looking estimates and may differ from actual future outcomes

Movement Beyond 2026

IR 3A, 4G

DRIVING TOMORROW. CREATING ENDURING VALUE

At LB Finance, our future is built on purposeful, connected and continuously evolving movement. Like a system of gears working in harmony, our strategic priorities are aligned to drive innovation, expand opportunities and create sustainable growth. Each initiative powers the next, ensuring that every movement contributes to progress that is impactful, resilient and forward looking.

Our Strategic Priorities in Motion

Innovate for Tomorrow
We will embrace emerging technologies to reimagine financial services, enhance efficiency and unlock new possibilities across products, platforms and customer experiences.

Build the Super App Ecosystem
LB CIM app will evolve into a fully integrated super app, delivering seamless, end-to-end financial solutions that simplify and enhance the everyday lives of our customers.

AI-Powered Financial Solutions
We will leverage artificial intelligence to drive smarter credit decisions, personalised offerings and faster service delivery, while expanding digitally-driven deposit mobilisation.

Expand Markets and Opportunities
Our growth journey will extend beyond borders, as we explore new markets and strengthen our presence both locally and internationally.

Strategic Partnerships for Growth
By forging strong alliances, we will unlock new capabilities, accelerate innovation and create shared value across the financial ecosystem.

Strengthen the Funding Engine
We will optimise our funding mix by attracting low-cost local funds and accessing foreign capital, ensuring a strong and sustainable foundation for growth.

Drive Sustainable Lending Growth
We will strengthen and diversify our lending portfolio beyond traditional leasing and gold loans by expanding into affordable housing finance, business financing and electric and energy-efficient vehicle solutions, creating long-term value while supporting a more sustainable future.

Governance that Builds Trust
We will continue to strengthen governance, risk management and compliance frameworks, reinforcing trust and transparency with all stakeholders.

Our future narrative and strategic actions are embedded throughout this Annual Report and integrated across strategy, sustainability and the six capitals framework. These priorities are categorised across short, medium and long-term horizons, reflecting the Company's commitment to creating enduring value through responsible growth, intelligent transformation and stakeholder-focused progress.

142	155	161	180	188	211
FC	MC	HC	IC	SRC	NC
Financial Capital	Manufactured Capital	Human Capital	Intellectual Capital	Social and Relationship Capital	Natural Capital

62	260	184	252
Strategy and Business Model	Sustainability Integration	Digital Transformation and Innovation	Governance and Risk Management

Integrated Sustainability

Balancing Forces for Sustainable Movement

Movement that Aligns, Movement that Sustains

At LB Finance PLC, integrated sustainability ensures that every action contributes to long-term value. By connecting capital deployment with employee development, environmental initiatives, community support and SME financing, we create a system where responsibility and growth move together; every measure is purposeful and promotes efficiency across the organisation.

The coaxial helicopter control-transmission system demonstrates how gears on the same axis coordinate seamlessly under complex conditions, reflecting how LB Finance aligns all elements of sustainability to maintain balance and control in its operations.



88 "We are Recognised – We are Rated" | **89** Driving Sustainable Progress | **91** Sustainability Value Creation Model
92 Sustainability Strategy | **92** ESG Roadmap 2.0 | **107** Contribution to the UN SDGs | **108** Commitment to the UNGC 10 Principles
109 SLFRS Sustainability-Related Financial Disclosures

Integrated Sustainability

"WE ARE RECOGNISED - WE ARE RATED"

IdealRatings



LB Finance Gap Analysis Report

May 2026

Prepared for ▶ LB FINANCE

"LB Finance (LBF) proudly became the first company in Sri Lanka's banking and finance sector to receive an ESG Rating (from IdealRatings), marking a significant milestone in our sustainability journey and reinforcing our commitment to responsible and transparent business practices. The rating process was supported by a comprehensive ESG gap analysis that assessed the Company's performance against international ESG standards, drawing on both LBF's internal information and publicly available disclosures. The assessment also included a peer benchmarking analysis, enabling the identification of strengths, gaps, and opportunities to further enhance our ESG performance and reporting practices."

Scan this QR to read the full ESG Gap Analysis Report

DOC **9**

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Commitment – Driving Science-Based Targets

As the first financial institution in Sri Lanka to commit to the Science Based Targets initiative (SBTi), we are demonstrating leadership in climate action. Through this commitment, we are committed to set both near-term and net-zero targets, reinforcing our dedication to measurable, science-aligned emission reductions and supporting the Country's transition to a low-carbon economy.

PCAF Partnership for Carbon Accounting Financials

Signatory of PCAF - Strengthening Carbon Accounting

LBF has become a signatory of the Partnership for Carbon Accounting Financials (PCAF), reinforcing our commitment to robust carbon accounting and enhancing the measurement and reporting of Scope 3 financed emissions across our lending portfolio.

1. DRIVING SUSTAINABLE PROGRESS



"During the year, LBF achieved several significant milestones that strengthened its commitment to responsible and sustainable business practices. The Company became a member of the Partnership for Carbon Accounting Financials (PCAF) and proudly emerged as the first entity in Sri Lanka's banking and finance sector to commit to the Science Based Targets initiative (SBTi), reaffirming its dedication to science-based climate action and long-term environmental stewardship."

Message from the Chairman – Board Sustainability Committee

As the Chairperson of the Board Sustainability Committee, I am pleased to highlight the significant strides LBF has made during the financial year 2025/26 in strengthening its sustainability governance and advancing its ESG agenda. The Committee continued to provide strategic oversight, guiding the integration of Environmental, Social and Governance considerations into the Company's broader business strategy while ensuring alignment with evolving regulatory requirements and international sustainability frameworks.

During the year, LBF achieved several important milestones that reinforced its commitment to responsible business practices. The Company became a member of the Partnership for Carbon Accounting Financials (PCAF) and proudly emerged as the first company in Sri Lanka's banking and finance sector to commit to the Science-Based Targets initiative (SBTi), demonstrating its dedication to science-based climate action. In addition, LBF secured ISO 14001:2015 certification, becoming the first NBFI in Sri Lanka to achieve this globally recognised environmental management standard, while also obtaining an ESG rating of Triple A from IdealRatings.

The Committee also oversaw the revision of the Company's ESG Policy 2.0, development of the comprehensive ESG Roadmap 2.0 and Environmental and Social Management System (ESMS), providing clear direction for the integration of sustainability across operations and decision-making. Efforts to strengthen environmental stewardship were further supported through strategic collaborations with organisations. Most importantly, we partnered with the Clean Sri Lanka project to support the Government's vision of building a more sustainable nation.

Capacity building remained a priority throughout the year, with specialised training programmes conducted for both the Board and Sustainability Management Committees to enhance understanding of climate-related risks and emerging sustainability disclosure standards, including SLFRS S1 and S2. Alongside these initiatives, the Company continued to support community and environmental development through its CSR programmes.

Looking ahead, the Committee remains committed to deepening LBF's sustainability integration, strengthening ESG transparency and ensuring that responsible practices continue to drive long-term value creation for all stakeholders.



Piyal Hennayake
Chairman - Board Sustainability Committee

Integrated Sustainability



"The Corporate Sustainability Department, together with the Sustainability Working Committee, made considerable efforts to embed sustainability into day-to-day operations. Through continuous collaboration with internal teams, the Committee worked to integrate ESG considerations across business processes, operational practices and organisational initiatives, strengthening the Company's commitment to sustainable value creation."

Message from the Chairman – Sustainability Management Committee

The financial year 2025/26 marked another important step forward in strengthening LBF's sustainability journey. As the Sustainability Management Committee, our focus has been on translating the strategic direction provided by the Board into practical actions that embed Environmental, Social and Governance (ESG) principles across the organisation.

The Committee works closely with the Board Sustainability Sub-Committee to ensure strong alignment between strategic oversight and operational implementation, enabling the Company to achieve the highest level of contribution towards its sustainability objectives. This close collaboration helps ensure that sustainability considerations remain an integral part of LBF's decision-making and long-term business strategy.

During the year, the Corporate Sustainability Department together with the Sustainability Working Committee made considerable efforts to integrate sustainability into day-to-day operations. Through continuous collaboration with internal teams, the Committee worked to ensure that ESG considerations are reflected across business processes, operational practices and initiatives throughout the organisation.

Capacity building and knowledge sharing remained key priorities, as the Company strengthened internal awareness of evolving sustainability standards and reporting requirements. At the same time, the Committee continued to support initiatives that advance environmental stewardship and social responsibility, contributing to meaningful and lasting impact.

The dedication of the Corporate Sustainability Department and the cross-functional working committee has been instrumental in driving these efforts forward. Their commitment and proactive engagement play a vital role in ensuring that sustainability remains deeply embedded within LBF's culture and operations.

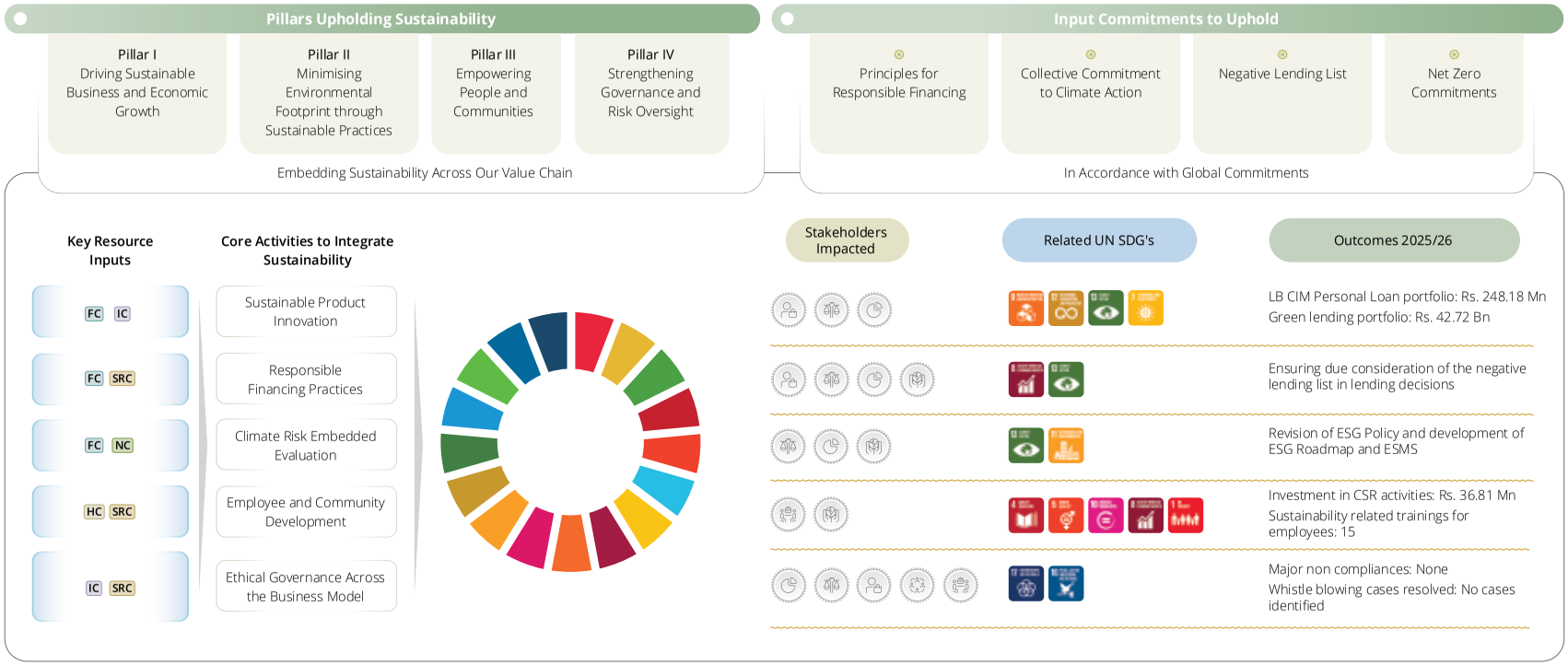
Looking ahead, the Sustainability Management Committee will continue to support the implementation of LBF's ESG Roadmap, strengthen sustainability practices across the organisation and contribute to building a resilient and responsible future for all stakeholders.



Ravindra Tissera
Chairman - Sustainability Management Committee

2. SUSTAINABILITY VALUE CREATION MODEL

At LBF, sustainability is deeply embedded across every layer of our business model and value chain. Our Sustainability Value Creation model is anchored on four core pillars and builds an empowered workplace. Through key resource inputs, financial, manufactured, intellectual, human, social and natural capital, we drive strategic core activities, including sustainable product innovation, responsible financing practices, climate risk-embedded credit evaluation, employee and community development, and ethical governance across our business operations.



Aligned to global commitments

Integrated Sustainability

GRI 2-22

3. SUSTAINABILITY STRATEGY

At LBF, sustainability is a core strategic priority that guides our efforts to create long-term value for all stakeholders. By aligning responsible business practices with financial performance, environmental stewardship and social impact, we strive to embed sustainability across our operations. The following strategies reflect our commitment to fostering resilient, inclusive and future-ready growth.

3.1. Driving Sustainable Business and Economic Growth

LBF remains committed to driving sustainable business and economic growth through strong financial performance and responsible financial practices. By maintaining a resilient business model (page 62), expanding our portfolio (page 27) and delivering innovative financial solutions (page 26), we continue to strengthen our financial position while creating long-term value for stakeholders. At the same time, by supporting entrepreneurship, enhancing access to finance for individuals and SMEs and embracing digital innovation, we contribute to the development of a vibrant and inclusive economy. Our disciplined approach to growth and prudent risk management enables us to remain agile while supporting broader economic progress.



1, 6, 10

3.2. Minimising Environmental Footprint through Sustainable Practices

Environmental responsibility remains a key pillar of our sustainability strategy. We are committed to minimising our operational footprint through energy-efficient practices (page 215), responsible resource management (page 217) and investments in green financing solutions (page 222). By aligning our efforts with global climate commitments, we strive to contribute to environmental protection and support the transition to a low-carbon, sustainable future.



7, 8, 9

3.3. Empowering People and Communities

At LBF, people and communities are at the heart of our sustainability efforts. We are committed to fostering a safe, inclusive and supportive work environment where employees are valued, respected and empowered with opportunities for continuous growth and development (page 167). By promoting diversity, wellbeing and learning, we nurture a high-performing culture that drives organisational excellence. At the same time, we strive to create broader social impact by expanding access to financial services, supporting SMEs (page 188) and strengthening regional outreach initiatives (page 158), enabling individuals and communities to actively participate in economic progress while reducing inequalities and promoting shared prosperity.



1, 2, 3, 4, 5, 6

3.4. Strengthening Governance and Risk Oversight

As a leading financial institution, LBF is committed to maintaining strong governance practices (page 215) and robust Risk Management Frameworks (page 331). By embedding effective oversight, accountability and disciplined financial stewardship into our operations, we ensure sustainable value creation for our stakeholders. Our governance approach enables us to navigate evolving market dynamics with stability and foresight, while maintaining resilience and supporting long-term economic growth.



1, 2, 10

4. ESG ROADMAP 2.0

Our ESG Roadmap 2.0 outlines a structured pathway to embed environmental, social and governance principles across all aspects of our operations and decision-making. Anchored on strong governance, responsible finance and sustainable business practices, the roadmap focuses on climate action, operational efficiency, financial inclusion, employee wellbeing and ethical conduct. Through clearly defined action pillars, measurable targets and continuous monitoring, we are strengthening resilience, managing risks and creating long-term value for our stakeholders while contributing to a more sustainable and inclusive future.



E1 – CLIMATE ACTION AND NET-ZERO TRANSITION

- Establish long-term net-zero ambition aligned with national climate goals
- Measure and reduce Scope 1 and 2 emissions; gradually address Scope 3 emissions
- Climate risk considerations are integrated into risk register

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Scope 1 emissions reduction	2,711 tCO_2e	4014 tCO_2e	2% reduction in scope 1 emissions	10% reduction in scope 1 emissions	• Optimise generator usage and preventive maintenance • Monitor fuel consumption per branch and per employee • Solar backup systems	SDG 7.3, SDG 13.2 GRI 102, GRI 305-1
Scope 2 emission reduction	2,241 tCO_2e	2315 tCO_2e	2% reduction in scope 2 emission	10% reduction in scope 2 emission	• Expand rooftop solar installations at high-energy-consuming branches (started in Panadura) • Replace conventional lighting with LED across branches • Procure energy-efficient equipment for new and refurbished branches • Conduct annual energy audits and implement corrective actions • Monitor electricity consumption monthly at branch level	SDG 7.2, SDG 13.2 GRI 102, GRI 302, GRI 305
Scope 3 emissions reduction	133 tCO_2e/Bn (Assets base)	133.12 tCO_2e/ Bn (Asset base)	125 tCO2e/Bn	Align with SBTi targets	• Improve accuracy of scope 3 accounting (employee travel, leased assets, purchased goods) • Introduce ESG screening for suppliers and service providers • Promote hybrid and electric vehicle (EV) leasing products for customers • Encourage virtual meetings	SDG 13.1, SDG 13.2, SDG 17.17 GRI 102, GRI 305

E2 – SUSTAINABLE OPERATIONS AND GREEN BUILDINGS

- Energy-efficient branches and offices
- Renewable energy adoption (e.g., solar where feasible)
- Water efficiency and responsible resource use
- Green building standards for new and refurbished branches

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Increase renewable energy adoption	18% of branches with solar backup	26% of branches with solar backup	≥ 25% of branches with solar installations	≥ 50% of branches with solar installation	• Expand rooftop solar installations • Prioritise company-owned premises for solar deployment • Integrate solar solutions into new branch planning • Reduce reliance on diesel generators where solar is operational • Monitor renewable energy contribution on a monthly basis	SDG 7.3, SDG 12.2 GRI 302, GRI 305
Optimise water usage	Water consumption: 48,514 m³	Water consumption: 50280 m³	Promote efficient water use	Implement technology-based water management solutions	• Install water-efficient fixtures (low-flow taps, dual-flush toilets) in branches • Implement branch-level water monitoring and reporting • Conduct employee awareness programmes on responsible water use • Introduce preventive maintenance to minimise leakages (if any)	SDG 11.3, SDG 11.6 GRI 302, GRI 305
Green building standards for branches	Initiated the green building concept in Chilaw branch	Construction of the Chilaw green branch is in progress	Green design principles applied to new branches, existing branches and major refurbishments	Green Building Standards embedded across all new developments	• Integrate energy efficiency, water efficiency, materials and resources, indoor environmental quality, sustainable sites, waste reduction, innovation and management criteria into branch design guidelines • Adopt green building concepts for lighting, ventilation and layout • Prioritise sustainable materials and equipment in refurbishments • Align branch development with local environmental regulations and best practices	SDG 11.3, SDG 11.6 GRI 302, GRI 305

E3 – CIRCULAR ECONOMY AND WASTE MANAGEMENT

- Waste segregation and recycling across branches
- Reduction of single-use plastics
- Sustainable procurement practices
- Partnering with certified recyclers

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Improve paper recycling	Paper recycled: 52,604 kg (Neptune Recycles)	Paper recycled: 49,959 kg (Neptune Recyclers)	Ensure all recyclable paper is recycled	Optimise digital solutions to reduce paper usage and recycling	⊛ Install clearly labelled paper-only collection bins at all branches and offices ⊛ Segregate paper waste at source (operational vs confidential) ⊛ Track quantities recycled using recycler-issued certificates ⊛ Monitor monthly paper recycling performance at branch level ⊛ Tech-based solutions	SDG 12.5 GRI 306
Enhance plastic waste management	Plastic waste generated sources identified, but not fully quantified the amount	Initiated awareness programmes and improved waste segregation practices across branches	Complete plastic waste inventory	≥50% reduction in plastic waste generation	⊛ Improve the existing plastic recycling mechanism ⊛ Introduce reusable and eco-friendly alternatives (cups, bottles, packaging) ⊛ Partner with certified recyclers and "Zero Plastic Movement" initiatives ⊛ Conduct employee awareness programmes on plastic reduction and segregation ⊛ Monitor plastic waste quantities quarterly	SDG 12.4, SDG 12.5 GRI 306
Strengthen e-waste disposal and recovery	Importance of responsible e-waste management recognised Partnered with licensed e-waste recyclers (GreenLinks)	Existing e-waste items were segregated and stored for responsible recycling	Establish comprehensive e-waste inventory 100% tracking of e-waste movement	Ensure 100% responsible e-waste disposal through licensed recyclers	⊛ Maintain a centralised e-waste register (IT assets, electronics, office devices) ⊛ Track quantities generated, stored and disposed with disposal certificates ⊛ Conduct periodic staff awareness on e-waste segregation and safe disposal ⊛ Ensure compliance with national environmental regulations	SDG 12.4 GRI 306
Sustainable procurement practices	No ESG considerations applied	Identified reusable and low-impact materials for selected operational requirements	Integrate environmental criteria into procurement decisions	ESG-aligned procurement embedded across value chain	⊛ Introduce sustainable procurement guidelines (recyclable, reusable, low-impact materials) ⊛ Prefer suppliers with environmental certifications where feasible ⊛ Include waste reduction and recyclability criteria in supplier selection ⊛ Align procurement practices with LBF ESG Policy	SDG 12 GRI 204, GRI 306

E4 – PAPERLESS AND DIGITAL BANKING

- E-statements, digital onboarding and e-products
- Reduction of paper-based processes
- Digitisation to reduce operational environmental footprint

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Digital onboarding (customers)	18% growth in digital onboarding	22% growth in digital onboarding	60% digital onboarding	90% digital onboarding	⊛ Enhance e-KYC and biometric verification ⊛ Simplify app-based onboarding ⊛ Promote paperless account opening	SDG 8.10, SDG 9.1
Cardless transactions (virtual cards)	N/A	Introduced the virtual card in January	50% cardless usage	70% cardless/NFC transactions	⊛ Promote virtual cards and wallets ⊛ Incentives for tokenised payments ⊛ Merchant enablement	SDG 9.C, SDG 12.2
Customer adoption & awareness	44% growth in active customers digitally engaged	70% growth in active customers	80% active digital users	90% digitally active customer base	⊛ Digital literacy campaigns ⊛ In-app education and nudges ⊛ Branch-to-digital migration programs	SDG 4.4, SDG 10.2
E-receipt/product related service documents generation	N/A	50% growth in adoption of electronic letters and receipts	75% adoption of electronic letters and receipts	90% electronic letters and receipts	⊛ Default e-receipts for all channels ⊛ SMS/email/app-based receipts ⊛ Merchant and teller training	SDG 12.5, SDG 13.2
Number of app downloads	56% growth in downloads	73% growth in downloads	80% growth in downloads	90% downloads	⊛ Digital literacy campaigns ⊛ In-app education and nudges ⊛ Digital marketing (ATL and BTL)	SDG 9.c
Digital Fixed Deposit (FD) opening	37% growth of FDs opened digitally	75% growth of Digital FD openings	80% of Digital FD openings	90% digital-only FD journey	⊛ End-to-end digital FD journeys ⊛ Digital KYC and e-signatures ⊛ Preferential digital rates	SDG 8.10, SDG 9.1
AI-powered digital loans (Selected products)	N/A	Introduced AI-powered digital loans	20% AI-powered digital loan disbursements	30% AI-powered digital loan disbursements	⊛ Digital marketing campaigns ⊛ Customers awareness programmes ⊛ Staff awareness and training ⊛ Group synergy and introduction to eligible customer segments	SDG 8.10, SDG 9.5

E5 – ENVIRONMENTAL RISK MANAGEMENT IN LENDING

- Environmental risk screening embedded in credit appraisal
- Alignment with Sri Lanka Carbon and Green Taxonomy
- Enhanced due diligence for high-risk sectors
- Monitoring of environmental covenants

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Environmental risk screening in credit appraisal	Environmental considerations applied on an ad-hoc / qualitative basis	Developed an Environmental and Social Management System (ESMS) to strengthen environmental risk screening within the credit appraisal process	100% of new lending subject to standard environmental risk screening	100% of lending portfolio screened and periodically reviewed	• Introduce a standard Environmental and Social (E&S) risk screening checklist through Environmental and Social Management Systems (ESMS) • Embed screening into credit appraisal and approval workflow • Make E&S screening mandatory for all credit proposals • Provide structured training to credit officers and approvers • Maintain audit trails for screening outcomes	SDG 12.6, SDG 13.2
Alignment with Sri Lanka Carbon and Green Taxonomy	No formal taxonomy mapping at loan level	In progress	Identify and map the eligible loan portfolio under the taxonomy	More than 30% of eligible loan portfolio mapped to taxonomy	• Map loan products and sectors to Sri Lanka Carbon and Green Taxonomy • Classify loans as green, transition, or neutral at origination • Integrate taxonomy tagging into loan systems • Use taxonomy outputs for sustainable finance reporting and disclosures	SDG 9.4, SDG 13.2
Enhanced due diligence for high-risk sectors	High-risk sectors identified, but not systematically assessed	Environmental risk levels for sectors were assessed and integrated into the ESMS	100% of new high-risk loans subject to enhanced E&S due diligence	100% of high-risk portfolio monitored throughout loan life cycle	• Categorise sectors and clients using A/B/C environmental risk classification through ESMS • Conduct site visits and document verification for category A and B loans • Require environmental management plans (where applicable) • Include mitigation measures and corrective actions in loan conditions • Environmental damage mitigation plans	SDG 8.4, SDG 15.1 IFC PS 1
Capacity building and governance	Limited ESG expertise among credit teams	15 ESG trainings for employees	Train more than 60% of credit, risk and business teams on E&S risk	100% of relevant staff trained on E&S risk management	• Develop structured E&S risk training programmes • Assign clear roles and responsibilities for E&S risk approval • Establish ESG escalation protocols for high-risk lending • Periodic refresher training and guidance notes	SDG 4.7, SDG 16.6 GRI 404

S1 – FINANCIAL INCLUSION AND RESPONSIBLE FINANCE

- Inclusive financial products for SMEs, women and underserved segments
- Financial literacy and entrepreneurship development programmes
- Fair, transparent and responsible lending practices

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Enhance financial inclusion through geographic outreach	6 branches opened outside Western Province	8 branches opened outside Western Province	Open branches in underserved/remote regions (Untouched markets) Enhance digital engagement Strengthen the LB CIM app penetration	Enhance the digital engagement of customers Limit the branch openings	• Expand branch network in underserved communities • Digital onboarding for rural communities	SDG 1.4, SDG 8.10 GRI 203, GRI 417
Strengthen access to finance for SMEs	A product for SME customers is planned to be launched in 2025	Sanmitha loan portfolio : Rs. 2,461.16Mn	Increase SME loan portfolio and onboard new SMEs annually through targeted products	Sustain steady growth in SME portfolio with strong repayment performance	• Expand specialised SME lending schemes (e.g. LB Sanmitha) • Simplify credit appraisal for eligible SMEs • Provide tailored products for women-led and micro enterprises • Track SME onboarding, portfolio growth and performance	SDG 8.3, SDG 9.3 GRI 203, GRI 413
Build financial literacy, community capacity and customer education programmes	None	160 individuals trained 3 programmes conducted (200+ participants)	Train 500+ individuals through structured programmes Conduct minimum 5 programmes annually	Train 1000+ individuals cumulatively Conduct minimum 12 programmes annually nationwide	• Conduct community-based financial literacy workshops under LB Sanmitha Knowledge Platform • Strengthen partnerships with NEDA and relevant government bodies • Collaborate with schools, universities and NGOs • Organise branch-level customer education sessions • Develop digital and online financial education content • Use mobile and social media platforms for outreach	SDG 4.4, SDG 8.3, SDG 8.6 GRI 413

S2 – CUSTOMER PROTECTION AND FAIR PRICING

- Transparent product disclosures
- Ethical sales and marketing practices
- Grievance redress mechanisms
- Alignment with CBSL consumer protection principles

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Customer satisfaction and experience	Customer satisfaction rate / Net Promoter Score (NPS): 41%	Customer satisfaction rate / Net Promoter Score (NPS): 29% (Covering 31 branches)	Achieve ≥50% customer satisfaction/ NPS	Achieve ≥60% customer satisfaction/ NPS	⊛ Conduct structured customer satisfaction and NPS surveys at least annually ⊛ Analyse feedback by product, channel and branch level ⊛ Implement customer-centric service training for frontline and contact centre staff ⊛ Strengthen grievance handling turnaround times and escalation protocols ⊛ Enhance digital customer touchpoints (mobile app, call centre, online services)	SDG 8.3, SDG 9.1 GRI 418
Customer grievance redressal mechanism	Resolved ≥89% of complaints	Resolved ≥95% of complaints	Resolve ≥95% of complaints	Resolve ≥99% of complaints	⊛ Maintain a centralised complaint management system ⊛ Track complaints by category, branch and product ⊛ Strengthen escalation to compliance and management for repeated issues ⊛ Periodic reporting to Senior Management and Board Committees	SDG 8.3, SDG 16.6 GRI 418-1
Customer data privacy and security	Zero data breaches	Zero data breaches	Maintain zero data breaches	Sustain zero data breaches	⊛ Implement robust IT security and access controls ⊛ Conduct regular staff training on data protection and cyber hygiene	SDG 16.6, SDG 16.10 GRI 418-1

S3 – WORKPLACE DIVERSITY, EQUITY AND INCLUSION

- Gender equality and equal opportunity policies
- Inclusive recruitment and career progression
- Safe, respectful and inclusive workplace culture
- Employee wellbeing and engagement programmes

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Gender diversity and inclusion	Women in workforce: 47% Women in Senior Management 5% Female branch managers (HOB) : 4 Female officers in charge (OIC) : 43	Women in workforce: 50% Women in senior management 5%	Maintain well- balanced women in total workforce	Ensure gender parity is maintained at the highest possible level	• Implement women focused leadership development and mentoring pathways • Ensure gender-balanced recruitment • Establish inclusive workplace practices and anti-harassment training	SDG 5.5, SDG 8.5 GRI 405
Employee retention and turnover	Employee talent turnover ratio: 10.1%	Employee talent turnover ratio : 7.8%	Reduce talent turnover ratio to 7.6%	Reduce talent turnover ratio to 7%	• Strengthen career progression and succession planning • Improve onboarding, mentoring and probation support • Conduct structured exit interviews and root-cause analysis • Enhance worker management engagement forums and employee engagement activities	SDG 8.5 GRI 401
Employee training and skill development	Training hours: 53,845 hours	Training hours: 54,922 hours	Increase training hours to 59,420	Increase training hours to 68,786	• Strengthen annual training calendar aligned to business and ESG needs • Expand e-learning and blended learning platforms • Introduce leadership, digital and risk management training • Track training hours and participation by staff category	SDG 4.4, SDG 8.2 GRI 404
Occupational health and safety	Work-related illnesses: 0 Conducted first aid training for 29 employees	Work-related illnesses: 0	Maintain zero major workplace injuries or illnesses	Maintain zero major workplace injuries or illnesses	• Improve injury, illness and near-miss reporting across branches • Conduct periodic workplace safety inspections and audits • Update Organisational Health and Safety (OHS) guidelines and emergency • Continue the basic first-aid and safety trainings	SDG 3.8, SDG 8.8 GRI 403
Community wellbeing and engagement	Volunteer hours: 7,552 Employee engagement activities 14	Volunteer hours: 5,031 Employee engagement activities - 16	Increase volunteer activities for employees	Establish employee voluntary group	• Establish employee volunteering programmes aligned with CSR priorities • Promote wellness, mental health and engagement initiatives	SDG 11.3, SDG 17.17 GRI 413

S4 – GENDER AND GBVH / TFGBVH PREVENTION

- Zero tolerance for Gender-Based Violence and Harassment (GBVH)
- Awareness, training and reporting mechanisms on GBVH

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
GBVH / TFGBVH Policy and Zero Tolerance Framework	No standalone GBVH / TFGBVH Policy in place	GBVH & workplace harassment policy approved	Include TFGBVH provisions to the GBVH and Workplace Harassment Policy approved and communicated in 2025/26	Zero-tolerance GBVH / TFGBVH Framework fully embedded across the organisation	• Develop and approve a standalone GBVH / TFGBVH and Workplace Harassment Policy • Obtain Board and Management endorsement • Integrate GBVH / TFGBVH provisions into Code of Conduct and HR policies • Define clear disciplinary procedures and sanctions	SDG 5.2, SDG 8.8
Awareness and mandatory training	No structured GBVH / TFGBVH training	-	Train ≥50% of employees on GBVH /TFGBVH and respectful workplace behaviour	Train 100% of employees on GBVH / TFGBVH and respectful workplace behaviour	• Introduce mandatory GBVH / TFGBVH training at onboarding • Conduct annual refresher training for all staff • Provide role-based training for managers, HR and investigators • Implement branch-level awareness campaigns	SDG 4.7, SDG 5.1
Reporting and grievance mechanism	No GBVH / TFGBVH -specific reporting guidance	-	Confidential, accessible GBVH / TFGBVH reporting mechanism established	Survivor-centred reporting system fully operational and credible	• Establish dedicated GBVH / TFGBVH reporting channels (email, hotline, focal points) • Ensure confidentiality, anonymity and non-retaliation safeguards • Define clear reporting, escalation and response timelines • Provide guidance to staff on how and where to report	SDG 8.8, SDG 16.6
Management accoun tability and response	No defined roles or procedure	-	GBVH / TFGBVH case management framework established	Consistent, fair and timely handling of all GBVH / TFGBVH cases	• Establish trained investigation panels (gender-balanced where possible) • Develop standard operating procedures (SOPs) for GBVH / TFGBVH case handling • Assign clear roles and accountability at HR and Management level • Implement corrective and disciplinary actions as per policy	SDG 8.8, SDG 16.6

S5 – COMMUNITY DEVELOPMENT AND DISASTER RESPONSE

- Structured disaster relief for employees and communities
- Community investment aligned with local needs
- Long-term social impact programmes rather than ad-hoc donations

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Community engagement and outreach	18 CSR programmes conducted	13 CSR programmes conducted	Implement impact-driven CSR initiatives (women, children and student focus)	Become impact based iconic CSR initiative in Sri Lanka	• Conduct branch-level community needs assessments annually • Develop structured CSR plans aligned with local priorities (education, livelihoods, environment, health) • Establish long-term partnerships with local authorities, NGOs and community-based organisations • Track beneficiaries, outcomes and community feedback	SDG 11.3, SDG 17.17 GRI 413
Disaster response / preparedness and recovery (Employees and communities)	Ad-hoc disaster support Climate change mitigation and adaptation actions	Disaster response initiatives were carried out to support affected employees and communities by Ditwah	Establish a structured disaster response framework	Integrated disaster preparedness and recovery system	• Develop a disaster response / preparedness and relief SOP (employees and communities) • Pre-define support categories (cash, in-kind, rehabilitation) • Maintain emergency contact and vulnerability data • Conduct pre and post-disaster assessments and timely assistance	SDG 11.5, SDG 13.1

S6 – SOCIAL RISK MANAGEMENT IN LENDING

- Social risk screening integrated into credit process
- Compliance with IFC Performance Standards and ILO Core Labour Standards
- Monitoring of labour practices, health and safety and community impacts

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Social risk screening in credit appraisal	No formal social risks assessment	Developed and approved a standard social risk screening checklist under ESMS	Social risk screening applied to ≥50% of new lending	100% of lending subjected to social risk screening	• Develop and approve a standard social risk screening checklist under ESMS • Integrate social screening into credit appraisal and approval workflows • Require screening results to be documented in credit files • Train credit officers and risk teams on social risk identification	SDG 8.8, SDG 16.6

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Alignment with IFC Performance Standards	No formal alignment	IFC Performance Standards were considered in development of the ESMS	IFC Performance Standards adopted for medium and high-risk lending	Full alignment with IFC PS 1–8 across relevant portfolio	⊛ Adopt IFC Performance Standards (PS 1–8) as the guiding framework for social risk ⊛ Develop sector-specific social risk guidance notes ⊛ Apply enhanced due diligence for higher-risk sectors	SDG 9.4, SDG 12.6
Compliance with ILO Core Labour Standards	No systematic verification	Started a pilot programme	Labour compliance checks applied to all medium and high-risk borrowers	Labour compliance verified for 100% of relevant borrowers	⊛ Screen for child labour, forced labour, discrimination and unsafe working conditions ⊛ Require borrower self declarations and labour related covenants ⊛ Introduce corrective action plans where gaps are identified ⊛ Include labour compliance clauses in loan agreements	SDG 8.7, SDG 8.8
Community impact and stakeholder risks	Limited assessment of community impacts	Started a pilot programme	Community impact screening for high-risk sectors	Community impact assessment embedded across relevant lending	⊛ Identify risks to local communities (health, safety, displacement, nuisance) ⊛ Require mitigation measures for adverse community impacts ⊛ Encourage borrower-level grievance mechanisms for affected stakeholders ⊛ Escalate high-impact cases to Risk/Sustainability Committee	SDG 11.3
Capacity building and governance	Limited social risk expertise among lending teams	Started a pilot programme	≥50% of relevant staff trained on social risk management	100% of relevant staff trained; social risk fully embedded in ESMS	⊛ Conduct training on IFC Performance Standards and ILO Standards ⊛ Establish social risk escalation and approval protocols ⊛ Integrate social risk monitoring into ESMS governance and reporting ⊛ Periodic internal reviews of social risk implementation	SDG 4.7, SDG 16.6

G1 – ESG GOVERNANCE AND OVERSIGHT

- Board-level oversight of ESG strategy and risks
- Training and development on ESG topics
- Management accountability for ESG implementation
- Clear ESG roles and responsibilities

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Board ESG oversight and capacity building	4 Board training sessions conducted	4 Board training sessions conducted	Minimum 4 ESG-focused Board/ Management Committee training sessions per year	Minimum 5 ESG-focused Board training sessions per year with advanced topics	⊛ Develop an annual Board ESG training calendar ⊛ Include ESG risk, climate risk, sustainable finance and regulatory updates ⊛ Engage external ESG experts for Board-level briefings	SDG 5.5, SDG 16.6 GRI 2-9, 2-12, 2-13
Management (Working Committee) ESG training and accountability	4 Management training sessions conducted	4 Management training sessions conducted	Minimum 4 ESG training sessions for working committee	Minimum 5 ESG training sessions annually	⊛ Conduct ESG training for Senior Management covering ESMS, ESG risks and targets ⊛ Assign ESG-related responsibilities to working committee members ⊛ Periodic ESG performance reviews at management meetings	SDG 12.6, SDG 16.6 GRI 2-12, 2-13
ESG reporting and decision making	Section included in the Annual Report	Section included in the Annual Report and quarterly updated to the BSC	Regular ESG reporting and quarterly update to the BSC	ESG dashboard integrated ESG reporting aligned with global standards	⊛ Quarterly ESG dashboards to Board and Working Committee ⊛ Align disclosures with GRI, SLFRS S1 and S2 (where applicable) ⊛ Use ESG data to inform strategic and risk decisions	SDG 16.6 GRI 2-14, 2-15

G2 – COMPLIANCE, ETHICS AND RISK CULTURE

- Strong compliance culture aligned with regulatory expectations
- Ethical conduct and whistleblowing mechanisms
- Alignment with national and international standards
- Anti-corruption and fraud prevention

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Regulatory compliance and standards alignment	Compliance with CBSL requirements; limited formal alignment to international standards	Compliance with CBSL requirements was maintained, with limited formal alignment to international standards	Alignment with key national and international standards (CBSL, GRI, IFC guidance)	Full integration of compliance and ethics into ESG framework	• Map compliance framework against CBSL regulations, GRI, IFC and ISO guidance • Regular compliance monitoring and internal reporting	SDG 16.6 GRI 102, GRI 418
Anti-corruption and fraud prevention	8 fraud incidents and zero corruptions	corruption incidents	Maintain zero confirmed incidents with strengthened detection and prevention controls	Sustain zero incidents with mature prevention, detection and response systems	• Conduct annual fraud and corruption risk assessments across branches and functions • Strengthen internal controls and segregation of duties • Implement mandatory Anti-Bribery and Corruption (ABC) training for all employees • Periodic fraud risk reporting to Senior Management and the Board	SDG 16.5, SDG 16.6 GRI 205
Whistle blowing and grievance mechanisms	Whistleblowing mechanism exists, but limited usage and awareness	The Whistleblowing Policy was strengthened by providing confidential reporting	Confidential, accessible whistleblowing channels operational across all branches	Globally aligned whistleblowing mechanism	• Strengthen anonymous whistleblowing channels (hotline, email, digital) • Defined investigation, escalation and closure timelines • Regular awareness campaigns for employees and stakeholders	SDG 16.5, SDG 16.6
Ethical conduct and code of ethics	Code of conduct in place; awareness varies across functions	The Code of Conduct was updated and communicated	100% employee awareness and acknowledgement of code of ethics	Ethics fully embedded into organisational culture and decision-making	• Review and update Code of Ethics aligned with regulatory and international standards • Annual employee declaration and acknowledgement • Integrate ethics into performance management and disciplinary processes	SDG 16.5, SDG 16.6 GRI 205

G3 – TRANSPARENCY, REPORTING AND DISCLOSURE

ESG disclosures aligned with:

- CBSL Sustainable Finance Roadmap 2.0
- IFC and international best practices
- SLFRS S1 and S2 (where applicable)
- Regular communication with stakeholders

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
ESG reporting and disclosure frameworks	ESG disclosures prepared under multiple non financial frameworks with limited integration 4 non-financial frameworks subject to audit assurance UN-based sustainability frameworks Corporate governance frameworks	ESG disclosures prepared under multiple nonfinancial frameworks	Strengthen consistency and depth of ESG disclosures across all applied frameworks	Full alignment with applicable global ESG reporting standards, with integrated and decision-useful disclosures	• Enhance ESG disclosures under GRI Standards and existing frameworks • Harmonise disclosures across Annual Report, sustainability content and regulatory submissions • Integrate ESG disclosures with financial reporting where applicable	SDG 12.6, SDG 16.6 GRI 2, GRI 102

CC1 – PRODUCT INNOVATION WITH ESG FOCUS

- Green, social and sustainable lending products
- Incentives for environmentally and socially responsible customers
- Alignment with sustainable finance taxonomies

Key Area	Baseline Performance 2024/25	2025/26	Year 1 Target (2026/27)	2030 Target	Actions	Sustainability Frameworks
Green and sustainable lending products	Limited sustainable lending products	Existing sustainable lending products were further strengthened	Strengthen the existing sustainable lending products	Launch 1–2 green or sustainable lending products	• Define green eligibility criteria for assets and activities • Align product definitions with Sri Lanka Carbon and Green Taxonomy • Pilot green asset financing (solar systems, EVs, energy-efficient equipment) • Track disbursements and environmental outcomes	SDG 7.2, SDG 9.4, SDG 13.2
Sustainable lending framework and governance	ESG considerations applied informally in product design	ESG considerations were incorporated into product design on an informal basis	Introduce a sustainable lending framework	All ESG adopted products to be governed under the sustainable lending framework	• Develop and approve a sustainable finance / lending framework • Define governance, approval and review processes • Establish clear product information, eligibility and disclosure rules • Periodic review to prevent greenwashing	SDG 7.2, SDG 13.2 GRI 202, GRI 305

5. CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

SDG	Initiatives Implemented by LBF	Page
	⊛ New job recruitments during the year 2,214	39
	⊛ Supported underserved customers	209
	⊛ Sponsored for women employment and empowerment	206, 207
	⊛ Offered microfinance facilities in Myanmar	247
	⊛ Sanmitha Loans granted for SME sector Rs. 2,400+ million	33
	⊛ Conducted beach caretaker programmes aimed at supporting low-income communities	224
	⊛ Continued sponsoring the drug abuse prevention programme (4 programmes conducted during the year)	205
	⊛ Conducted blood donation programmes at LB Head Office, LB Gampaha branch and LB Kekirawa branch	209
	⊛ Continued sponsoring the education of visually impaired children at the School for the Blind, Rathmalana	209
	⊛ Established a behavioural training space for children with autism at Wadduwa	207
	⊛ Donated of books under the 'Arunu Dora' programme in collaboration with the 'Clean Sri Lanka' project	209
	⊛ Conducted 6 special programmes to celebrate World Children's day	209
	⊛ Introduced a Gender-Based Violence and Harassment (GBVH) Policy	101
	⊛ 1,223 number of females recruited during the year	179
	⊛ Constructed lavatory facilities at Kalutara Musaeus Vidyalaya	206
	⊛ Converted 58 branches to hybrid solar power systems	216
	⊛ Transition to LED lighting	215
	⊛ Invested Rs. 24.92 million in training and development	39
	⊛ Conducted financial literacy and awareness programmes through Sanmitha knowledge platform	97
	⊛ Leveraged digital financial services via LB CIM app to improve accessibility	12
	⊛ Conducted QR code campaigns at CBSL and Kurunegala City	192
	⊛ 8 new branches opened outside Western Province during the year	158
	⊛ Integrated artificial intelligence into LB CIM app and business processes	185
	⊛ Launched LB Sanmitha product targeting MSME sector	26
	⊛ Initiated the construction of green branches	222
	⊛ Extended Rs. 42.69 billion in financing for electric and hybrid vehicles	223
	⊛ Partnered with Green Links to ensure the proper handling of electronic waste	216
	⊛ Continued the paper recycle with Naptune Recycles (49,959 kg of paper recycled)	95
	⊛ Promoted recycling and responsible use of plastics within our operations and community initiatives	95
	⊛ Calculated GHG emissions for monitoring and controlling purposes	218
	⊛ Initiated the construction of green branches	222
	⊛ Transitioning towards greater reliance on renewable energy sources for our operational needs	15
	⊛ Conducted a reforestation programme in collaboration with University of Sri Jayawardenapura	223, 226
	⊛ Continued tree planting programmes	223-226
	⊛ Donated Rs. 5 million to Ditwah cyclone victims	209

Integrated Sustainability

SDG	Initiatives Implemented by LBF	Page
	⊛ Continued sponsoring the beach caretaker programme in Colombo and Wadduwa area in collaboration with MEPA	224
	⊛ Conducted a mangrove planting programme in collaboration with the University of Sri Jayewardenepura at Ittapana	226
	⊛ Sponsored for a school art competition to commemorate World Environment Day	225
	⊛ Conducted a reforestation programme in collaboration with the University of Sri Jayewardenepura at Yagirala	223
	⊛ Strengthened anti-money laundering and anti-bribery initiatives within the organisation	562
	⊛ Collaborated with Clean Sri Lanka project for social and environmental initiatives	209, 224
	⊛ Entered into 11 strategic business partnerships	199

6. COMMITMENT TO THE UNGC 10 PRINCIPLES

UNGC Principle	Examples of LBF Initiatives Aligned with UNGC Principles	Page
Human rights 1, 2	⊛ Promoting financial inclusion for marginalised groups	26
	⊛ Upholding employee rights and ensuring equal pay across all genders	175
Labour standards 3, 4, 5, 6	⊛ Enforcing fair working conditions and employee safety	176
	⊛ Providing employee development programmes and training opportunities	167
Environment 7, 8, 9	⊛ Committing to solar energy projects and energy efficiency	215
	⊛ Committing to ISO 14001:2015 Environmental Management System	14
	⊛ Implementing green building certifications and waste management initiatives	159
Anti-corruption 10	⊛ Launching anti-money laundering and anti-bribery initiatives	562
	⊛ Strengthening internal compliance protocols to prevent corruption	562







SLFRS Sustainability-Related Financial Disclosures

1. BASIS OF PREPARATION

1.1. Reporting Entity, Boundary and Value Chain

LB Finance (LBF) is a Public Limited Company incorporated in Sri Lanka under the Companies Act No. 07 of 2007 and operates as a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and subsequent amendments. The Company is domiciled in Sri Lanka, with its registered office located at No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

These Sustainability-Related Financial Disclosures ("the Report") present the sustainability-related risks and opportunities (SRROs), including climate-related risks and opportunities (CRROs), relevant to the Company for the financial year ended 31 March 2026.

1.1.1. Organisational Boundary

The reporting boundary for this sustainability related financial disclosure section has been established at the entity level, as the contribution of subsidiaries to the Group (including the newly acquired AMF subsidiary) is not material in terms of net operating cash flows, profit before tax and total assets based on the defined materiality thresholds. Accordingly,

- Financial disclosures are presented at the group level
- Non-financial disclosures relating to Governance, Strategy, Risk Management and Metrics and Targets are presented at the entity level

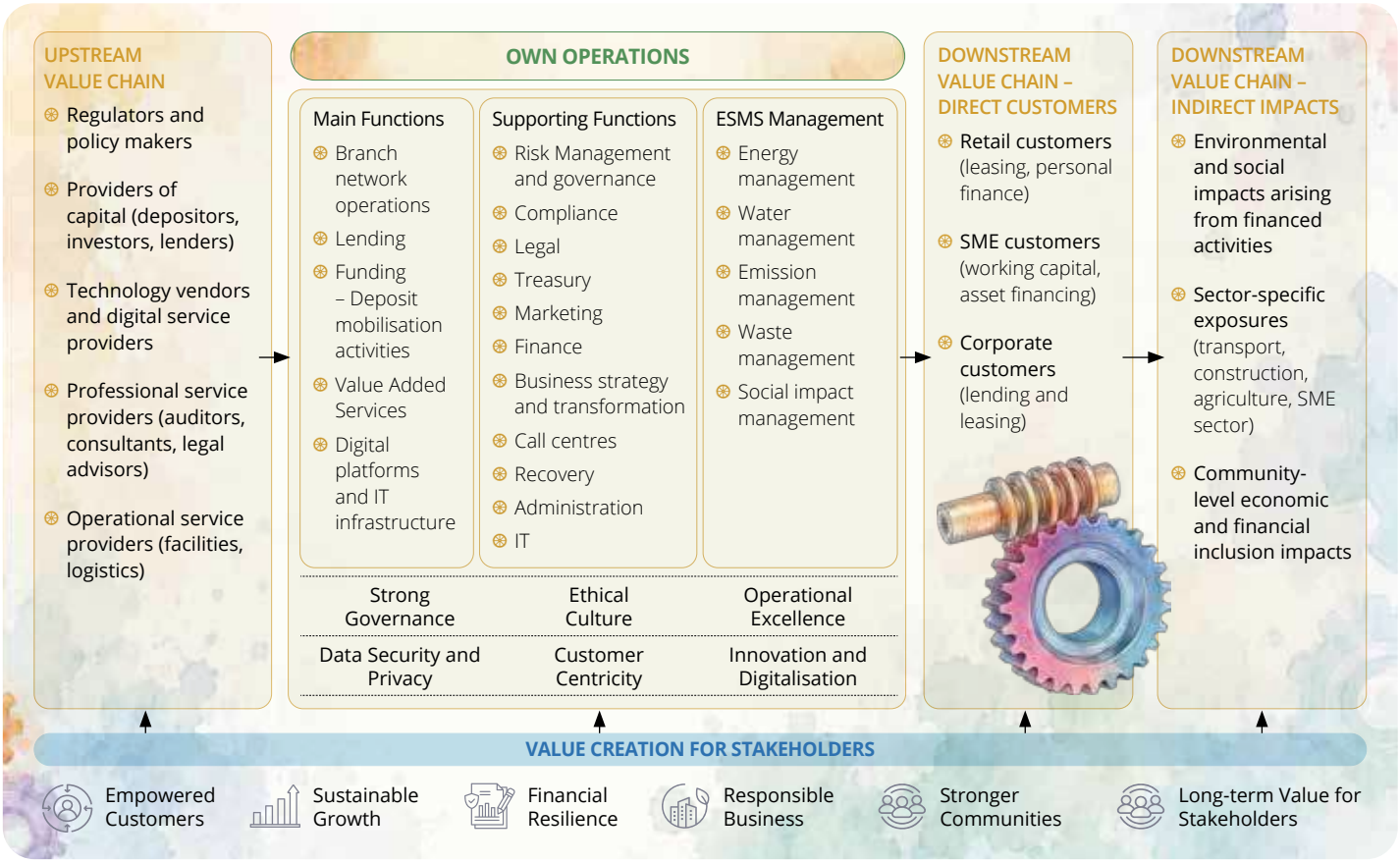
This approach is consistent with leading market practice where sustainability disclosures are integrated with financial reporting boundaries to ensure decision-useful information for primary users of financial statements.

1.1.2. Value Chain Definition

The Company defines its value chain as the full range of activities, resources and relationships related to its financial services, as reflected in the following illustration.

LBF – Value Chain

Creating sustainable value through responsible financing, operational excellence, partnerships and positive impact on our customers, communities and environment



Scan the QR for view the LBF value chain in video format

PLAY 19

SLFRS Sustainability-Related Financial Disclosures

Given the nature of a non-bank financial institution, the majority of sustainability impacts arise indirectly through financing activities, particularly through credit exposure to carbon-intensive and climate-sensitive sectors. This aligns with industry understanding that financial institutions' most significant impacts occur through their financed portfolios.

1.2. Concept of Materiality

A sustainability-related matter is considered material if it could reasonably be expected to:

- Affect the Company's cash flows, financial position, or financial performance (financial materiality); or
- Reflect the Company's impact on the environment and society, which may influence long-term value creation (impact materiality).
- This approach ensures alignment with both SLFRS S1 requirements and leading integrated reporting practices.

1.2.1. Materiality Assessment Process

The Company applies a double materiality framework to identify and disclose sustainability and climate-related risks and opportunities. The materiality assessment is conducted annually using a structured, multi-stage methodology, while also considering the applicable SASB - Consumer Finance Standard.

Refer to page 75 under "Material Matters" for an overview of the process adopted in identifying and determining material matters

1.2.2. Quantitative Materiality Thresholds

A sustainability or climate-related risk / opportunity is considered financially material if it meets one or more of the following thresholds:

- Impact on Profit Before Tax exceeding 5% of the 5-year average
- Impact on Total Assets exceeding 5%
- Impact on Net Operating Cash Flows exceeding 5%

These thresholds are determined using:

- Historical financial performance trends
- Portfolio composition and risk exposure
- Professional judgement of management

1.2.3. Qualitative Materiality Criteria

Irrespective of quantitative thresholds, matters are considered material if they:

- Influence strategic decision-making
- Affect regulatory compliance or licensing conditions
- Create reputational or stakeholder trust risks
- Relate to significant ESG or climate-related developments
- Impact access to funding or cost of capital

1.3. Reporting Period

This report covers the twelve months from 1 April 2025 to 31 March 2026, consistent with the Company's financial reporting period.

All disclosures reflect conditions, risks and opportunities existing as at the reporting date unless otherwise stated.

1.4. Functional and Presentation Currency

The financial information presented within these disclosures is expressed in Sri Lankan Rupees (LKR), which is the functional currency of the Company.

Amounts are rounded to the nearest thousand unless otherwise indicated.

1.5. Sources of Guidance

In preparing these sustainability and climate-related financial disclosures, the Company has considered the following frameworks, standards and literature:

- SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- SLFRS S2 – Climate-related Financial Disclosures
- Educational materials issued by the IFRS Foundation related to IFRS S1 and IFRS S2
- SASB Standards for Financials Sector
- Global Reporting Initiative (GRI) Standards
- Central Bank of Sri Lanka – Sustainable Finance Roadmap
- IPCC Climate Reports and National Climate Frameworks
- Sri Lanka Nationally Determined Contributions 3.0 (2026-2035)

These frameworks guide the identification, measurement and disclosure of sustainability and climate-related risks and opportunities.

1.6. Time Horizons

The Company classifies sustainability and climate-related risks and opportunities across the following time horizons:

Sustainability-related Risks and Opportunities

Time Horizon	Covering Period
Short-term	Within 1 year
Medium-term	1–3 years
Long-term	Beyond 3 years

Climate-related Risks and Opportunities

Time Horizon	Covering Period
Short-term	Up to 2030
Medium-term	2030 - 2050
Long-term	Beyond 2050

Time horizons are aligned with the Company's strategic planning cycle and risk management framework.

The Company defines its time horizons in alignment with its strategic planning cycle, with the current corporate plan extending up to 2028. Sustainability and climate-related risks and opportunities within this period are assessed in detail to ensure alignment with business strategy and financial planning.

Short-term risks, particularly acute physical climate risks such as extreme weather events, are reviewed on an ongoing basis to understand their operational and geographic implications. For longer-term considerations, the Company references national and global climate projections, including Sri Lanka's Nationally Determined Contributions (NDCs), to assess potential future climate pathways and their impact on the business environment.

This approach enables the Company to appropriately define short, medium and long-term horizons and anticipate the evolution of sustainability and climate-related risks and opportunities over time.

1.7. Connected Information

This Report forms part of the Company's broader corporate reporting suite and should be read in conjunction with:

Disclosure Area (SLFRS S1 and S2)	Related Annual Report Section	Purpose / Value to Users	Page
Business model and value chain	Our Value Creation Business Model	Provides understanding of how sustainability risks arise across operations and financing activities	62
Material sustainability topics	Material Matters	Ensures consistency in prioritisation of ESG issues	75
Governance and regulatory compliance	Corporate Governance Report	Demonstrates accountability and oversight of sustainability and climate-related risks Ensures credibility and regulatory adherence	252
Strategy and strategic priorities	Strategic Focus and Resource Allocation / Management Discussion and Analysis	Shows how sustainability influences long-term value creation	81
Risk management	Integrated Risk Management Report	Enables understanding of how risks are identified, assessed and mitigated	331
Financial performance and position	Financial Statements	Connects sustainability disclosures with financial outcomes	360
Climate-related disclosures	Sustainability / ESG Section	Provides transparency on climate-related financial implications	88
Metrics and targets	KPI Dashboard / Performance Review	Enables tracking of performance against targets	137
Remuneration linkages	Board Human Resources and Remuneration Committee Report	Demonstrates alignment of management incentives with sustainability objectives	316
Stakeholder engagement	Integrated Stakeholder Engagement	Shows responsiveness to stakeholder needs	67
Financial inclusion and community impact	Integrated Social and Relationship Capital	Highlights broader societal impact and value creation	188

1.8. Transitional Reliefs

In line with SLFRS S1 and S2 transitional provisions, the Company has applied the following relief where applicable:

Relief	Comment
Anticipated future financial impact (SLFRS S1, paragraph 34)	The Company has decided not to calculate the anticipated future financial impacts of its sustainability and climate-related risks and opportunities for the financial year 2025/26. Instead, it will provide qualitative disclosures.

The Company will enhance disclosures progressively as data availability, systems and methodologies mature.

SLFRS Sustainability-Related Financial Disclosures

1.9. Judgements, Estimates and Measurement Uncertainty

The preparation of sustainability-related financial disclosures requires the use of professional judgement, estimates and assumptions, particularly in areas involving forward-looking information.

There were no changes in the estimates used in the prior year, nor were there any material errors identified in the prior year that could reasonably be expected to have been obtained and considered in the preparation of those disclosures.

Key areas of professional judgement are given below.

Area	Scope	Impact on Disclosures
Materiality threshold	Determining whether SRROs and CRROs could reasonably affect cash flows, access to finance, or cost of capital across time horizons, including indirect impacts meeting qualitative criteria	Ensures relevant risks and opportunities are appropriately identified and disclosed
Definition of value chain	Mapping upstream and downstream activities exposed to sustainability risks based on operational control and material impact	Defines scope and completeness of disclosures
Time horizon classification	Defining short, medium and long-term horizons aligned with strategic planning and business cycles	Influences assessment and monitoring of risks over time
Identification of CRROs	Assessing climate-related risks using climate projections and sector exposure, considering regional and scenario variability	Ensures comprehensive coverage of physical and transition risks
Quantifying financial impacts	Determining when quantitative disclosure is not feasible and applying qualitative disclosures to indicate direction and magnitude of impacts	Maintains transparency without overstating certainty
Likelihood of occurrence	Estimating probability of CRROs based on available data and professional judgement	Supports prioritisation and risk assessment

Key areas of measurement uncertainty are given below.

Area	Scope	Impact on Disclosures
GHG emission quantification	Use of estimates where direct measurement is not feasible, particularly for value chain emissions	May affect accuracy and completeness of emissions data
Emission factors	Reliance on third-party emission factors from recognised public sources	Variations may impact comparability
Physical climate risk projections	Use of climate models and national projections, which vary by region and scenario	Introduces uncertainty in risk assessment
Regulatory and policy forecasts	Estimation of future regulatory developments and their potential impact	Subject to timing and policy changes

1.10. Statement of Compliance

These sustainability related financial disclosures represent a complete set of disclosures for LBF for the year ended 31 March 2026 and have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) S1 and S2 as issued by the Institute of Chartered Accountants of Sri Lanka.

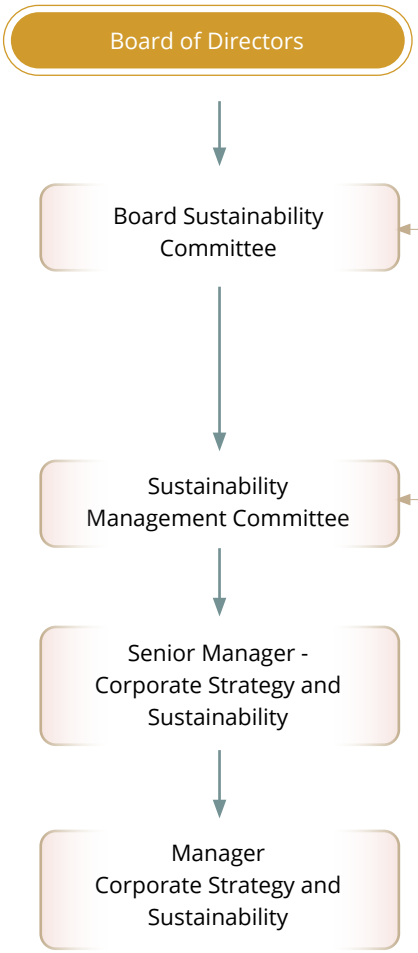
2. GOVERNANCE

2.1. Governance Framework and Oversight

The Company has established a structured governance framework to oversee Sustainability-Related Risks and Opportunities (SRROs), including Climate-Related Risks and Opportunities (CRROs). This framework integrates sustainability into the Company's overall corporate governance structure, ensuring alignment with strategic objectives, regulatory requirements and long-term value creation.

Oversight is exercised through a multi-tier governance structure comprising the Board of Directors, the Board Sustainability Committee (BSC) and the Sustainability Management Committee (SMC), supported by dedicated operational teams and cross-functional collaboration.

ESG GOVERNANCE



Board Sustainability Committee Members

Mr. Piyal Hennayake
Chairperson/Independent Non-Executive Director

Mr. Niroshan Udage
Managing Director

Mr. Ravindra Tissera
Executive Director

Ms. Ashwini Natesan
Independent Non-Executive Director

Management Committee Members

- Executive Director
- Chief Financial Officer
- Chief Risk Officer
- Chief Internal Auditor
- AGM - Treasury
- Compliance Officer
- Chief Manager - Business Strategy and Transformation
- Senior Manager - Corporate Strategy and Sustainability
- Manager - Corporate Strategy and Sustainability

2.2. Board Oversight and Accountability

The Board of Directors holds ultimate responsibility for overseeing sustainability-related matters, including the identification, assessment and management of SRROs and CRROs. Sustainability considerations are embedded into Board-level decision-making, including strategy formulation, risk management and capital allocation.

With input from the BSC, the Board ensures that sustainability-related risks and opportunities are integrated into the Company's overall strategy, major transactions and financial planning processes. Regular evaluations enable the Board to assess material risks, balance trade-offs and align sustainability considerations with long-term business objectives.

Refer to page 268-272 for skills and expertise of the Board, Board of Directors under Corporate Governance section

2.3. Board Sustainability Committee

The BSC supports the Board in providing focused oversight of ESG matters of the Company's operations and value chain. The Committee comprises Board members, including Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The BSC is responsible for overseeing ESG strategy development, reviewing sustainability-related disclosures and monitoring performance against established ESG targets. It ensures that sustainability practices are aligned with regulatory expectations, industry best practices and stakeholder requirements.

Key responsibilities include:

- Review and recommend ESG strategy, targets and key performance metrics
- Oversee the execution and effectiveness of sustainability initiatives
- Monitor sustainability and climate-related risks and opportunities and their financial implications
- Review ESG disclosures for completeness, integrity and compliance with SLFRS S1 and S2
- Advise the Board on ESG-related risks, including environmental and social risk exposure
- Oversee sustainability reporting and assurance processes
- Ensure alignment between sustainability objectives and business strategy

SLFRS Sustainability-Related Financial Disclosures

The Committee also undertakes horizon scanning to identify emerging ESG trends, regulatory developments and best practices that may impact the Company's operations and strategy.

The BSC meets on a quarterly basis or more frequently as required, ensuring continuous oversight and timely escalation of sustainability-related matters.

Further details on the composition of the BSC, its key focus areas and oversight activities during 2025/26, as well as the action plan for 2026/27, are provided in the BSC Report on pages 323 to 325

2.4. Sustainability Management Committee

The SMC is responsible for the operational execution of the Company's sustainability agenda. It is chaired by an Executive Director and comprises Senior Management representatives across key functional areas, including Corporate Sustainability, Finance, Risk Management, Compliance, Internal Audit, Treasury, Human Resources and Strategy.

The SMC plays a central role in translating Board-approved strategies into actionable initiatives, ensuring effective implementation and monitoring of sustainability-related activities across the organisation.

Key responsibilities include:

- Develop and maintain ESG policies and frameworks, ensuring alignment with regulatory and voluntary sustainability standards
- Oversee the implementation of ESG strategy, monitoring progress against targets and evaluating effectiveness
- Identify, assess and manage SRROs and CRROs, integrating them within the overall risk management framework
- Establish accountability and coordination across functions, including capacity building through training and awareness initiatives
- Engage with external stakeholders to enhance sustainability practices and align with emerging standards
- Report regularly to the BSC on progress, performance and key developments
  The SMC meets on a quarterly basis or more frequently as required, ensuring continuous execution and acceleration of sustainability-related matters
- Evaluate the materiality of SRROs and CRROs and determine whether their continued application remains appropriate or if revisions are required based on evolving business, regulatory, or stakeholder considerations

2.5. Operational Sustainability Function – Corporate Sustainability Department

In addition to Board and management-level oversight, the Company has established a dedicated Corporate Sustainability Department, comprising qualified sustainability professionals with relevant expertise and experience. This function plays a central role in operationalising the Company's sustainability strategy and ensuring effective implementation across the organisation.

The Department acts as the focal point for coordinating sustainability initiatives, integrating ESG considerations into business operations and supporting governance bodies through structured reporting and analysis.

Key responsibilities include:

- Lead and coordinate sustainability initiatives across all business functions, ensuring integration with the ESG strategy and organisational objectives
- Plan, implement and monitor sustainability and climate programmes, tracking progress against ESG targets and performance indicators
- Ensure robust ESG data management, including accurate collection, validation and reporting in line with SLFRS S1 and S2
- Support the identification and management of SRROs and CRROs, integrating them into business operations and risk processes
- Collaborate with internal and external stakeholders, including the ESG Working Group, to embed sustainability practices and align with best practices
- Drive capacity building and awareness, enhancing sustainability knowledge across employees and management

2.6. Integration of SRROs and CRROs into Governance Processes

The identification and management of sustainability-related risks and opportunities are primarily driven by the SMC, supported by structured processes and internal controls. These risks are systematically integrated into the Company's governance, risk management and strategic planning processes.

The SMC monitors sustainability-related metrics and targets and reports progress to the BSC on quarterly basis. The BSC, in turn, provides oversight and strategic guidance, ensuring that sustainability considerations are effectively embedded at the Board level.

This structured reporting and escalation mechanism ensures clear accountability and alignment across all levels of governance.

2.7. Cross Committee Contributions

The Board is supported by specialised committees that play a critical role in overseeing and managing sustainability-related matters within their respective mandates, namely:

Board Integrated Risk Management Committee

Oversees integration of SRROs and CRROs into the Enterprise Risk Management (ERM) framework, including credit risk exposure to climate-sensitive sectors.

Board Audit Committee

Ensures integrity and reliability of sustainability-related disclosures, including alignment with SLFRS S1 and S2 requirements.

Credit Committee

Reviews lending exposures, including sectoral risks and alignment with responsible financing principles.

These committees collectively ensure that sustainability-related risks are systematically governed, monitored and escalated where necessary.

2.8. Capability Development and ESG Awareness

The Company recognises the importance of building organisational capability to effectively manage sustainability and climate -related risks and opportunities.

Accordingly:

- The SMC facilitates training programmes for employees and management
- The Board and BSC periodically updated on ESG and climate-related developments
- External expertise is leveraged where necessary to strengthen technical capability

This ensures that governance structures are supported by the required knowledge and skills.

2.9. Linkage to Strategy, Risk and Financial Performance

Sustainability governance is closely linked to the Company's strategy, risk management and financial performance.

Material sustainability-related risks and opportunities identified through the materiality assessment process are:

- Integrated into strategic planning and business decision-making
- Incorporated into the Enterprise Risk Management framework (ERM)
- Considered in resource allocation and investment decisions



2.10. Integration with Enterprise Risk Management

Sustainability-related risks are integrated into the Company's ERM framework, ensuring a structured approach to identifying, assessing and mitigating risks.

This includes:

- Incorporation of climate and environmental risks into credit risk assessment processes
- Identification of sector-specific risks within the lending portfolio
- Continuous monitoring of emerging regulatory and environmental developments
- Alignment with the Company's overall risk appetite and tolerance levels

This integration ensures that sustainability-related risks are managed alongside traditional financial and operational risks.

2.11. Integrated Sustainability Governance, Monitoring and Control Framework

The Company has established a comprehensive set of policies, procedures and operational manuals to support the effective governance, implementation and monitoring of sustainability-related risks and opportunities. These frameworks ensure that sustainability considerations are embedded across lending, risk management, financial reporting and environmental management processes.

Framework/Policy	Purpose	Implementation	Monitoring and Control	Governance Oversight
ESG Policy Framework	Defines ESG principles and governance standards	Applied across operations, lending and decision-making	Periodic compliance reviews and internal control checks	Oversight by SMC and BSC
ESG Roadmap	Sets ESG priorities, targets and execution pathways	Implemented through business units and sustainability initiatives	Progress tracked through KPIs and performance monitoring	Reviewed by SMC, BSC and the Board
ESMS (Environmental and Social Management System)	Manages environmental and social risks in lending	Integrated into credit evaluation and portfolio risk assessment	Continuous monitoring of exposures and compliance	Integrated with ERM, oversight by SMC and BSC
ESG Working Group	Drives cross-functional ESG implementation	Coordinates data collection and execution across departments	Tracks initiatives and validates ESG data	Reports to SMC

SLFRS Sustainability-Related Financial Disclosures

Framework/Policy	Purpose	Implementation	Monitoring and Control	Governance Oversight
EMS Operational Manual (ISO 14001:2015)	Establishes structured environmental management system	Implemented across operations to manage environmental impacts	Monitoring of energy, emissions, waste and compliance	Reviewed under sustainability governance framework
GHG Operational Manual (ISO 14064-1:2018)	Framework for measuring and reporting GHG emissions	Applied for emissions quantification and reporting	Periodic validation using global standards (GHG Protocol)	Reviewed by SMC and BSC
Internal Loss Event Data Reporting (ILEDR)	Captures and monitors operational risk events	Implemented across business units for incident reporting	Ensures timely identification and mitigation of risks	Integrated with Enterprise Risk Management (ERM)
Integrated Risk Management Policy	Governs enterprise-wide risk management	Incorporates ESG and climate risks into ERM	Continuous monitoring and reporting through risk systems	Oversight by Risk Committee and Board
Credit Risk Management Policy	Manages lending-related risks	Integrates ESG and environmental considerations into lending	Ongoing monitoring of portfolio risk and exposures	Reviewed by Credit and Risk Committees
Financial Asset Classification and Impairment (SLFRS 9)	Ensures accurate classification and impairment recognition	Applied in financial reporting processes	Monitoring of expected credit losses and asset quality	Oversight by Audit Committee
Lending ESG Integration Framework	Embeds environmental and social considerations into lending	Applied in credit evaluation and approval processes	Monitored through ESMS and portfolio reviews	Integrated into overall governance structure

DOC **11** Scan the QR code to view the ESG policy 2.0

2.12. Environmental Management and Lending Integration

The Company has successfully implemented the ISO 14001:2015 Environmental Management System (EMS) to strengthen its internal environmental management practices. This framework provides a structured approach to managing environmental responsibilities, including energy, emissions, waste and resource usage, ensuring alignment with global best practices.

In parallel, environmental and social considerations are integrated into lending activities, enabling the Company to support responsible financing and climate-related objectives. This approach ensures that both direct operational impacts and indirect impacts through financing activities are effectively managed.

2.13. Climate Scenario Analysis and Forward Integration

The Company has initiated the integration of climate-related risks and opportunities through the application of climate scenario analysis, aligned with internationally recognised frameworks including the Task Force on Climate-related Financial Disclosures (TCFD) and climate projections published by the Intergovernmental Panel on Climate Change (IPCC).

Scenario analysis is utilised to assess the potential financial and operational impacts of different climate pathways, considering both physical and transition risks. As part of this process, the Company applies stress testing techniques to evaluate the resilience of its portfolio and operations under varying climate scenarios, ensuring a forward-looking assessment of potential exposures.

In line with regulatory guidance and transitional provisions under SLFRS S1 and S2, a phased approach is being adopted. Accordingly, quantitative disclosures on climate scenario outcomes will be progressively enhanced in future reporting periods as methodologies, data availability and internal capabilities continue to develop.

2.14. Assurance and Transparency

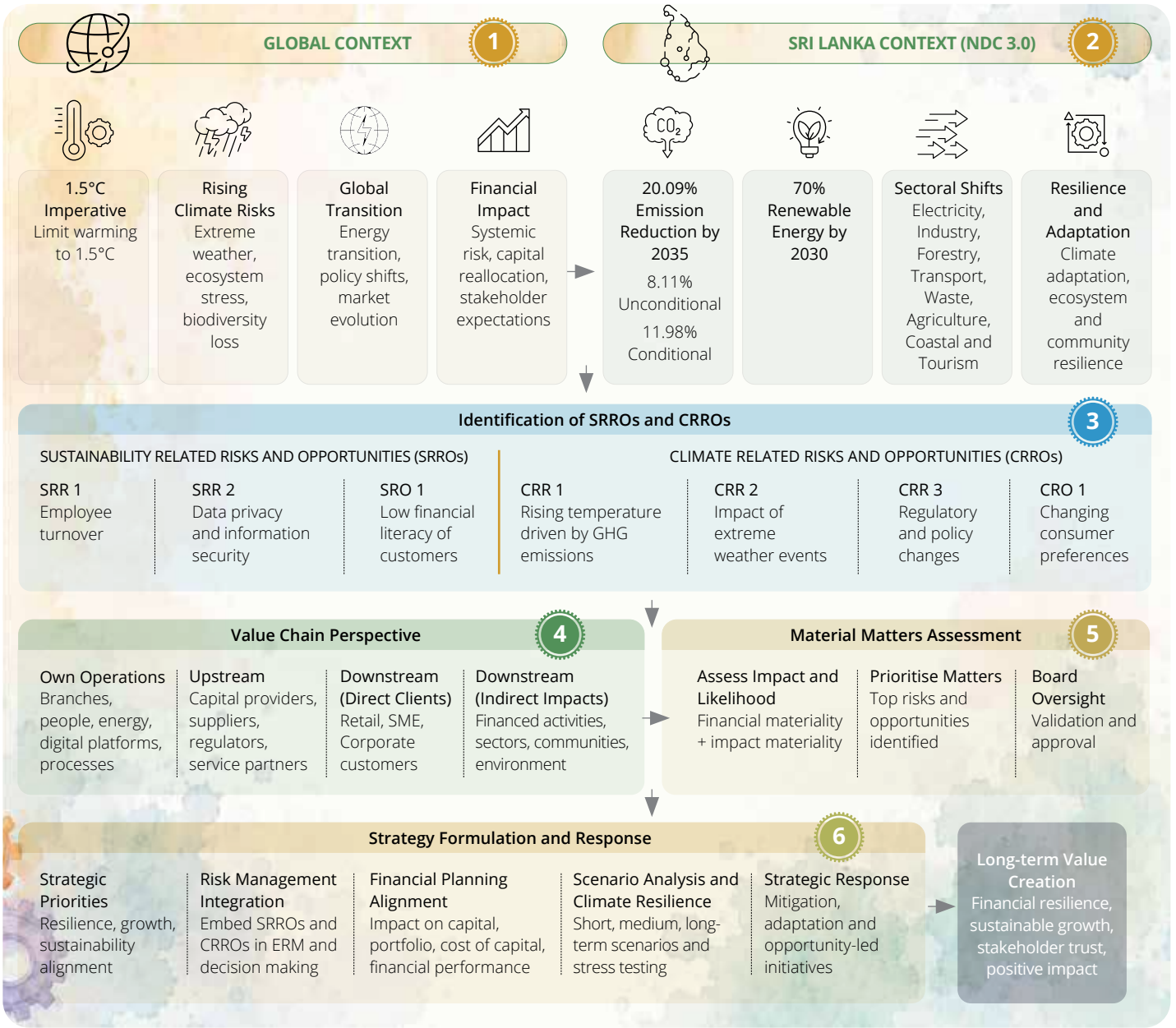
BSC periodically evaluates the need for internal and external assurance on sustainability and climate -related disclosures. Where appropriate, independent assurance providers may be engaged to enhance the credibility, transparency and reliability of reported information.

2.15. Remuneration and Sustainability Responsibilities

Sustainability-related responsibilities are embedded within the roles and job descriptions of Senior Management and functional heads, ensuring accountability for the effective implementation of sustainability initiatives. These responsibilities form part of the broader performance evaluation framework, which assesses management across key business and operational objectives.

How the Strategy Section is Formed

From Global and Local Context to Strategy through Value Chain and Material Matters



Reflected In

Business Model and Value Chain Integration	Identification of SRROs and CRROs	Impact on Strategy and Financial Planning	Scenario Analysis and Climate Resilience	Strategic Response (Mitigation and Adaptation)

SLFRS Sustainability-Related Financial Disclosures

GRI 201-2

Although sustainability-specific metrics are not directly linked to remuneration, performance in areas such as operational efficiency, customer experience, risk management and strategic execution inherently reflects sustainability outcomes. As a result, the effective delivery of sustainability initiatives contributes indirectly to overall performance assessments, influencing variable remuneration and annual ratings.

Non-Executive Directors receive fixed fees, independent of performance metrics, in line with governance practices and regulatory requirements. Through their oversight role, they ensure the long-term sustainability of the Company by guiding ESG performance, monitoring strategic alignment and upholding sound governance standards.

3. STRATEGY

This strategy section has been developed through a structured and integrated approach, ensuring that sustainability-related risks and opportunities are systematically translated into strategic and financial decision-making.

As illustrated in the above diagram, the Company's strategy formulation process begins with an assessment of the global climate context, where the urgency of the 1.5°C pathway, increasing climate-related risks and the transition towards a low-carbon economy are reshaping financial systems and business environments. This is complemented by an evaluation of the Sri Lankan context, particularly the commitments outlined in the Nationally Determined Contributions (NDC 3.0), which define the Country's transition towards renewable energy, sectoral decarbonisation and climate resilience.

Building on this external context, LBF identifies its SRROs and CRROs, reflecting both internal operational exposures and external systemic risks that influence the Company's performance and long-term viability.

These risks and opportunities are then analysed through a value chain perspective, recognising that the most significant impacts arise not only from internal operations, but also from financing activities across upstream and downstream relationships. This enables the Company to capture both direct and indirect exposures, particularly those embedded within its lending portfolio.

Subsequently, a materiality-driven assessment is applied to prioritise the most significant risks and opportunities based on their financial and impact relevance. This ensures that strategic focus is directed towards areas that have the greatest influence on value creation, risk exposure and stakeholder outcomes.

The insights derived from these stages are then translated into the Company's strategic response, incorporating financial planning, risk management integration, scenario analysis and resilience-building measures. This process ensures that sustainability considerations are embedded across the Company's strategic priorities, enabling a balanced approach to risk mitigation, adaptation and opportunity realisation.

3.1. Business Model and Value Chain Integration

LBF operates as a diversified NBFI, creating value through the mobilisation of funds and the provision of credit across retail, SME and corporate segments. As a lending-driven institution, the Company's business model is inherently exposed to sustainability-related risks and opportunities, particularly through its financing activities across the value chain.

While operational impacts such as energy consumption, workforce management and digital infrastructure remain relevant, the most significant sustainability exposures arise from the downstream value chain, where borrower resilience, sectoral vulnerabilities and economic transitions directly influence credit risk, asset quality and long-term financial performance.

Sustainability considerations are therefore embedded across the full value chain, encompassing internal operations, upstream relationships, downstream customer segments and the broader indirect impacts of financed activities.

This integrated approach ensures that sustainability is not treated as a standalone initiative, but is embedded within the Company's business model, risk profile and value creation process, enabling a more resilient, adaptive and forward-looking operating framework.

3.2. Identification of SRROs and CRROs

LBF has identified a focused set of SRROs and CRROs through its materiality assessment and Enterprise Risk Management framework.

These risks reflect both internal operational exposures and external systemic drivers, including climate variability, regulatory developments and evolving customer expectations.

The following table outlines these SRROs and CRROs and their related impacts.

Risk/Opportunity	Category	Code	Description	Primary Impact Area
Risk	Sustainability risks	SRR 1	Employee turnover	Operational efficiency and service delivery
		SRR 2	Data privacy and information security	Regulatory compliance and customer trust
	Climate risk - physical (chronic)	CRR 1	Rising temperature driven by GHG emissions	Long-term economic and sectoral stability
	Climate risk - physical (acute)	CRR 2	Impact of extreme weather events	Immediate borrower impact and asset quality
	Climate risk - transition	CRR 3	Regulatory and policy changes	Compliance cost and portfolio alignment
Opportunity	Sustainability opportunity	SRO 1	Low financial literacy of customers	Credit risk and repayment behaviour
	Climate opportunity	CRO 1	Changing consumer preferences	Product demand and digital adoption

During the current financial year, the Company identified a total of seven (7) sustainability and climate-related risks and opportunities. Conversely, in the previous financial year, the Company had recognised eight (8) sustainability and climate-related risks and eight (8) sustainability and climate-related opportunities. The following table provides a reconciliation and overview of the changes that occurred over the reporting period.

Matter of Concern	Identification of Risk		Identification of Opportunity	
	2024/25	2025/26	2024/25	2025/26
Low financial literacy of customers	Yes	No[1]	Yes	Yes
Employee turnover	Yes	Yes	Yes	No[1]
Data privacy and information security	Yes	Yes	Yes	No[1]
Rising temperature driven by GHG emissions[2]	No	Yes	No	No[1]
Impact of extreme weather events	Yes	Yes	Yes	No[1]
Regulatory and policy changes	Yes	Yes	Yes	No[1]
Changing consumer preferences	Yes	No	Yes	Yes
High dependency on non-renewable energy sources	Yes	No[1]	Yes	No[1]

1. These sustainability and climate-related risks and opportunities were not identified as material risks and opportunities in 2025/26, as their significance decreased compared to 2024/25.

3.3. Impact on Strategy and Financial Planning

The identified SRROs and CRROs are increasingly shaping LBF's strategic priorities, financial planning and capital allocation decisions.

As a lending-driven institution, the Company's financial performance is closely linked to borrower behaviour and sectoral resilience. Accordingly, sustainability-related risks directly influence:

- Expected credit losses and provisioning requirements
- Portfolio composition and sectoral exposure
- Operational efficiency and cost structures
- Revenue generation and product innovation

SLFRS Sustainability-Related Financial Disclosures

SRR 1

Sustainability-Related Risk: Employee Turnover

Risk Description

Employee turnover risk represents a significant sustainability-related risk for LBF, particularly in the context of increasing competition for skilled talent, evolving workforce expectations and rapid digital transformation within the financial services industry.

High employee turnover can affect:

- Operational continuity
- Service quality and customer experience
- Institutional knowledge retention
- Productivity and organisational culture

Value Chain Stage and Business Model

Employee turnover risk primarily impacts the Company's internal operations and service delivery model, influencing operational efficiency and customer engagement.

Current Impact

Employee turnover may result in:

- Increased recruitment and training costs
- Temporary disruptions in service delivery
- Loss of institutional knowledge and experience
- Reduced operational efficiency during transition periods

Anticipated Impact

Over the medium-term, continued workforce competition and evolving employee expectations may:

- Increase talent retention challenges
- Intensify pressure on compensation and development frameworks
- Affect digital transformation and ESG capability-building initiatives

IMPACT

Operational Area	Exposure to Employee Turnover Risk
Customer service and branch operations	Service disruptions, increased response times and reduced customer satisfaction
Digital and IT functions	Loss of specialised technical expertise and delays in digital initiatives
Collections and recoveries	Reduced continuity in customer relationships and recovery processes

Management Response

Strategic and Risk Management Actions

LBF continues to strengthen its workforce management framework through:

- Talent retention and employee engagement initiatives
- Learning and development programmes
- Succession planning and leadership development
- Enhancement of employee well-being and workplace culture

Operational Actions and Resource Allocation

Qualitative Measures

- Employee engagement and workplace culture initiatives
- Leadership and succession planning programmes
- Employee learning and development opportunities
- Internal communication and feedback mechanisms
- Employee wellness and support initiatives

Quantitative Measures

Metric	Current Status (2025/26)
Employee talent retention and talent turnover	Talent retention rate: 92.2% Talent turnover rate: 7.8%
Employee training and skill development	54,921 training hours
Employee volunteer hours	5,031
GBVH/TFGBVH Policy and Zero Tolerance Framework	GBVH and Workplace Harassment Policy approved and communicated

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, employee turnover risk did not result in a material financial impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows (CF)

However, employee turnover contributed to:

- Increased recruitment and onboarding costs
- Additional training and capability development expenditure
- Temporary productivity adjustments during employee transitions

These impacts were managed within normal operational thresholds and did not materially affect the Company's overall financial performance.

Risk Type
Sustainability-related risk

Time Horizon
Short to medium-term

Likelihood
Moderate

Residual Risk
Moderate

Judgement for Uncertainty

The assessment of employee turnover risk involves uncertainty due to:

- Evolving labour market conditions and workforce expectations
- Competition for specialised digital and financial sector talent
- External economic and social conditions influencing employee mobility

Sustainability Resilience

The management of employee turnover risk is closely aligned with the Company's broader sustainability and resilience strategy, supporting:

- Strengthening of organisational capability and workforce stability
- Enhancement of operational continuity and service quality
- Retention of institutional knowledge and leadership capacity
- Support for long-term digital transformation and ESG integration initiatives

Link to Strategy

Employee turnover risk is closely linked to LBF's 'Business Transformation' strategy, as sustaining digital innovation, customer experience and operational excellence depends on attracting and retaining skilled talent. To mitigate this risk, the Company continues to invest in employee development, engagement and a future-ready workplace culture.

SRR 2

Sustainability-Related Risk: Data Privacy and Information Security

Risk Description

Data privacy and information security risk represents a critical sustainability-related risk arising from increasing digitalisation, evolving cyber threats and growing regulatory expectations regarding customer data protection.

The significance of cybersecurity resilience is further reinforced at the national level through Sri Lanka's evolving digital economy agenda. Under the facilitation of the Ministry of Digital Economy, Sri Lanka has introduced its National Cyber Security Strategy (2025–2029), aligned with broader national objectives including the Sri Lanka Digital Economy Strategy 2030 and DOIT 5.0 Digital Policy Framework.

Value Chain Stage and Business Model

This risk primarily affects the Company's internal operations and digital service ecosystem, with downstream implications for customer trust and business continuity.

Current Impact

Key exposure areas include:

- Increased reliance on digital platforms and online transactions
- Growing volume of customer and operational data
- Expanding cybersecurity threat landscape

Anticipated Impact

Over time, increasing digital adoption and regulatory scrutiny are expected to:

- Increase cybersecurity and compliance requirements
- Require continuous investment in IT infrastructure and controls
- Heighten customer expectations regarding privacy and security

IMPACT

Operational Area	Exposure to Information Security Risk
Digital platforms	Cybersecurity vulnerabilities and service disruptions
Customer operations	Exposure of sensitive customer information
IT infrastructure	System failures and operational interruptions
Compliance functions	Increased regulatory and reporting obligations
Brand and reputation	Loss of customer confidence and reputational impact

Management Response

Strategic and Risk Management Actions

LBF has implemented multiple controls and governance mechanisms to strengthen information security resilience, including:

- Strengthening cybersecurity frameworks and monitoring systems
- Enhancing IT governance and internal controls
- Conducting regular audits and system reviews
- Strengthening employee awareness and training programmes

Operational Actions and Resource Allocation

Qualitative Measures

- Cybersecurity governance and monitoring frameworks
- Information security awareness programmes
- Internal audits and vulnerability assessments
- Incident response and business continuity procedures

Quantitative Measures

Metric	Current Status (2025/26)
Customer data privacy and security	Zero data breaches
Digital customer adoption	22% growth in digital customer onboading
Anti-corruption and fraud prevention	Three fraud incidents and zero corruption
Regulatory compliance and standards alignment	Compliance with CBSL requirements was maintained, with limited formal alignment to international standards

SLFRS Sustainability-Related Financial Disclosures

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, data privacy and information security risks did not result in a material impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows (CF)

However, the Company incurred:

- Ongoing cybersecurity and IT infrastructure enhancement costs
- Expenditure relating to system monitoring, controls and staff awareness initiatives

These investments were made to strengthen operational resilience and support secure digital transformation initiatives.

Risk Type
Sustainability-related risk

Time Horizon
Short to long-term

Likelihood
High

Residual Risk
Moderate

Judgement for Uncertainty

The assessment of cybersecurity and information security risk involves uncertainty due to:

- Rapidly evolving cyber threat landscapes
- Technological advancements and emerging attack methods
- Increasing digital adoption and interconnected systems

Accordingly, the Company applies continuous monitoring, system assessments and professional judgement to evaluate and manage exposure.

Sustainability Resilience

The management of data privacy and information security risk supports:

- Operational continuity and digital resilience
- Protection of customer trust and stakeholder confidence
- Strengthening of governance and compliance frameworks
- Long-term sustainability of digital financial services and transformation initiatives

Link to Strategy

Data Privacy and Information Security Risk is closely linked to LBF's 'Business Transformation' strategy, as increasing digital adoption depends on secure systems and responsible data management. To mitigate this risk, the Company continues to strengthen cybersecurity measures, data protection practices and employee awareness to maintain customer trust and operational resilience.

CRR 1

Physical Risk (Chronic): Rising Temperature Driven by GHG Emissions

Risk Description

Increasing greenhouse gas (GHG) emissions are driving a sustained rise in global and regional temperatures, leading to chronic climate changes such as prolonged heatwaves, altered rainfall patterns and worsening water stress.

Unlike acute climate events, these impacts are gradual but systemic, affecting economic productivity, sectoral stability and long-term financial performance.

In the Sri Lankan context, rising temperatures are closely linked with:

- Reduced agricultural productivity due to heat stress and water scarcity
- Increased pressure on energy systems, particularly electricity demand for cooling
- Disruption of natural ecosystems and biodiversity
- Long-term shifts in economic activity and sector viability

These changes create structural risks across the economy, which are transmitted to LBF primarily through its lending portfolio and secondarily through its operational footprint.

Value Chain Stage and Business Model

As a lending-focused financial institution, LBF's exposure to rising temperatures is predominantly through its downstream value chain, where climate conditions directly influence borrower performance

Current Impact

At present, the impact of rising temperatures is emerging, but not yet materially financially. Early indicators are visible across several dimensions:

Sectoral stress signals

Gradual reduction in productivity in the agriculture and SME sectors due to heat stress and changing rainfall patterns

Operational cost pressures

Increased energy consumption for cooling across branch operations and infrastructure

Credit risk sensitivity

Early-stage exposure to climate-sensitive borrowers requiring enhanced monitoring

Data and risk complexity

Growing need to integrate environmental indicators into credit and risk assessment models

Anticipated Impact

Over the medium-to-long-term, rising temperatures are expected to have significant structural implications:

- Declining borrower resilience, particularly in agriculture and informal sectors

- Increased credit risk and expected credit losses, driven by long-term income instability
- Rising operational costs, particularly energy-related expenses
- Shifts in economic activity, with certain sectors becoming less viable
- Regulatory pressure, as climate policies tighten and disclosure requirements increase

These impacts are expected to gradually reshape the risk-return profile of the lending portfolio.

Impact on the Lending Portfolio

Operational Area	Exposure to Rising Temperature Risk
Agriculture	Reduced yields, increased irrigation demand, soil degradation and income volatility
SMEs / Microfinance	Reduced productivity and higher operating costs, particularly in heat-sensitive activities
Construction	Heat stress is affecting labour productivity and project timelines
Transportation	Increased asset wear, fuel inefficiency and operational disruptions
Trade and services	Indirect exposure through reduced consumer demand and supply chain disruptions

Management Response

Strategic and Risk Management Actions

LBF has initiated a structured approach to managing chronic climate risks, including:

- Integration of climate-related risks into the Environment and Social Management (ESMs) framework
- Application of climate risk materiality assessments to identify sector vulnerabilities through the Sri Lanka Green Taxonomy
- Alignment of lending practices with ESG and sustainability policies and ESG Roadmap
- Incorporation of scenario analysis to assess long-term climate impacts

Operational Actions and Resource Allocation

Qualitative Measures

- Assessment of energy efficiency across branch infrastructure based on the energy audits
- Monitoring of climate-sensitive borrower segments using the ESMS framework
- Integration of climate considerations into internal decision-making through ESG Roadmap 2.0

Quantitative Measures

Metric	Current Status (2025/26)
Scope 1 emission	4,014.15 tCO_2e
Scope 2 emission	2,315.26 tCO_2e
Scope 3 emission	52,628.67 tCO_2e
Increase renewable energy adoption	26% of branches with solar backup

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, rising temperatures did not result in a material financial impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows

However, this reflects the gradual and long-term nature of the risk, rather than an absence of exposure.

The Company recognises that financial impacts are expected to emerge progressively, particularly through changes in borrower performance and sectoral dynamics.

Nature of the risk
Physical risk – Chronic

Time Horizon
Medium to long-term (3–10+ years)

Likelihood
High

Residual Risk
Moderate to high

Judgement for Uncertainty

The assessment of chronic climate risks involves inherent uncertainty due to:

- Variability in long-term climate projections
- Limited availability of granular borrower-level climate data

Climate Resilience

The management of rising temperature risk is closely aligned with the Company's broader strategy and resilience framework, supporting:

- Enhanced sectoral monitoring and diversification
- Alignment with Sri Lanka's NDC 3.0 and low-carbon transition pathway

SLFRS Sustainability-Related Financial Disclosures

Link to Strategy

Rising temperature is closely linked to LBF's 'Risk and Impact Management' strategy, as climate-related risks can affect operational resilience, stakeholder expectations and long-term sustainability. To mitigate this risk, the Company continues to strengthen energy efficiency initiatives, expand renewable energy adoption and integrate climate-related considerations into its operations and decision-making processes.

The proactive management of chronic climate risks enables LBF to anticipate long-term structural changes, strengthen portfolio resilience and align its strategy with evolving environmental and economic conditions, ensuring sustainable long-term value creation.

CRR 2

Physical Risk (Acute): Impact of Extreme Weather Events

Risk Description

Extreme weather events, including floods, droughts, landslides and severe storm conditions, represent a key acute physical climate risk for LBF. These risks are driven by climate change and are increasingly affecting economic stability, infrastructure resilience and borrower capacity.

Climate-related physical risks are categorised into:

- Acute risks arising from extreme weather events
- Chronic risks resulting from long-term climatic changes, such as rising temperatures and shifting rainfall patterns

In addition, nature-related risks, particularly the degradation of ecosystems and biodiversity, further amplify these impacts by reducing the availability of critical resources such as water, soil productivity and energy inputs.

Collectively, these risks have the potential to disrupt business operations, affect customer resilience and impact the Company's lending portfolio, highlighting the importance of proactive risk management and climate-aware decision-making.

Value Chain Stage and Business Model

As a lending-driven financial institution, LBF's primary exposure to extreme weather events arises through its downstream value chain, particularly via borrower vulnerability across climate-sensitive sectors.

Current Impact

Extreme weather events influence the Company's business model through multiple channels:

Credit risk exposure

Disruptions to borrower income streams, particularly in agriculture, SMEs and informal sectors, are leading to potential delays in loan repayments

Operational disruptions

Temporary interruptions to branch operations and service delivery in affected geographic regions

Customer stability and liquidity stress

Short-term financial pressure on customers is affecting repayment behaviour

Risk assessment complexity

Increased need to incorporate environmental and geographic risk indicators into credit evaluation frameworks

Anticipated Impact

Looking ahead, the increasing frequency and severity of climate events are expected to:

- Strengthening the need for climate-integrated lending models
- Drive portfolio rebalancing away from highly vulnerable sectors and geographies
- Increase demand for resilience-focused financial solutions, including flexible financing structures
- Enhance reliance on data-driven risk modelling, scenario analysis and early warning systems

This sectoral exposure reinforces the need for enhanced credit risk assessment, sector monitoring and geographic risk mapping.

Impact on the Lending Portfolio

Operational Area	Exposure to Physical Risk
Agriculture	Highly exposed, reduced yields, disrupted production cycles and water scarcity directly impact borrower repayment capacity
Manufacturing and SMEs	Supply chain disruptions, reduced productivity and asset damage during extreme events
Construction	Project delays, increased material costs and damage to sites due to flooding and heat stress
Transportation	Damage to vehicles and infrastructure, disruption to logistics networks and reduced income generation

Management Response

Strategic and Risk Management Actions

LBF has implemented a structured response framework to manage acute physical climate risks, including:

- Integration of climate risk considerations into the Enterprise Risk Management (ERM) framework
- Application of climate risk materiality assessments to identify sectoral and geographic concentrations
- Alignment of risk appetite with ESG and climate risk policies
- Incorporation of scenario analysis and stress testing to evaluate potential impacts on credit, operational and market risks

Operational Actions and Resource Allocation

Qualitative Measures

- Assessment of branch-level infrastructure resilience
- Evaluation of borrower exposure to flood-prone and climate-sensitive regions
- Monitoring of business continuity preparedness

Quantitative Measures

Metric	Current Status (2025/26)
Disaster response / preparedness and recovery (employees and communities)	Disaster response initiatives were carried out to support affected employees and communities by Ditwah
Enhanced due diligence for high-risk sectors	Environmental risk levels for sectors were assessed and integrated into the ESMS
Environmental risk screening in lending	Developed an ESMS to strengthen environmental risk screening within the credit appraisal process

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, the Company experienced climate-related events, including Cyclone Ditwah and the subsequent landslides and flooding, providing a real-time assessment of exposure to extreme weather risks.

Despite these events:

- The Company's property, plant and equipment were not materially damaged
- Minor damages identified were fully covered under insurance arrangements, resulting in no significant financial loss

During the reporting period, impact of extreme weather events did not result in a material financial impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows (CF)

The Company conducted a detailed assessment of affected customers to evaluate credit risk implications arising from the event.

Key observations include:

- Customers experienced temporary business disruptions, largely short-term in nature
- There was no significant deterioration in borrower creditworthiness
- No customers required temporary relief measures such as grace periods or restructuring
- The Company identified no material exposure arising from the event

Accordingly:

- No additional impairment provisions were required under individually significant or collective assessments
- Expected credit losses remained within normal thresholds, reflecting portfolio resilience

Nature of the Risk
Physical risk – Acute

Time Horizon
Short-term (immediate events)
Medium-term (increasing frequency)

Likelihood
Moderate to high

Residual Risk
Moderate

Judgement for Uncertainty

The assessment of extreme weather-related risks involves inherent uncertainty due to:

- Variability in climate projections and weather patterns
- Limited availability of granular geographic and sectoral data
- Challenges in quantifying indirect financial impacts on borrowers

Climate Resilience

The management of extreme weather risk is closely aligned with the Company's broader strategy and resilience framework, supporting:

- Strengthening of risk-adjusted lending practices
- Enhancement of portfolio diversification strategies
- Development of resilience-focused financial solutions

Link to Strategy

Impact of Extreme Weather Events is closely linked to LBF's 'Risk and Impact Management' strategy, as climate-related disruptions can affect branch operations, service continuity and customer accessibility. To strengthen resilience, the Company continues to enhance business continuity planning, disaster recovery capabilities and climate-conscious infrastructure decisions across its operations.

SLFRS Sustainability-Related Financial Disclosures

CRR 3

Transition Risk: Regulatory and Policy Changes

Risk Description

Regulatory and policy changes represent a key transition risk arising from the global and national shift towards a low-carbon and sustainability-driven economy.

Governments, regulators and financial authorities are increasingly introducing:

- Climate-related disclosure requirements (e.g. SLFRS S1 and S2)
- Sustainable finance frameworks and taxonomies
- Sector-specific emission reduction targets aligned with national commitments
- Risk management expectations related to climate and ESG factors

In Sri Lanka, these developments are reinforced through:

- Nationally Determined Contributions (NDC 3.0)
- CBSL Sustainable Finance Roadmap
- Emerging ESG and climate-related regulatory expectations

These regulatory shifts are progressively reshaping the financial services landscape, requiring institutions such as LBF to adapt their business models, lending practices and risk management frameworks.

Value Chain Stage and Business Model

The impact of regulatory and policy changes is experienced across both upstream and downstream value chains, influencing funding, compliance, customer behaviour and portfolio composition.

Current Impact

At present, regulatory developments are influencing the Company through:

Enhanced disclosure requirements
Implementation of SLFRS S1 and S2 standards, requiring structured sustainability and climate-related reporting

Policy alignment needs
Integration of ESG considerations into internal policies, lending frameworks and governance structures

Compliance and reporting costs
Investment in systems, data collection and reporting capabilities

Increased governance oversight
Strengthening of Board and management-level accountability for sustainability-related matters

Anticipated Impact

Over the medium to long-term, regulatory changes are expected to significantly reshape the Company's operating environment:

Tightening of ESG and climate regulations
Increased requirements for climate risk management, disclosures and stress testing

Portfolio rebalancing pressures
Reduced exposure to environmentally sensitive or high-risk sectors

Capital and funding implications
Potential impact on cost of capital and access to sustainable finance funding

Standardisation of ESG metrics and reporting
Increased need for consistent, auditable and comparable sustainability data

Alignment with national climate targets
Increased role of financial institutions in supporting Sri Lanka's decarbonisation and resilience goals

Impact on the Lending Portfolio

Operational Area	Impact of Regulatory Changes
Sector exposure	Gradual reduction in exposure to high-risk or non-compliant sectors
Credit assessment	Integration of ESG and climate risk factors into lending decisions
Portfolio strategy	Shift towards sustainable and climate-resilient sectors
Compliance costs	Increased investment in reporting systems and governance frameworks
Funding and capital	Potential access to green and sustainable financing sources

Management Response

Strategic and Risk Management Actions

LBF has adopted a proactive approach to managing regulatory transition risk, including:

- Alignment with SLFRS S1 and S2 disclosure requirements
- Integration of ESG and climate considerations into the Enterprise Risk Management (ERM) framework
- Strengthening of Board-level oversight and governance structures
- Adoption of policies aligned with sustainable finance principles and regulatory expectations

Operational Actions and Resource Allocation

Qualitative Measures

- Development of ESG policies and frameworks
- Strengthening internal reporting and control systems
- Capacity building across management and operational teams

Quantitative Measures

Metric	Current Status (2025/26)
Regulatory compliance and standards alignment	Compliance with CBSL requirements was maintained, with limited formal alignment to international standards
ESG reporting and disclosure frameworks	ESG considerations were incorporated into product design on an informal basis
Alignment with Sri Lanka carbon and green taxonomy	In progress
Board ESG oversight and capacity building	4 Board training sessions conducted

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, regulatory and policy changes did not result in a material direct financial impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows (CF)

However:

- Increased compliance and system development costs were incurred
- Investment in ESG data, reporting and governance structures has increased operational expenditure
- Early-stage alignment has strengthened the Company's readiness for future regulatory requirements

The financial impact is therefore incremental and strategic, rather than immediate.

Nature of the Risk

Transition risk

Time Horizon

Medium to long-term (increasing regulatory intensity)

Likelihood

High

Residual Risk

Moderate

Judgement for Uncertainty

The assessment of regulatory transition risk involves uncertainty due to:

- Evolving regulatory frameworks and timelines
- Lack of standardised ESG taxonomies in certain areas
- Uncertainty regarding the pace and scale of regulatory enforcement

Climate Resilience

The management of regulatory transition risk is closely aligned with the Company's broader strategy, enabling:

- Alignment with Sri Lanka's NDC 3.0 commitments
- Strengthening of sustainable finance capabilities
- Enhancement of transparency, governance and stakeholder confidence

Link to Strategy

Regulatory and Policy Changes are closely linked to LBF's 'Risk and Impact Management' strategy, as evolving regulatory requirements can impact operations, compliance obligations and business practices. To manage this risk, the Company continues to strengthen governance frameworks, compliance monitoring, employee awareness and proactive engagement with regulatory authorities.

SLFRS Sustainability-Related Financial Disclosures

By proactively aligning with evolving regulatory and policy frameworks, LBF is positioning itself as a compliant, forward-looking and sustainability-integrated financial institution, enabling the Company to manage transition risks effectively while capturing emerging opportunities in a regulated and sustainability-driven financial landscape.

SRO 1

Sustainability-Related Opportunity: Low Financial Literacy of Customers

Opportunity Description

Low financial literacy among customers represents a significant social and business opportunity for LBF, particularly within retail and SME customer segments. The opportunity is further reinforced by national financial inclusion priorities.

According to the National Financial Inclusion Strategy for Sri Lanka (2021–2024) issued by the CBSL and the Financial Literacy Roadmap of Sri Lanka (2024–2028), a considerable proportion of individuals and small businesses continue to experience challenges relating to:

- Financial planning and budgeting
- Responsible borrowing and debt management
- Digital financial literacy
- Access to formal financial services

These gaps influence borrowing behaviour, repayment discipline and long-term financial resilience.

At the same time, increasing awareness of financial inclusion and responsible finance has created an opportunity for financial institutions to support customers through financial education, digital accessibility and customer-centric financial solutions.

Value Chain Stage and Business Model

The opportunity is primarily concentrated within the Company's downstream value chain, particularly among retail and SME borrowers whose financial capability directly influences portfolio quality and customer stability.

Current Impact

LBF has already initiated several customer-focused measures to improve accessibility and financial engagement, including:

- Expansion of digital onboarding and payment platforms
- Simplification of customer service and transaction processes
- Enhancement of customer communication and support mechanisms
- Promotion of accessible and customer-centric financial solutions

Anticipated Impact

Over the medium to long-term, improving customer financial literacy is expected to:

- Enhance borrower repayment discipline and portfolio quality
- Reduce credit risk associated with poor financial management
- Increase adoption of digital financial services and platforms
- Strengthen financial inclusion and underserved market penetration
- Improve long-term customer retention and loyalty

Impact on the Lending Portfolio

Operational Area	Opportunity Impact
Retail lending	Improved repayment discipline and reduced default behaviour
SME segment	Better financial planning and cash flow management
Digital services	Increased adoption of digital onboarding and payment platforms
Customer relationships	Higher engagement, trust and long-term retention
Portfolio quality	Enhanced credit quality and lower risk exposure

Management Response

Strategic and Risk Management Actions

LBF is progressively strengthening customer engagement and accessibility through:

- Promotion of digital onboarding and transaction platforms
- Expansion of customer-centric financial solutions
- Enhancement of communication and service accessibility
- Integration of responsible lending principles into operations

Operational Actions and Resource Allocation

Qualitative Measures

- Simplified and customer-friendly digital interfaces
- Increased accessibility to payment, instalment and collection services
- Continuous improvement of customer engagement channels

Quantitative Measures

Metric	Current Status (2025/26)
Customers trained through financial literacy programmes	160 customers trained
Number of financial literacy programmes conducted	4 financial literacy programmes conducted
Strengthen access to finance for SMEs	LB Sanmitha Loan portfolio: Rs. 2.46 Bn
Digital customer adoption	22% growth in digital customer onboarding

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, low financial literacy of customers did not result in a material financial impact on:

- Profit or Loss (P&L)
- Statement of Financial Position (SOFP)
- Cash Flows (CF)

However, this reflects gradual and long-term nature of the opportunity. The Company recognises that financial impacts are expected to emerge progressively, particularly through changes in borrower performance and sectoral dynamics.

Opportunity Type
Sustainability-related opportunity

Time Horizon
Short to medium-term

Likelihood
High

Residual Risk
Moderate

Judgement for Uncertainty

The assessment of customer financial literacy involves uncertainty due to:

- Variability in customer behaviour patterns
- Differences in digital adoption levels
- External economic conditions affecting borrower resilience

Sustainability Resilience

The management of low financial literacy among customers is closely aligned with the Company's broader sustainability and resilience strategy, supporting:

- Enhancement of financial inclusion and responsible financing practices
- Strengthening of customer trust, awareness and informed decision-making
- Expansion of access to financial services across underserved communities
- Support for long-term customer relationships and sustainable economic empowerment

Link to Strategy

Low Financial Literacy of Customers is closely linked to LBF's 'Risk and Impact Management' strategy, as improving customer awareness supports financial inclusion, responsible financing and long-term customer relationships. The Company continues to strengthen financial literacy initiatives, transparent communication and customer education programmes to empower informed financial decision-making and enhance inclusive growth.

CRO 1

Climate-Related Opportunity: Changing Customer Preferences

Opportunity Description

Changing customer preferences represents a significant climate-related opportunity, driven by the transition towards a more sustainable, digital and environmentally conscious economy.

Customers across retail, SME and corporate segments are increasingly prioritising:

- Sustainable and environmentally responsible financial solutions
- Digital-first, convenient and efficient service delivery
- Transparency, trust and ethical business practices

These evolving expectations are influenced by growing climate awareness, regulatory developments and national priorities such as Sri Lanka's NDC 3.0, which encourages a transition towards low-carbon and sustainable economic activities.

For LBF, this shift presents an opportunity to align its business model, product offerings and customer engagement strategies with emerging demand, enabling both growth and sustainability integration.

Value Chain Stage and Business Model

The opportunity is primarily concentrated within the downstream value chain, where customer expectations directly influence demand patterns, product innovation and revenue generation.

Current Positioning

LBF has already initiated several strategic actions to align with changing customer preferences, demonstrating early adoption of sustainability and digital transformation:

Environmental and social risks integration

The Company has implemented an Environmental and Social Management System (ESMS) framework, enabling systematic identification, monitoring and management of environmental and social risks within lending activities. This strengthens responsible financing practices and aligns with emerging ESG expectations.

Electric vehicles (EV) financing initiatives

LBF has begun transitioning towards sustainable mobility financing, supported by strategic partnerships with leading electric vehicle dealers in Sri Lanka. This initiative

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positions the Company to support low-carbon transportation while capturing a growing market segment.

Digital transformation and customer experience

The Company continues to promote digital onboarding, transactions, instalment payments, collections and top-up services, enhancing customer convenience and operational efficiency.

Environmental certification and governance

LBF is ISO 14001 certified, reflecting its commitment to environmental management systems and continuous improvement in environmental performance.

These initiatives demonstrate a clear alignment between customer expectations, sustainability priorities and operational execution.

Future Opportunity Potential

Looking ahead, changing customer preferences are expected to drive:

- Increased demand for green and sustainable financing products
- Expansion of digital lending ecosystems and AI-enabled services
- Greater emphasis on environmentally responsible and compliant institutions
- Stronger customer loyalty linked to sustainability and trust

This transition enables LBF to strengthen its position as a forward-looking, customer-centric financial institution.

Impact on the Lending Portfolio

The evolving customer landscape is expected to reshape both portfolio composition and revenue dynamics:

Operational Area	Opportunity Impact
Retail lending	Growth in digital loan products and EV financing solutions
SME segment	Increased demand for efficiency-driven and environmentally responsible financing
Corporate clients	Preference for ESG-aligned and compliant financial solutions
Digital platforms	Expansion of digital onboarding, transactions and service delivery
Revenue streams	Diversification towards sustainable and technology-enabled offerings

This shift supports a transition towards a more resilient, diversified and growth-oriented portfolio.

Management Response

Strategic and Risk Management Actions

LBF is proactively leveraging this opportunity through:

- Integration of digital transformation into core strategy
- Expansion of EV and sustainable financing solutions
- Strengthening of ESMS-driven responsible lending practices
- Alignment with environmental standards and certifications

Operational Actions and Resource Allocation

Qualitative Measures

- Continuous enhancement of digital platforms and customer interfaces
- Strengthening ESG integration within lending processes through ESMS
- Development of partnerships to support sustainable product offerings

Quantitative Measures

Metric	Current Status (2025/26)
Green and sustainable lending products	Existing sustainable lending products were further strengthened
Sustainable lending framework and governance	ESG considerations were incorporated into product design on an informal basis
Cardless transactions (virtual cards)	Virtual card was introduced

Current Year Financial Effects to P&L, SOFP and CF

During the reporting period, these initiatives have contributed to:

- Increased digital adoption, enhancing operational efficiency and service delivery
- Early-stage growth in sustainable financing segments, particularly electric vehicle (EV) financing
- Strengthened customer engagement and experience through improved digital platforms

In addition, the Company recorded a growing green financing portfolio, accounting for approximately 481% of the total lending portfolio, reflecting an increasing shift towards environmentally aligned financing solutions.

Digital adoption has also evolved beyond operational efficiency to become a key

revenue-generating channel, with digital platforms supporting transactions, instalment payments, collections and top-up services, thereby contributing to non-interest income growth and improved cost efficiency.

While the overall financial impact remains at an emerging stage, these developments indicate a strong trajectory towards sustainable revenue growth, enhanced operational leverage and long-term value creation.

Opportunity Type
Climate-related opportunity (transition-driven)

Time Horizon
Short to medium-term (accelerating trend)

Likelihood
High

Residual Risk
Moderate

Judgement and Measurement Considerations
The assessment of this opportunity involves uncertainty due to evolving customer behaviour, rapid technological change and shifting regulatory expectations.

LBF applies market insights, customer analytics and strategic forecasting, ensuring that emerging trends are continuously monitored and integrated into business decision-making.

Climate Resilience
This opportunity is closely aligned with the Company's broader sustainability and business strategy, enabling:

- Expansion of low-carbon financing solutions (EV financing)
- Strengthening of environmental governance through ESMS and ISO 14001 certification
- Acceleration of digital transformation and operational efficiency

Link to Strategy
Changing Customer Preferences is closely linked to LBF's 'Business Transformation' strategy, as evolving customer expectations create opportunities to enhance green financing, digital experiences, develop personalised financial solutions and strengthen customer engagement.
To capitalise on this opportunity, the Company continues to invest in digital innovation, customer analytics and product development aligned with emerging customer needs and behavioural trends.

By leveraging changing customer preferences, LBF is transitioning towards a digitally enabled, sustainability-integrated and customer-centric business model, supported by strong environmental governance frameworks, innovative financing solutions and strategic partnerships, enabling the Company to capture emerging opportunities while driving long-term value creation.

3.4. Scenario Analysis and Climate Resilience

3.4.1. Introduction and Objective

LBF conducted a climate scenario analysis to evaluate the resilience of its strategy, lending portfolio and business models against sustainability-related and climate-related risks over the:

- Short-term (up to 2030)
- Medium-term (2030–2050)
- Long-term (beyond 2050)

The assessment supports understanding of how climate-related risks and opportunities may affect the Company's enterprise value, portfolio quality, operational continuity and long-term strategic positioning.

As a lending-focused financial institution, the assessment primarily considered the potential impact of climate-related risks on:

- Borrower resilience and repayment capacity
- Climate-sensitive sector exposure within the lending portfolio
- Operational resilience and service continuity
- Regulatory and market transition dynamics
- Long-term sustainability and portfolio diversification opportunities

3.4.2. How and When the Analysis was Carried Out

The climate scenario analysis was conducted during 2025 through collaboration between:

- Risk management
- Credit and lending functions
- Sustainability and ESG teams
- Strategy and finance functions

The assessment considered:

- Historical portfolio and repayment trends
- Sector-specific climate vulnerabilities
- Meteorological trends and publicly available climate projections
- Sri Lanka's Nationally Determined Contributions (NDC 3.0)
- International climate pathways and transition assumptions

Due to limitations in local climate-related financial datasets and evolving analytical capabilities within Sri Lanka, direct quantitative financial modelling of all climate impacts was not fully performed. Accordingly, the Company applied directional and qualitative scenario assessments to evaluate potential exposure and resilience.

3.4.3. Climate Scenarios Used

The Company utilised internationally recognised climate scenarios developed by:

- Intergovernmental Panel on Climate Change (IPCC) – for physical risk assessment
- Network for Greening the Financial System (NGFS) – for transition risk assessment

These scenarios support the evaluation of both physical and transition-related climate impacts across different temperature pathways.

SLFRS Sustainability-Related Financial Disclosures

IPCC scenarios used for physical risk assessment

Scenario	Description	Temperature Increase	Scenario Outcome
SSP1-2.6 (Optimistic scenario)	Sustainable development pathway with low mitigation and adaptation challenges	1.8°C by 2100	Rapid and coordinated transition to a low-carbon economy with high environmental awareness and technological innovation
SSP2-4.5 (Middle-of-the-road scenario)	Continuation of current trends with moderate climate mitigation efforts	2.7°C by 2100	Moderate and uneven transition with partial climate action and varying sectoral adaptation
SSP5-8.5 (Pessimistic scenario)	Conventional development pathway with high fossil fuel dependency and limited mitigation	4.4°C by 2100	Delayed and disorderly transition with high physical climate impacts and severe environmental stress

NGFS scenarios used for transition risk assessment

Scenario	Description	Temperature Increase	Scenario Outcome
Divergent net-zero (Optimistic scenario)	Net-zero achieved around 2050 with divergent policies and accelerated fossil fuel phase-out	1.5°C by 2050	Disorderly, but accelerated transition with higher short-term transition risks and lower physical risks
Delayed Transition (Middle scenario)	Delayed policy action until 2030 requiring stronger mitigation measures later	Below 2°C by 2030	Disorderly transition with elevated transition risks and moderate physical impacts
Nationally Determined Contributions (NDCs) (Pessimistic scenario)	Existing climate commitments implemented without sufficient global mitigation	~2.5°C by 2080	Severe physical and transition risks with continued global warming pressures

These scenarios were selected due to their relevance to:

- Sri Lanka's climate vulnerability profile
- Financial sector transition exposure
- Long-term borrower resilience and portfolio stability
- Regulatory and market transformation trends

3.4.4. Key Assumptions

Assumption Category	Key Assumptions
Climate policies	Progressive strengthening of climate-related regulations and sustainable finance requirements
Macroeconomic trends	Economic growth, inflation and employment broadly follow SSP and NGFS narratives
Sectoral exposure	Climate-sensitive sectors remain exposed to weather variability and transition pressures
Customer behaviour	Increased demand for digital and sustainable financial services
Technology and digitalisation	Continued expansion of digital financial services and AI-enabled platforms
Energy transition	Sri Lanka progresses towards renewable energy and decarbonisation targets under NDC 3.0

3.4.5. Outcomes of the Scenario Analysis

Impact on value creation and strategy

Climate-Related Factor	Low Emission Scenario	Medium Emission Scenario	High Emission Scenario
Rising temperatures	Low	Medium	High
Changing rainfall patterns	Medium	Medium	High
Extreme weather events	Medium	High	High
Regulatory changes	Medium	Medium	High
Changing customer preferences	High opportunity	High opportunity	Medium opportunity

Impact Scale

- **Low (L)** – Limited impact on portfolio and operations
- **Medium (M)** – Moderate impact requiring adaptation measures
- **High (H)** – Significant impact on strategy, portfolio quality and operational resilience

Key Implications

Physical Risks

- Rising temperatures and changing rainfall patterns may reduce productivity and repayment capacity within climate-sensitive sectors
- Extreme weather events may increase operational disruptions and affect portfolio quality
- Climate-related disruptions may affect collateral values and increase credit risk exposure

Transition Risks

- Increasing ESG and climate-related regulations may affect portfolio allocation and compliance requirements
- Accelerated digital transformation may increase operational and cybersecurity expectations
- Transition towards low-carbon activities may reshape customer demand and sector performance

Climate-related Opportunities

- Expansion opportunities in EV financing and sustainable finance products
- Increased demand for digital onboarding, payment platforms and remote financial services
- Strengthening customer preference towards environmentally responsible financial institutions

3.4.6. Implications for Strategy and Business Model

Area	Implications
Lending portfolio	Enhanced monitoring of climate-sensitive sectors and integration of ESG considerations into lending
Credit risk management	Incorporation of climate-related indicators into credit assessment frameworks
Digital transformation	Increased investment in digital onboarding, payment platforms and customer accessibility
Sustainable finance	Expansion of EV financing and environmentally aligned lending opportunities
Operational resilience	Strengthening business continuity and infrastructure resilience
Governance and compliance	Alignment with SLFRS S1 and S2 and evolving ESG regulatory expectations

3.4.7. How the Company Would Respond

Time Horizon	Potential Responses
Short-term	Strengthen climate risk monitoring, ESG integration and operational continuity planning
Medium-term	Expand sustainable finance offerings, enhance climate-sensitive lending assessments, strengthen digital transformation
Long-term	Reassess portfolio strategy, strengthen climate resilience capabilities, align with low-carbon transition pathways

SLFRS Sustainability-Related Financial Disclosures

3.4.8. Significant Areas of Uncertainty

Uncertainty Area	Description
Climate pathways	Uncertainty regarding future emissions and temperature outcomes
Regulatory developments	Evolving ESG and climate-related regulations
Borrower behaviour	Changes in repayment patterns under climate stress
Technology evolution	Pace of digital transformation and cybersecurity developments
Economic conditions	Macroeconomic volatility affecting portfolio resilience

3.4.9. Capacity to Adapt Strategy and Business Model

Time Horizon	Adaptive Capacity	Key Factors
Short-term	Strong	Existing ERM framework, ESMS integration, digital platforms
Medium-term	Moderate to strong	Sustainable finance initiatives, portfolio diversification, ESG integration
Long-term	Moderate	Strategic flexibility and progressive climate integration capabilities

3.4.10. Sustainability and Climate-related Opportunities

Opportunity	Strategic Implications	Potential Financial Effects
EV financing	Expansion into sustainable mobility financing	Portfolio growth and diversification
Digital financial services	Accelerated digital transformation and customer accessibility	Increased fee-based and non-interest income
Green financing	Expansion into sustainable lending segments	Long-term portfolio resilience and revenue growth
ESMS integration	Enhanced responsible lending practices	Improved portfolio quality and ESG alignment

The scenario analysis indicates that while climate-related risks may progressively influence borrower resilience, portfolio quality, operational continuity and regulatory expectations, LBF's integrated risk management framework, digital transformation initiatives, sustainable finance strategy and governance structures provide a strong foundation to enhance resilience and support sustainable long-term value creation.

4. RISK MANAGEMENT

4.1. Risk Management Approach

LBF has established an Integrated Risk Management Framework to identify, assess, manage and monitor SRROs, including CRROs across the organisation.

The Company recognises that sustainability-related risks are increasingly interconnected with traditional financial and operational risks, particularly within a lending-driven business model where borrower resilience, sectoral performance, regulatory developments and climate conditions directly influence financial performance and long-term value creation.

Accordingly, sustainability and climate-related risks are integrated into the Company's broader Enterprise Risk Management (ERM) Framework.

Refer to page 331 for more information

4.1.1. SRROs and CRROs Identification

The Company utilised publicly available climate-related and sustainability-related reference sources to strengthen the identification and assessment process.

Reference Source	Purpose / Application
IPCC AR6 Synthesis Report	Assessment of global climate trends and physical climate risks
National Disaster Management Plan 2023–2030	Identification of Sri Lanka-specific disaster and climate vulnerabilities
Risk Index for Sri Lanka – Disaster Management Centre	Assessment of hazard frequency and exposure levels
ThinkHazard (GFDRR Tool)	Identification of geographic exposure to physical climate hazards
Climate Risk Country Profile – Sri Lanka (World Bank and ADB)	Evaluation of country-level climate vulnerability and sector impacts
Sri Lanka NDC 3.0 (2025)	Assessment of national climate commitments and transition pathways
Internal records and operational data	Analysis of lending portfolio exposure and operational impacts
Industry reports and peer benchmarking	Review of sectoral sustainability and climate-related developments

Climate-Related Physical Risks Identified

Based on the assessment process, the following key physical climate risks were identified as relevant to LBF's operations and lending portfolio.

Climate-Related Risk	Key Assessment Considerations
Rising temperatures	Increasing heat stress, energy demand and sector productivity impacts
Changing rainfall patterns	Increased rainfall variability affecting climate-sensitive sectors
Floods	High exposure within Sri Lanka, affecting borrowers, operations and infrastructure
Droughts	Increased frequency affecting agriculture and SME borrower resilience
Cyclones and extreme weather events	Potential operational disruptions and borrower financial stress
Landslides	Increased geographic vulnerability within certain regions
Sea-level rise	Long-term exposure affecting coastal economic activities and infrastructure

4.1.2. Assessment of SRROs and CRROs

LBF applies a structured assessment methodology to evaluate the materiality of identified SRROs and CRROs based on their likelihood of occurrence, potential financial and operational impact and strategic relevance to the Company's business model and value chain.

Assessment Framework

Assessment Area	Approach Applied by LBF
Materiality assessment	Assessment of sustainability and climate-related risks based on likelihood and severity of potential impacts
Time horizon definition	Risks assessed across short-term, medium-term and long-term horizons
Strategic relevance	Identification of material ESG factors relevant to lending activities, operations and value chain
Probability assessment	Risks assessed based on probability of occurrence using defined likelihood categories
Impact severity assessment	Assessment of financial and operational impact relative to historical performance
Scenario analysis and stress testing	Progressive integration of ESG and climate-related risks into scenario analysis and stress testing
Capital planning integration	ESG considerations integrated into ICAAP and broader risk management processes
Monitoring and reporting	Ongoing monitoring and reporting through governance and committee structures
Disclosure	Reporting aligned with locally and internationally recognised sustainability disclosure standards

SLFRS Sustainability-Related Financial Disclosures

4.1.3 Prioritisation of Sustainability-Related and Climate-Related Risks

LBF prioritises sustainability-related and climate-related risks within its broader Enterprise Risk Management (ERM) Framework by recognising them as cross-cutting risks that may influence financial performance, operational resilience, customer behaviour and long-term enterprise value.

Assessment Area	Prioritisation Consideration
Financial impact	Potential effect on portfolio quality, profitability, liquidity and capital
Operational impact	Effect on operational continuity, systems, infrastructure and workforce
Strategic impact	Influence on long-term strategy, business model and competitiveness
Regulatory exposure	Alignment with evolving ESG and climate-related regulations
Stakeholder expectations	Impact on customer trust, investor confidence and reputation
Time horizon	Short, medium and long-term exposure and resilience considerations

4.1.4. Monitoring and Oversight of Sustainability-Related Risks

The Board of Directors retains overall responsibility for the oversight of sustainability-related risks and opportunities, including climate-related risks.

Governance oversight is supported through structured management and committee-level responsibilities to ensure effective monitoring, accountability and integration into decision-making processes.

4.2. Sustainability and Climate Risk Integration

The Company recognises that sustainability and climate-related risks are increasingly interconnected with traditional financial and operational risks.

Accordingly, sustainability and climate-related considerations are integrated into:

- Strategic planning
- Lending and credit evaluation processes
- Operational risk assessments
- Governance and compliance frameworks

This integrated approach enables the Company to:

- Strengthen portfolio resilience
- Improve risk-adjusted decision-making
- Enhance operational continuity
- Align with evolving stakeholders and regulatory expectations

4.3. Sustainability and Climate-related Risks and Opportunities Management

Risk / Opportunity	Identification	Assessment	Prioritisation	Monitoring
SRR 1 Employee turnover	Identified through workforce analytics, operational reviews, employee engagement assessments and industry labour market trends	Assessed based on operational continuity, productivity, service quality and talent retention exposure	Prioritised as an operational sustainability risk due to its influence on workforce stability and customer service delivery	Monitored through employee turnover rates, training hours, engagement indicators and succession planning reviews
SRR 2 Data privacy and information security	Identified through cybersecurity assessments, digital transformation initiatives, IT governance reviews and evolving regulatory expectations	Assessed based on operational disruption potential, regulatory exposure, reputational impact and customer trust implications	Prioritised as a high operational and governance risk due to increasing digitalisation and cyber threat exposure	Monitored through cybersecurity incident reporting, vulnerability assessments, IT audits, system monitoring and employee awareness programmes

Risk / Opportunity	Identification	Assessment	Prioritisation	Monitoring
CRR 1 Rising temperature driven by GHG emissions	Identified using IPCC AR6 reports, climate projections, Sri Lanka climate risk profiles and sector exposure assessments	Assessed based on long-term impacts on borrower resilience, operational costs and sector productivity	Prioritised as a chronic physical climate risk due to its systemic and long-term influence on portfolio quality and operational resilience	Monitored through climate trend analysis, sector exposure reviews, energy usage trends and climate scenario assessments
CRR 2 Impact of extreme weather events	Identified using disaster management reports, ThinkHazard assessments, historical climate events and operational impact reviews	Assessed based on potential impact on borrowers, collateral values, branch operations and operational continuity	Prioritised as a high physical climate risk due to increasing frequency and severity of climate-related disasters in Sri Lanka	Monitored through operational incident reporting, geographic exposure assessments, portfolio monitoring and business continuity reviews
CRR 3 Regulatory and policy changes	Identified through regulatory monitoring, ESG disclosure developments, sustainable finance frameworks and national climate commitments	Assessed based on compliance requirements, operational readiness, governance implications and portfolio transition exposure	Prioritised as a significant transition risk due to evolving sustainability regulations and disclosure expectations	Monitored through regulatory reviews, governance reporting, ESG compliance assessments and sustainability reporting processes
SRO 1 Low financial literacy of customers	Identified through customer engagement trends, financial inclusion priorities, digital adoption patterns and national financial literacy frameworks issued by CBSL	Assessed based on impact on repayment behaviour, customer engagement, digital adoption and portfolio quality	Prioritised as a strategic opportunity due to its long-term impact on financial inclusion, customer retention and sustainable portfolio growth	Monitored through customer engagement indicators, digital adoption trends, portfolio quality and financial inclusion initiatives
CRO 1 Changing customer preferences	Identified through digital transformation trends, ESG awareness, customer behaviour analysis and market developments	Assessed based on impact on revenue generation, customer retention, digital adoption and sustainable finance opportunities	Prioritised as a strategic opportunity due to its influence on long-term competitiveness, growth and market positioning	Monitored through digital adoption metrics, customer engagement indicators, green financing portfolio growth and market trend analysis

The sustainability and climate-related risk disclosures presented within this section are integrated with the Company's broader Enterprise Risk Management (ERM) Framework and should be read in conjunction with the Risk Management section of this Annual Report. The Company's principal risk categories, including credit, operational, liquidity, compliance, reputational and emerging sustainability-related risks, are discussed under the principal risks section on page 314.

The governance mechanisms supporting effective risk oversight, accountability and control, including the three lines of defence model, are disclosed under the Risk Governance section on page 252. In addition, the Company's Risk Appetite Framework, which establishes the thresholds and tolerance levels for managing strategic, financial, operational and sustainability-related risks, is presented on page 119. Collectively, these frameworks support the identification, assessment, management, monitoring and reporting of sustainability-related and climate-related risks and opportunities in alignment with SLFRS S1 and S2 disclosure requirements.

5. METRICS AND TARGETS

This section outlines how LBF measures, monitors and evaluates performance relating to SRROs and CRROs, including progress towards climate-related initiatives and sustainability objectives established by the Company.

The Company progressively integrates sustainability and climate-related metrics into:

- Strategic planning and performance monitoring
- Enterprise risk management processes
- Operational and environmental management initiatives
- Sustainable finance and digital transformation strategies

SLFRS Sustainability-Related Financial Disclosures

5.1. Cross Industry Metrics

5.1.1. Greenhouse Gas (GHG) Emissions

Basis of Determination of Organisational and Operational Boundary

LBF applies the financial control approach to define its organisational boundary for greenhouse gas accounting and reporting.

The organisational boundary includes operations and activities limited to LBF, which has financial and operational control, ensuring consistency and accountability in measuring and managing climate-related impacts.

The operational boundary currently covers:

- Scope 1 emissions – direct emissions from fuel combustion and Company-controlled operations
- Scope 2 emissions – indirect emissions from purchased electricity consumption
- Scope 3 emissions - Indirect emissions arising from upstream and downstream value chain activities outside the Company's direct operations

Methodology Used for Measurement and Disclosure of GHG Emissions

The Company measures and discloses GHG emissions using the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064 for verification, in alignment with SLFRS S2 requirements.

The Company applies recognised emission factors and globally accepted methodologies to convert activity data into carbon dioxide equivalent (CO_2e) values.

The Company conducts an annual GHG assessment in accordance with its internally developed GHG Procedure Manual and GHG Quality Manual to ensure consistency, accuracy and reliability in emissions quantification and reporting. As a member of the PCAF, the Company also assessed financed emissions relating to its motor vehicle loan and mortgage portfolios in line with the PCAF methodology.

Summary of GHG Emissions

GHG Scope	2025/26 Emissions (tCO_2e)	2024/25 Emissions (tCO_2e)
Scope 1	4,014.15	2,711.02
Scope 2	2,315.26	2,241.45
Scope 3	52,628.67	31,981.60
Total	**58,958.08**	**36,934.07**

For a detailed breakdown of GHG emissions by source, refer to the Integrated Natural Capital section on page 211

Key Assumptions and Sources of GHG Measurement

Sub-category	Activity Data Source	Emission Factor Source
Scope 1		
Stationary combustion	Fuel consumption and generator records	IPCC Emission Factors
Mobile combustion	Vehicle fuel consumption records	IPCC Emission Factors
Fugitive emissions	Refrigerant and air -conditioning maintenance records	IPCC Emission Factors
Scope 2		
Electricity consumption	Electricity bills and utility records	Sri Lanka Sustainable Energy Authority (SLSEA) data
Scope 3		
Capital goods, purchased goods and services	Service procurement and purchase records	Supply Chain Emission Factors V1.3 by NAICS
Business air travels	Business travel records and air tickets	ICAO Carbon Emissions Calculator
Water consumption	Water bills and utility records	A Guide for Carbon Footprint Assessment – Climate Change Secretariat Sri Lanka
Transmission and distribution loss	Utility consumption records	Statistical Digest 2024
Waste generation	Waste measurement and disposal records	DEFRA Emission Factors (2025)
Employee commuting	Employee survey and recruitment records	India GHG program (2015)

Sub-category	Activity Data Source	Emission Factor Source
Teleworking	Employee attendance and remote working records	DEFRA Emission Factors (2025)
Financed emission - motor vehicle loans	Motor vehicle loan portfolio data	India GHG Program (2015)
Mortgages	Mortgage portfolio data	PCAF Emission Factor Database

Scan the QR code to view GHG inventory for assumptions in preparation of the GHG report

DOC **12**

5.1.2. Climate-Related Transition Risks

LBF continues to progressively assess exposure to climate-related transition risks within its lending portfolio and operational activities.

Transition-related assessments consider:

- Regulatory and policy developments
- Sustainable finance transition trends
- Changes in customer preferences and market expectations
- Climate-related sector vulnerabilities

The Company intends to progressively strengthen financed emission assessments and sustainable finance measurement methodologies as part of future climate-related reporting enhancements.

5.1.3. Climate-Related Physical Risks

The Company continues to assess exposure to climate-related physical risks through:

- Enterprise risk management processes
- Business continuity and operational resilience assessments
- Portfolio and sector exposure analysis
- Geographic vulnerability assessments relating to branch operations and lending activities

Physical risk assessments currently focus on:

- Extreme weather events
- Floods and climate-sensitive geographic exposure
- Borrower resilience within vulnerable sectors

The Company also progressively integrates environmental and social considerations into lending decisions through its Environmental and Social Management System (ESMS).

5.1.4. Climate-Related Opportunities

LBF has identified several climate-related and sustainability-related opportunities that may positively influence long-term enterprise value and strategic positioning.

These include:

- Growth in EV financing and sustainable finance products
- Expansion of digital financial services and digital onboarding
- Increasing customer demand for environmentally responsible financial services
- Strengthening ESG integration and operational sustainability initiatives

During the reporting period:

- The Company recorded continued growth in green financing activities
- Digital transaction and onboarding adoption increased
- Sustainable financing initiatives continued to strengthen portfolio diversification opportunities

5.1.5. Capital Expenditure and Sustainability Investments

The Company continues to allocate resources towards:

- Digital transformation initiatives
- Operational resilience and cybersecurity enhancements
- ESG integration and environmental management initiatives
- Climate-related operational improvements

Capital expenditure relating to sustainability and operational resilience initiatives supports:

- Improved operational efficiency
- Enhanced digital accessibility
- Strengthened long-term resilience and sustainability integration

5.1.6. Internal Carbon Pricing

The Company continues to evaluate the applicability of internal carbon pricing mechanisms as part of its evolving climate-related risk management and sustainability strategy.

Future implementation will consider:

- Regulatory developments
- Business relevance and operational feasibility
- Alignment with climate-related decision-making processes

5.1.7. Remuneration and ESG Performance

LBF progressively incorporates sustainability-related and ESG considerations into performance evaluation and management processes.

The Company continues to strengthen the integration of:

- ESG-related performance indicators
- Sustainability and operational resilience objectives
- Strategic and governance-related accountability measures into management and leadership performance assessment frameworks

SLFRS Sustainability-Related Financial Disclosures

5.2. Industry-Specific Metrics (SASB – 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 (page 196)
	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	Integrated Intellectual Capital (page 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 (page 194)
	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

5.3. Sustainability and Climate-Related Targets

To support the achievement of its ESG objectives and long-term sustainability strategy, LBF has committed to establishing measurable and time-bound sustainability and climate-related targets for the period 2025/26 to 2030.

These targets are aligned with:

- Global sustainability and climate-related frameworks
- Sri Lanka's national sustainability and climate priorities, including NDC 3.0
- The Company's strategic direction and ESG Roadmap 2.0*
- Stakeholder expectations and evolving regulatory developments
- Industry benchmarks and emerging sustainable finance practices

*The Company's sustainability and climate-related targets are guided through the ESG Roadmap 2.0, which outlines the strategic direction, implementation priorities and performance milestones relating to sustainability integration, climate resilience, responsible finance, operational sustainability and governance enhancement. Further details relating to the ESG Roadmap 2.0 are provided on page 92.

We are in the process of utilising all reasonable and supportable information that is available to us to calculate the other cross- industry metrics as per paragraphs 29.

Capitals and Business

The Components That Enable Movement

Movement that Measures, Movement that Matters

In a finely tuned system of cogs, every movement is tracked and aligned with purpose. At LB Finance PLC, each action contributes to a larger rhythm, ensuring that progress is measured and meaningful. This is how value is observed, refined, and advanced across every cycle.

The precise arrangement of cogs in a mechanical grand complication watch allows every movement to be measured and for each part to work together to create perfect timing.



Capital Components

142 Integrated Financial Capital | **155** Integrated Manufactured Capital | **161** Integrated Human Capital
180 Integrated Intellectual Capital | **188** Integrated Social and Relationship Capital | **211** Integrated Natural Capital

Business Components

228 Business Review | **247** Subsidiary Information

Integrated Financial Capital

FC

IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance PLC, Financial Capital is managed through a disciplined and integrated framework designed to support sustainable growth, financial resilience and long-term value creation. The Company adopts a balanced approach to capital deployment, funding diversification, treasury management and balance sheet optimisation, ensuring adequate liquidity, capital strength and funding flexibility across business cycles. Performance is evaluated through key indicators relating to profitability, liquidity, capital adequacy, asset quality and operational efficiency, providing a robust basis for strategic decision-making and prudent financial stewardship in a dynamic operating environment.

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 below 30%

2022/23

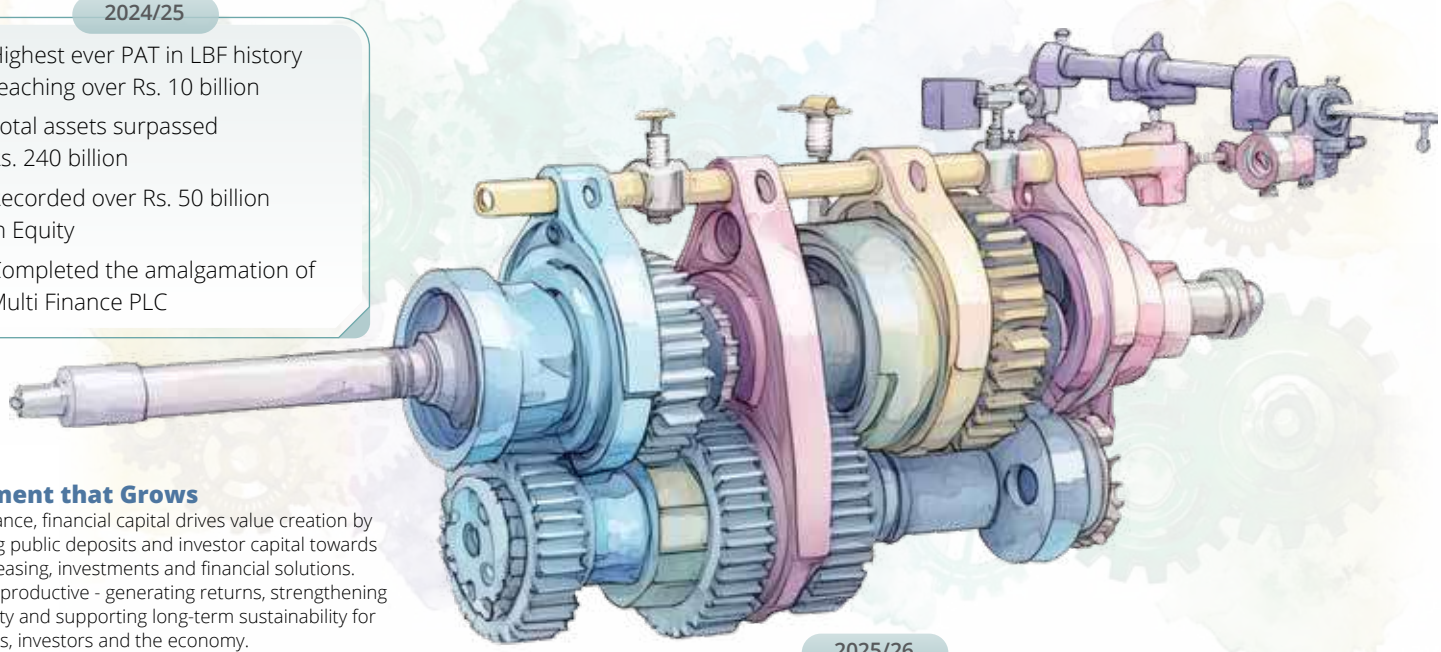
- Reached over Rs. 40 billion in total income generation amid economic downturn
- Recorded over Rs. 8 billion PAT amid economic downturn
- Due to depositors surpassed Rs. 100 billion

2023/24

- Achieved over Rs. 20 billion in net interest income
- Expanded the lending portfolio beyond Rs. 150 billion
- Total assets exceeded Rs. 200 billion

2024/25

- Highest ever PAT in LBF history reaching over Rs. 10 billion
- Total assets surpassed Rs. 240 billion
- Recorded over Rs. 50 billion in Equity
- Completed the amalgamation of Multi Finance PLC



Movement that Grows

At LB Finance, financial capital drives value creation by mobilising public deposits and investor capital towards lending, leasing, investments and financial solutions. Capital is productive - generating returns, strengthening profitability and supporting long-term sustainability for customers, investors and the economy.

In a vehicle gear system, each gear engages at the right time to transfer power, control movement and drive progress forward.

2025/26

- Achieved total income exceeding Rs. 60 billion and profit before taxes surpassing Rs. 25 billion
- Expanded Group assets beyond Rs. 400 billion by the year end
- Acquired a 73.11% controlling stake in Associated Motor Finance Company PLC
- Expanded regional presence through strategic entry into the Philippines market

2. FINANCIAL CAPITAL VALUE CREATION MODEL

Input

- Customer deposits
- Equity capital
- Bank borrowings
- Foreign funding facilities
- Securitisation funding
- Internal capital generation
- Treasury liquidity reserves

Strategic Alignment

Supports long-term financial resilience, sustainable growth, prudent capital management and shareholder value creation while maintaining strong liquidity and regulatory capital adequacy.

Business Model Linkages

Financial Capital is deployed across lending operations, treasury activities, liquidity management, funding mobilisation and balance sheet optimisation to support sustainable business expansion.

Integration with Other Capitals

- HC: Financial expertise and operational capability
- IC: Core banking systems, Credit scoring models, analytics and digital platforms
- SRC: Customer confidence, investor trust and funding relationships
- MC: Branch network and operational infrastructure supporting business growth

SDG Alignment

- Decent Work and Economic Growth
- Industry, Innovation and Infrastructure
- Reduced Inequalities
- Partnerships for the Goals

Materiality and Stakeholder Relevance

Material due to its direct impact on liquidity strength, funding access, earnings sustainability, financial resilience, capital adequacy and stakeholder confidence.

Key Risks

- Liquidity risk
- Interest rate risk
- Credit risk
- Operational risk
- Market risk
- Regulatory capital risk

Output

- Sustainable earnings generation
- Strong liquidity and funding buffers
- Diversified and stable funding base
- Strengthened capital position
- Resilient asset quality and portfolio strength

Outcomes

- Enhanced financial resilience
- Sustainable profitability and growth
- Increased shareholder confidence
- Stronger long-term growth capacity
- Improved stakeholder trust and confidence

Impact on Value Creation

Creation of sustainable long-term financial value through disciplined capital management, diversified funding structures, prudent liquidity management and sustainable business growth.

Integrated Financial Capital

3. INTEGRATED FINANCIAL CAPITAL CHAPTER DIRECTION

Foundation

3.1. Financial Capital Governance and Framework

3.2. Financial Capital Navigation Guide

Enablement

3.3. CAMELS – Six Pillars of Financial Stewardship

Outcomes

3.4. Managing inter capital trade-offs and capital allocations

3.5. Financial Capital Trade-offs

Impact

3.6. Shareholder Value Creation

3.7. Performance Overview of LBF Subsidiaries

3.1. Financial Capital Governance and Framework

3.1.1. Structured Framework for Managing Financial Strength and Resilience

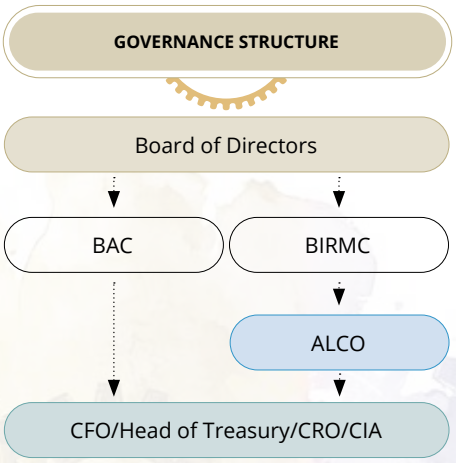
LB Finance PLC's Financial Capital framework provides the governance, oversight and control discipline required to safeguard financial strength and support informed decision making. The framework links Board and Management oversight with capital planning, liquidity monitoring, risk appetite, regulatory compliance and performance review, ensuring that financial decisions are aligned with the Company's strategic priorities and stakeholder expectations.

Through this structure, Financial Capital is monitored across key dimensions including capital adequacy, funding stability, liquidity buffers, asset quality, profitability and balance sheet strength. This enables the Company to respond to changing market, regulatory and business conditions while maintaining financial stability and supporting sustainable value creation.

3.1.2. Governance Structure and Oversight

Financial Capital governance is anchored at the highest levels of the organisation, ensuring strong oversight, accountability, regulatory compliance and strategic alignment.

- The Board of Directors provides oversight into capital adequacy, liquidity management, funding strategy, financial performance and balance sheet resilience.
- The Board Integrated Risk Management Committee (BIRMC) and Board Audit Committee (BAC) support oversight relating to financial risk governance, treasury risk monitoring, regulatory compliance and internal controls.
- The Asset and Liability Committee (ALCO) continuously monitor liquidity management, funding concentration, maturity mismatches, interest rate sensitivity and treasury performance.
- Senior Management and the Finance, Treasury and Risk Management functions support day to day financial stewardship, regulatory monitoring, capital planning and strategic financial decision making.
- Financial Capital management is supported through periodic review of capital adequacy, liquidity, funding and balance sheet risk exposures to ensure alignment with approved risk appetite and regulatory requirements.
- Strategic decisions relating to growth, funding, capital allocation and dividend distributions are evaluated within established governance frameworks to balance profitability, financial resilience and shareholder value creation.



3.1.3. Governance Pillars

Integration with Enterprise Risk Management

- Monitoring capital adequacy and liquidity levels
- Oversight of credit, market and funding risks
- Stress testing and scenario based assessments
- Monitoring balance sheet stability and risk exposure

Policies, Controls and Governance Framework

- Treasury and liquidity management policies
- Capital allocation and funding management practices
- Regulatory compliance and prudential monitoring
- Internal controls and financial governance processes

Digital Enablement and Performance Monitoring

- Financial analytics and MIS reporting
- Credit scoring models, portfolio analytics and digital platforms
- Data driven financial planning and decision making
- Financial performance dashboards and KPI monitoring

Continuous Improvement and Accountability

- Internal and external audit oversight
- Policy reviews and governance improvements
- Financial reporting transparency and disclosure practices
- Ongoing strengthening of risk and control processes

3.2. Financial Capital Navigation Guide

Chief Financial Officer's Review

Provides management's assessment of financial performance, key developments and strategic priorities.

Page 53

Investor Information

Provides information on shareholder engagement, market performance and investor communications.

Page 485

Interim Financial Snapshot

Highlights quarterly trends in profitability, portfolio growth, funding, capital and asset quality.

Page 489

Financial Highlights and Financial Statement Highlights

Provides a summary of key financial indicators and financial statement extracts for the reporting period.

Page 36 and 360

Economic Value Added and Market Value Added

Measures value creation through economic returns and market valuation performance.

Page 34

Financial Statements in USD

Provides a USD presentation of key financial statements to support international stakeholders.

Page 492

Horizontal and Vertical Analysis Income Statement

Explains earnings performance, income generation, cost management and profitability outcomes.

Page 495

Horizontal and Vertical Analysis Statement of Financial Position

Examines asset growth, funding structure, liquidity management and capital strength.

Page 496

Decade at a Glance

Presents a ten year overview of key financial indicators, highlighting the Company's growth trajectory.

Page 498

Collectively, these sections provide a comprehensive view of how Financial Capital is generated, managed, preserved and translated into long-term value creation for shareholders and other stakeholders.

Integrated Financial Capital

3.3. CAMELS – Six Pillars of Financial Stewardship

The Company adopts the CAMELS framework as a structured approach for assessing and monitoring Financial Capital across six core pillars: Capital Adequacy, Asset Quality, Management Efficiency, Earnings Strength, Liquidity and Sensitivity to Risk. The framework supports financial management through the continuous evaluation of capital strength, asset quality, operational efficiency, profitability, liquidity management and overall financial stability.

The CAMELS framework also supports risk identification, informed decision making and balance sheet management amid evolving market and economic conditions. Through this approach, the Company continues to maintain financial stability, support balanced growth and preserve long-term stakeholder value.

C – CAPITAL ADEQUACY

Tier I CAR	Total CAR
21.65%	21.39%
2024/25: 30.45%	2024/25: 31.31%

Stage 3 Loans to Equity Ratio	Capital Funds to Deposits Ratio
7.05%	35.41%
2024/25: 9.01%	2024/25: 37.02%

A – ASSET QUALITY

Gross NPL	Net NPL
1.35%	-1.24%
2024/25: 2.25%	2024/25: -1.22%

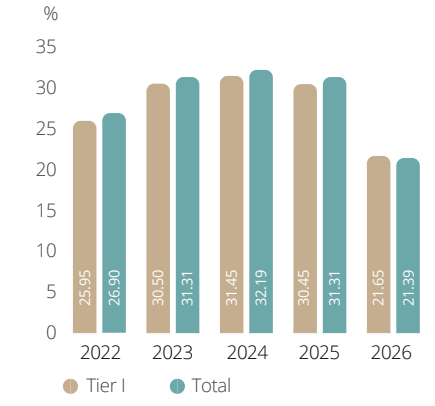
Provision Coverage Ratio	Open Credit Exposure Ratio
192.35%	-6.51%
2024/25: 154.02%	2024/25: -4.87%

M – MANAGEMENT EFFICIENCY

Cost to Income	Profit per Employee
30.52%	Rs.2.93Mn
2024/25: 32.58%	2024/25: Rs. 2.45Mn

Impairment Charge to Total Operating Income	Operating Expense to Income
3.19%	19.18%
2024/25: -0.85%	2024/25: 20.95%

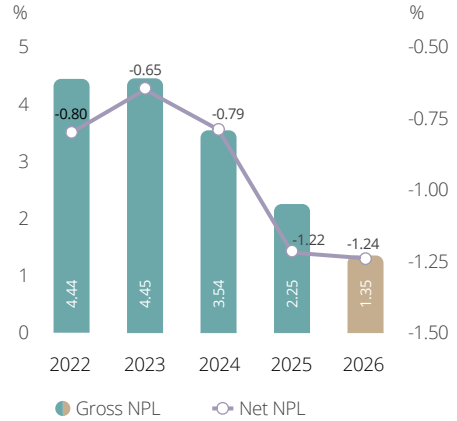
Capital Adequacy Ratio



Strategic Benchmark

To maintain a capital buffer at least 2% above the minimum regulatory requirement set by the CBSL.

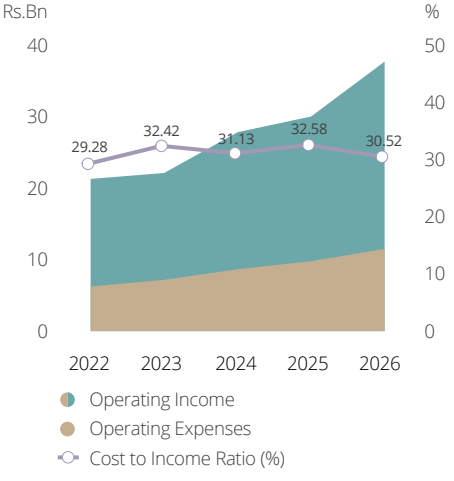
Gross and Net NPL Ratio



Strategic Benchmark

To maintain Gross NPL rate below 5% and net NPL Ratio at zero level.

Cost to Income Ratio



Strategic Benchmark

To maintain a lean cost structure with expenses consuming no more than 35% of operating income



E

EARNINGS

Return on Equity	Return on Assets
24.28%	**4.30%**
2024/25: **22.77%**	2024/25: **4.88%**

Interest Spread	Net Interest Margin
8.66%	**9.94%**
2024/25: **11.05%**	2024/25: **12.22%**

L

LIQUIDITY

Liquid Assets Ratio	Liquid Assets to External Funds
19.56%	**12.73%**
2024/25: **20.01%**	2024/25: **15.74%**

Total Liquidity Reserves	Loans to Deposit Ratio
Rs. **42.24** Bn	**180.39%**
2024/25: **Rs. 29.60 Bn**	2024/25: **142.80%**

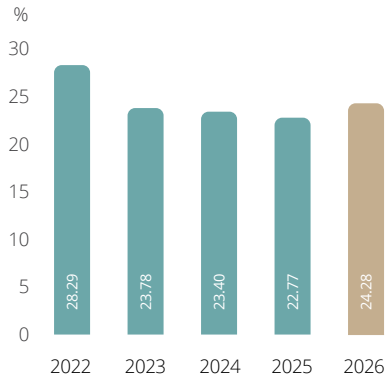
S

SENSITIVITY

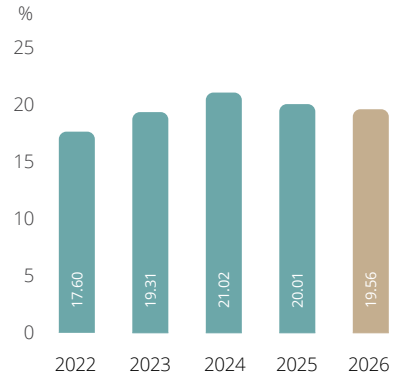
Interest Rate ↑1%	Cost to Income Ratio ↑1%
1.59% △PAT	**1.51%** △PAT
Rs. 216.77 Mn	**Rs. 206.24 Mn**

Impairment Charge ↑1%	Income Tax Rate ↑1%
0.05% △PAT	**1.83%** △PAT
Rs. 6.57 Mn	**Rs. 250.14 Mn**

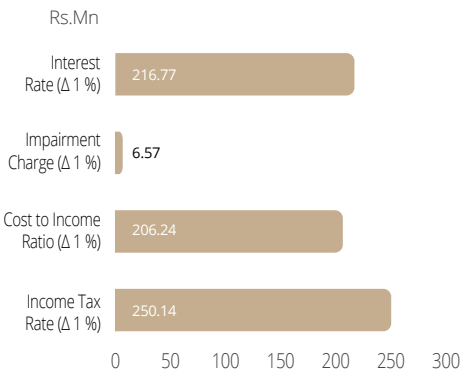
Return on Equity



Liquid Assets Ratio



Sensitivity of PAT



Strategic Benchmark

To achieve a minimum ROE of 20% by optimising our operations and financial performance.

Strategic Benchmark

To maintain a minimum liquidity buffer of 2% over the statutory liquidity requirement

Strategic Benchmark

To support strategic decisions that align with stakeholder interests and maximise shareholder value via sensitivity analysis.

Integrated Financial Capital

3.3.1. Financial Capital Overview

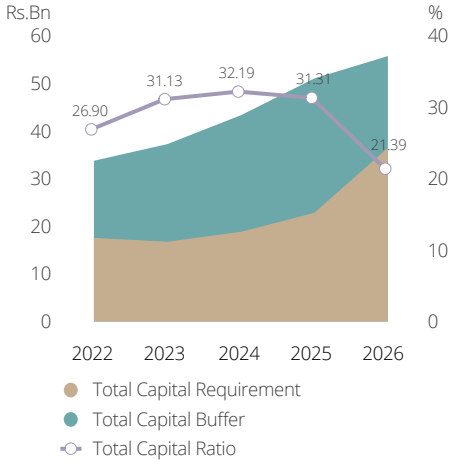
Financial Capital remained central to the Company's ability to support sustainable growth, maintain financial resilience and preserve long-term stakeholder value. Management priorities during the year remained focused on disciplined capital allocation, prudent risk governance, liquidity resilience and sustainable earnings generation amid evolving market conditions.

Despite elevated funding costs and balance sheet expansion, the Company maintained strong profitability, healthy asset quality indicators and capital adequacy levels well above regulatory minimum requirements. Balance sheet optimisation, diversified funding access, treasury discipline and internal capital generation continued to support the resilience and sustainability of the Company's financial position.

The Company assesses Financial Capital performance through the CAMELS framework covering Capital Adequacy, Asset Quality, Management Efficiency, Earnings Strength, Liquidity Position and Sensitivity to Risk, providing a structured view of financial stability and long-term sustainability.

3.3.2. Capital Adequacy and Financial Resilience

Availability of Capital Buffers



Capital levels remained strong throughout the year, supported by profitability, disciplined balance sheet management and prudent capital planning. Despite continued lending growth and balance sheet expansion, regulatory capital buffers remained comfortably above minimum requirements, supporting financial stability and future growth capacity.

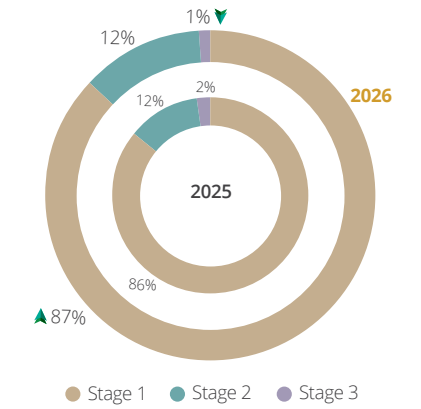
Total equity increased by 19.73% to Rs. 61.38 billion, primarily driven by retained earnings generated during the year. The Company maintained a balanced capital management approach through earnings retention whilst sustaining a dividend payout ratio of 33.33%.

Net asset value per share increased to Rs. 110.79 from Rs. 92.53 in the previous year, reflecting continued growth in shareholder value and the Company's capital base. The Tier 1 Capital Ratio stood at 21.65% against the regulatory minimum requirement of 10%, whilst the Total Capital Ratio remained at 21.39% compared to the minimum requirement of 14%.

These capital buffers support future business expansion, strengthen the Company's capacity to absorb potential stress events and preserve depositor and investor confidence amidst evolving macroeconomic conditions.

3.3.3. Asset Quality and Credit Strength

Stage wise analysis of Lending Base



Asset quality indicators remained healthy during the year despite continued portfolio expansion and evolving operating conditions. Credit quality continued to reflect disciplined underwriting standards, portfolio monitoring, recovery mechanisms and prudent credit risk management practices maintained across lending segments.

Gross Non-Performing Loans improved to 1.35% from 2.25% in the previous year, supported by strengthened recovery efforts, portfolio surveillance and disciplined credit granting practices.

Net NPL ratio stood at -1.24%, reflecting impairment provisioning levels maintained above the current non performing loan balance under the Company's SLFRS 09 provisioning framework.

Impairment coverage improved to 192.35% from 154.02% in the previous year, supporting portfolio resilience and the Company's capacity to manage potential credit stress events amid continued lending growth.

3.3.4. Management Efficiency and Operational Discipline

Indicator	2025/26	2024/25
Cost to Income Ratio	30.52%	32.58%
Operating Expenses to Income	19.18%	20.95%
Profit per Employee (Rs.Mn)	2.93	2.45
Impairment Charges to Total Operating Income	3.19%	(0.85%)

Operational efficiency improved during the year, supported by business expansion, productivity improvements and disciplined cost management. Operating income growth continued to outpace operating expense growth, reflecting positive operating leverage within the Company's operating model.

The cost to income ratio improved to 30.52% from 32.58% in the previous year, whilst operating expenses to income improved to 19.18%, supported by operational scalability and expense discipline.

Profit per employee increased to Rs. 2.93 million from Rs. 2.45 million in the previous year, reflecting improved workforce productivity and operational effectiveness. Technology enablement, process optimisation and operational streamlining also contributed towards efficiency improvements during the year.

Impairment charges to total operating income remained at 3.19%, reflecting continued focus on portfolio quality, risk management and recovery effectiveness.

Management continued to strengthen operational resilience through technology integration, process automation, data driven decision making and continuous performance monitoring, supporting operational efficiency and sustainable business growth.

3.3.5. Earnings Strength and Profitability

Earnings increased during the year, supported by portfolio expansion, income diversification and disciplined financial management. Despite elevated funding costs and evolving market conditions, profitability remained supported by growth in operating income and balance sheet expansion.

Profit after tax increased to Rs. 13.67 billion, whilst total operating income rose to Rs. 37.73 billion. Growth across core lending segments and continued expansion in both interest and non interest income streams supported earnings generation and diversification.

Return on Equity improved to 24.28% from 22.77% in the previous year, reflecting strong internal capital generation and effective utilisation of shareholder funds. Return on Assets remained at 4.30%, demonstrating the Company's ability to generate returns from an expanding asset base.

Net Interest Margin declined to 9.94%, whilst interest spread stood at 8.66%, supported by asset pricing discipline, portfolio optimisation and funding cost management despite a higher interest rate environment.

Operating Leverage

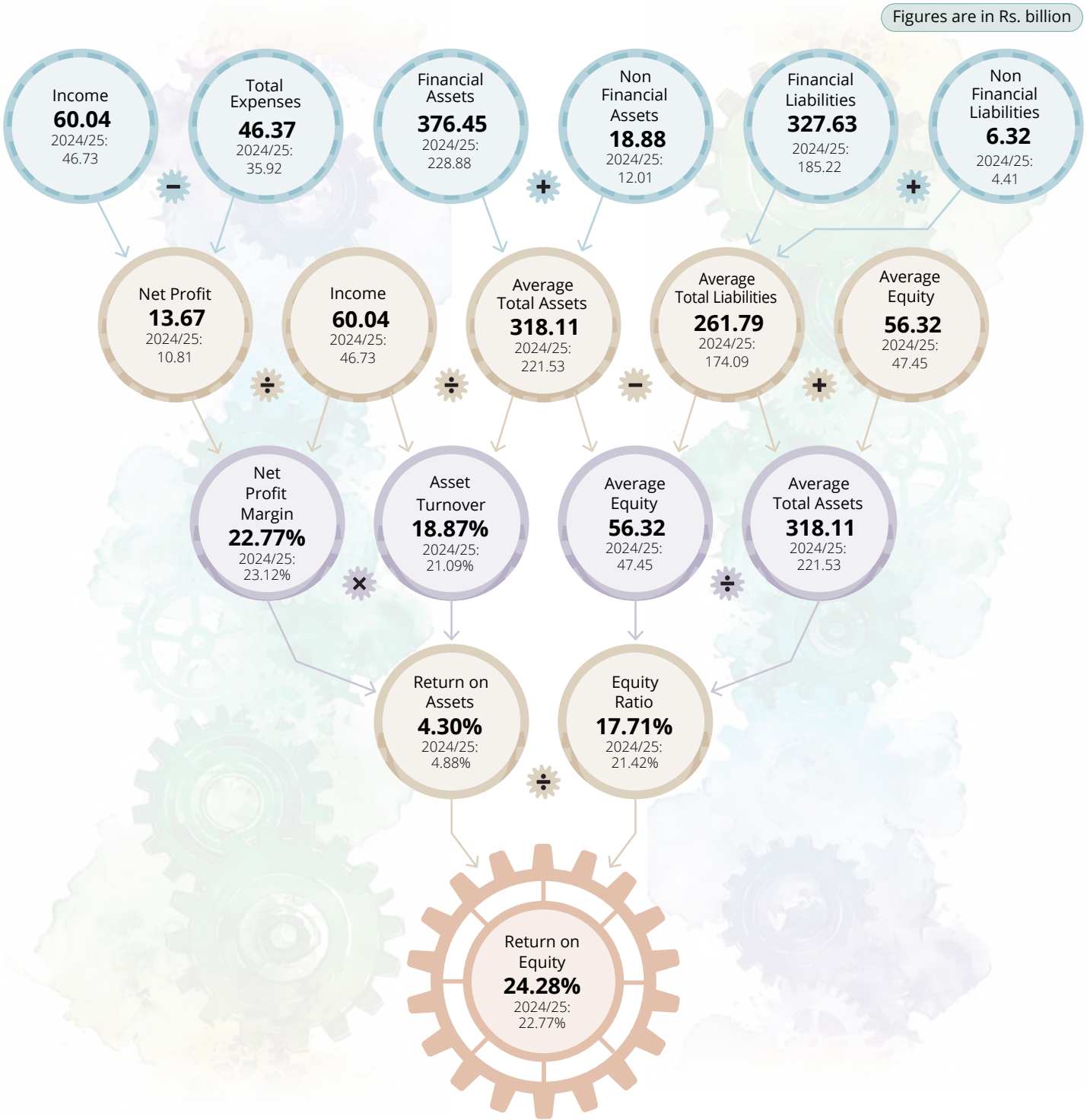
Operating leverage remained positive, with operating income growth of 25.59% exceeding expense growth of 17.64%, resulting in a 26.53% increase in profitability. This demonstrates the Company's ability to convert revenue growth into earnings growth through operational efficiency, cost discipline and balance sheet optimisation. Profitability continued to support capital generation, earnings stability and shareholder value creation.



Integrated Financial Capital

DuPont Analysis

DuPont analysis decomposes ROE into profit margin, asset turnover and financial leverage, providing insight into profitability, efficiency and risk. ROE improved from 22.77% to 24.28%, reflecting stronger overall returns to shareholders. Net profit margin moved from 23.12% to 22.77%, while asset turnover adjusted from 21.09% to 18.87%, indicating a slight moderation in both profitability and asset utilisation. These movements reflect a realignment in operating performance during the period. Overall, the improvement in ROE was supported by the Company's financial structure and leverage position, which helped enhance returns despite changes in the underlying operating ratios.



3.3.6. Liquidity and Funding Management

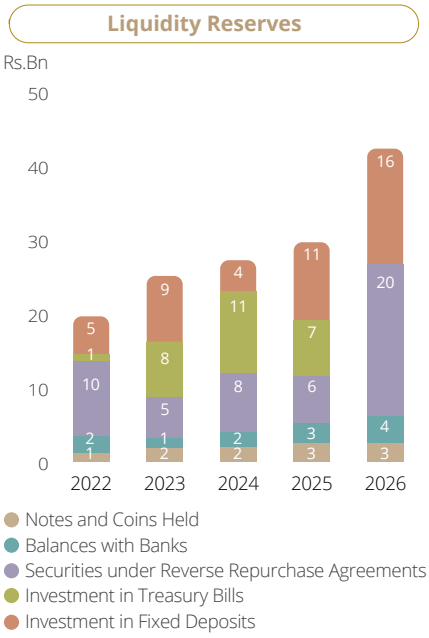
Liquidity levels remained strong throughout the year, supported by prudent treasury management, diversified funding sources and liquidity buffers maintained above regulatory requirements. Management remained focused on preserving funding flexibility, maintaining prudent maturity profiles and supporting balance sheet growth.

Customer deposits increased to Rs. 173.33 billion and remained the Company's primary source of funding. Funding diversification was further strengthened through bank borrowings, foreign funding facilities and securitisation arrangements, reducing concentration risk and broadening access to long-term funding sources.

The Company also expanded the utilisation of securitisation-related funding and long-term foreign borrowings obtained from international financial institutions, including Enabling Qapital, BlueOrchard and responsAbility. These funding partnerships strengthened funding stability and enhanced treasury flexibility.

Treasury liquidity reserves increased to Rs. 42.24 billion, whilst the statutory liquid assets ratio remained at 19.56%, supporting the Company's ability to meet funding obligations and withstand short-term liquidity pressures.

Liquidity monitoring, maturity gap management and contingency funding arrangements were further strengthened during the year. The Company remained fully compliant with funding covenants, regulatory liquidity requirements and repayment obligations throughout the reporting period.



3.3.7. Sensitivity and Risk Resilience

Earnings, liquidity and capital remained resilient to changes in key financial risk variables, supported by prudent balance sheet management, diversified earnings streams and disciplined risk management practices.

A 1% movement in interest rates would impact profit after tax by approximately Rs. 216.77 million, whilst a 1% movement in the income tax rate would impact profitability by approximately Rs. 250.14 million. Variations in impairment levels and operating efficiency metrics also remain within manageable thresholds, reflecting the resilience of the operating model, capital position and portfolio quality.

Management continues to strengthen stress testing capabilities, scenario analysis frameworks and balance sheet risk monitoring processes to support proactive risk identification, informed decision-making and long-term financial sustainability.

Risk Variable	Sensitivity	Mitigating Strength
Interest Rate Risk	1% rate movement impacts PAT by Rs. 216.77 Mn	Asset pricing discipline and balance sheet management
Taxation Risk	1% tax rate movement impacts PAT by Rs. 250.14 Mn	Strong profitability buffers and capital generation
Credit Risk	Impairment fluctuations impact earnings resilience	Strong provisioning coverage and portfolio monitoring
Liquidity Risk	Funding and maturity pressures may impact liquidity position	Treasury liquidity reserves and diversified funding access
Operational Risk	Operational disruptions and control failures may impact performance	Technology enablement, monitoring frameworks and internal controls

3.4. Managing Inter Capital Trade-Offs and Capital Allocations

Financial Capital is managed in conjunction with other capitals to support sustainable value creation and long-term business resilience. Decisions relating to capital allocation, growth, profitability, liquidity, technology investments, people development, customer relationships and sustainability initiatives are evaluated within an integrated decision-making framework to balance short-term financial performance with long-term value creation.

Further information on key trade-offs with other capitals and interdependencies is provided in the Business Model section on pages 62 to 66.

Integrated Financial Capital

3.5. Financial Capital Trade-Offs

Financial Capital management requires the continuous balancing of growth, profitability, liquidity, funding stability and capital adequacy. Management remains focused on supporting business expansion whilst maintaining prudent risk management, financial resilience and regulatory compliance.

Strategic Priority	Key Trade-Off Managed	Management Focus/Outcome
Lending Growth	Growth vs Credit Risk	Balanced portfolio expansion with prudent underwriting and risk monitoring practices
Profitability	Earnings Optimisation vs Liquidity Resilience	Maintained adequate liquidity buffers whilst supporting profitability and operational flexibility
Capital Management	Shareholder Returns vs Capital Preservation	Sustained internal capital generation and strong regulatory capital buffers to support long-term growth
Funding Strategy	Funding Diversification vs Funding Cost Optimisation	Mobilised deposits, foreign borrowings, bank funding and securitisation facilities to strengthen funding stability and treasury flexibility
Balance Sheet Management	Business Expansion vs Financial Resilience	Continued integrated management of liquidity, funding, capital, profitability and risk considerations in a volatile market environment

These decisions are guided by the objective of maintaining financial sustainability, preserving stakeholder confidence and supporting long-term value creation.

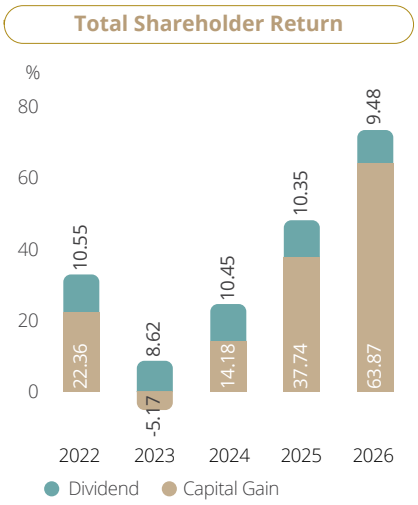
3.6. Shareholder Value Creation

At LB Finance PLC, shareholder value creation remains a key focus of Financial Capital management, supported by sustainable profitability, disciplined capital allocation, prudent risk management and balanced dividend distribution practices.

Net Asset Value per Share (NAVPS) improved to Rs. 110.79 from Rs. 92.53 in the previous year, while Return on Equity (ROE) improved to 24.28%, reflecting continued growth in profitability and shareholder returns.

The Company maintained a balanced dividend distribution approach with a dividend payout ratio of 33.33% while preserving sufficient internal capital generation to support future business expansion and capital adequacy requirements. During the year, the Company declared and paid an interim dividend of Rs. 2.25 per share, while a final dividend of Rs. 5.95 per share was proposed subject to shareholder approval, resulting in a total dividend per share (DPS) of Rs. 8.20 for the year.

Shareholder returns improved during the year, supported by profitability growth, capital appreciation and dividend distributions. Total Shareholder Return reached 73.35%, driven mainly by capital gains and stable dividend returns. The improvement reflects stronger earnings performance, increased market valuation and positive investor sentiment towards the Company.



The Company also continued to focus on long-term shareholder returns through profitability growth, capital appreciation and dividend distributions. As illustrated in the Total Shareholder Return analysis, shareholder returns improved significantly during the year, with TSR reaching 73.35%, driven primarily by capital gains together with stable dividend returns. The upward trend in shareholder returns reflects improved financial performance, earnings growth and positive market sentiment towards the Company during the year.

3.6.1 Economic Value Creation

Economic Value Added (EVA) and Market Value Added (MVA) are used to assess the value generated for shareholders beyond traditional profitability measures. EVA increased to Rs. 8,381.80 million in 2025/26, reflecting earnings generated more than the Company's economic cost of capital. MVA stood at Rs. 17,154.28 million as at 31 March 2026, indicating the market's positive assessment of the Company's ability to create value above the capital invested by shareholders.

3.7. Performance Overview of LBF Subsidiaries

3.7.1. Subsidiaries as Strategic Growth Platforms

The Group's subsidiaries continued to support consolidated profitability, balance sheet expansion, business diversification and regional growth during the year. The Group further expanded its presence through the acquisition of Associated Motor Finance Company PLC (AMF) and the establishment of operations in the Philippines market, supporting regional diversification and future growth plans.

Associated Motor Finance Company PLC (AMF)

During the year, the Group acquired a 73.11% controlling stake in Associated Motor Finance Company PLC, expanding its presence within the vehicle financing sector and increasing the Group's lending portfolio and customer base. The acquisition supports business diversification and the expansion of the Group's financial services operations.

As at 31 March 2026, AMF reported total assets of Rs. 22.30 billion, supported primarily by a lending portfolio of Rs. 18.82 billion, whilst customer deposits amounted to Rs. 15.59 billion. Total equity stood at Rs. 4.65 billion at the end of the reporting period.

Management continues to evaluate opportunities for operational integration, funding optimisation and business synergies across Group entities.

Regional Expansion and Philippines Operations

The Group expanded its regional presence during the year through entry into the Philippines market, supporting its regional diversification and future business expansion objectives. The expansion provides access to new markets and supports the development of regional partnerships and future growth opportunities.

The Group continues to adopt a measured approach towards regional expansion whilst maintaining governance, risk management and operational oversight across international operations.

LB Microfinance Myanmar Company Limited

LB Microfinance Myanmar Company Limited continued to support the Group's regional diversification objectives during the year. Despite operating within a challenging economic environment, the subsidiary recorded growth across lending operations, deposit mobilisation and profitability, supported by operational and risk management practices.

The lending portfolio increased to Rs. 2.20 billion, whilst total assets expanded to Rs. 2.31 billion during the year. Customer deposits increased to Rs. 638.01 million, reflecting continued progress in funding mobilisation and customer reach within the Myanmar operation.

The subsidiary recorded total operating income of Rs. 436.38 million and profit after tax of Rs. 102.82 million for the year. Total shareholders' funds stood at Rs. 1.06 billion at the end of the reporting period.

The Myanmar operation continues to support the Group's regional presence and business diversification whilst contributing towards future growth opportunities within the microfinance sector.

3.7.2. Strategic Subsidiary Performance Snapshot

Entity	Principal	Ownership	Total Assets (Rs. Bn)	Contribution to Group Assets (%)	Lending Portfolio (Rs. Bn)	Customer Deposits (Rs. Bn)	Strategic Contribution
LB Finance PLC (LBF)	Finance Company	Parent Company	395.33	94%	312.66	173.33	Core earnings and balance sheet growth
Associated Motor Finance PLC (AMF)	Finance Company	73.11%	22.33	5%	17.33	15.59	Portfolio diversification and market expansion
LB Microfinance Myanmar Company Limited (LBMMCL)	Microfinance Institution	100.00%	2.31	1%	2.20	0.64	Regional diversification and future growth platform
*Group Total (LBF Group)	Diversified Financial Services	N/A	419.97	100%	332.19	189.56	Regional diversification and scale enhancement

* Before eliminations

Subsidiary operations remain aligned with the Group's governance, risk management and financial reporting frameworks, supporting operational integration and oversight across the Group structure. The Group's subsidiaries continue to support business diversification, regional expansion and long-term shareholder value creation.

Integrated Financial Capital

4. FINANCIAL CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response/Mitigation
Managing liquidity and funding requirements amid accelerated balance sheet growth	Strengthen funding diversification and treasury flexibility	Expand funding access through deposits, bank borrowings, foreign funding lines and securitisation arrangements while maintaining adequate liquidity buffers
Maintaining asset quality amid changing economic and market conditions	Strengthen portfolio quality through disciplined credit risk management	Enhance credit underwriting standards, portfolio monitoring, early warning mechanisms and recovery management processes
Pressure on profitability arising from funding costs and market competition	Improve operational efficiency and earnings diversification	Strengthening cost management, improving operational scalability and expanding diversified income streams
Maintaining adequate capital buffers to support future growth	Strengthen internal capital generation and capital planning	Maintain balanced dividend management, sustainable profitability and capital adequacy buffers above regulatory requirements
Evolving regulatory, financial reporting and sustainability disclosure requirements	Strengthening governance, transparency and reporting practices	Enhance financial governance frameworks, regulatory compliance monitoring and disclosure practices aligned with evolving regulatory requirements

5. FINANCIAL CAPITAL FUTURE OUTLOOK

Under the Company's ESG Roadmap 2030, key priorities and measurable focus areas have been identified to strengthen Financial Capital through disciplined capital management, balanced growth, prudent risk management and sustainable profitability. Set out below are selected priority areas that support the long-term sustainability and resilience of the Company's Financial Capital.

Short-term

Maintaining liquidity, asset quality and operational efficiency

- Maintain statutory liquid asset ratios above regulatory minimum requirements
- Maintain Gross NPL ratio below 5% and preserve prudent impairment coverage levels
- Strengthen portfolio monitoring and recovery management processes
- Maintain cost to income ratio below 35% through operational efficiency initiatives

Medium-term

Strengthening capital, funding diversification and sustainable growth

- Expand funding sources through foreign funding lines, securitisation arrangements and deposit growth
- Maintain Tier I and Total Capital Adequacy Ratios at least 2% above regulatory requirements
- Strengthen internal capital generation through sustainable profitability and balanced dividend management
- Maintain customer deposits as the primary and stable source of funding

Long-term

Building long-term resilience, profitability and inclusive economic impact

- Maintain sustainable capital adequacy and long-term financial stability
- Support long-term shareholder value creation through achieving sustainable earnings growth and a minimum 10% CAGR in net profit over the long-term.
- Progress towards income generation of Rs. 100 billion, profitability of Rs. 25 billion and total assets of Rs. 1 trillion
- Strengthen balance sheet sustainability and long-term funding resilience
- Contribute towards inclusive and sustainable economic growth through responsible financial intermediation

Integrated Manufactured Capital

MC

GRI 2-23, 3-3 IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance (LBF), Manufactured Capital encompasses the physical and digital infrastructure that supports service delivery, operational efficiency and long-term scalability, including the branch network, IT infrastructure and operational facilities. The Company adopts a disciplined and forward-looking approach to managing these assets through strategic investments, continuous optimisation and resilience-building initiatives aligned with business strategy, customer accessibility and sustainability considerations. Performance is actively monitored using key indicators such as branch accessibility, system reliability, digital adoption and operational efficiency, ensuring that infrastructure remains secure, efficient and future-ready while supporting customer-centric growth and digital transformation.

2021/22

- Partnered with DRP and WEBXPAY to accelerate digital services
- Introduced Robotic Process Automation (RPA)
- Strengthened ISO 27001 and partnered with FinCSIRT to enhance cybersecurity

2022/23

- Expanded to 192 branches with 11 new openings
- Surpassed 65,000+ LB CIM app downloads
- 14 branches in Myanmar operations

2023/24

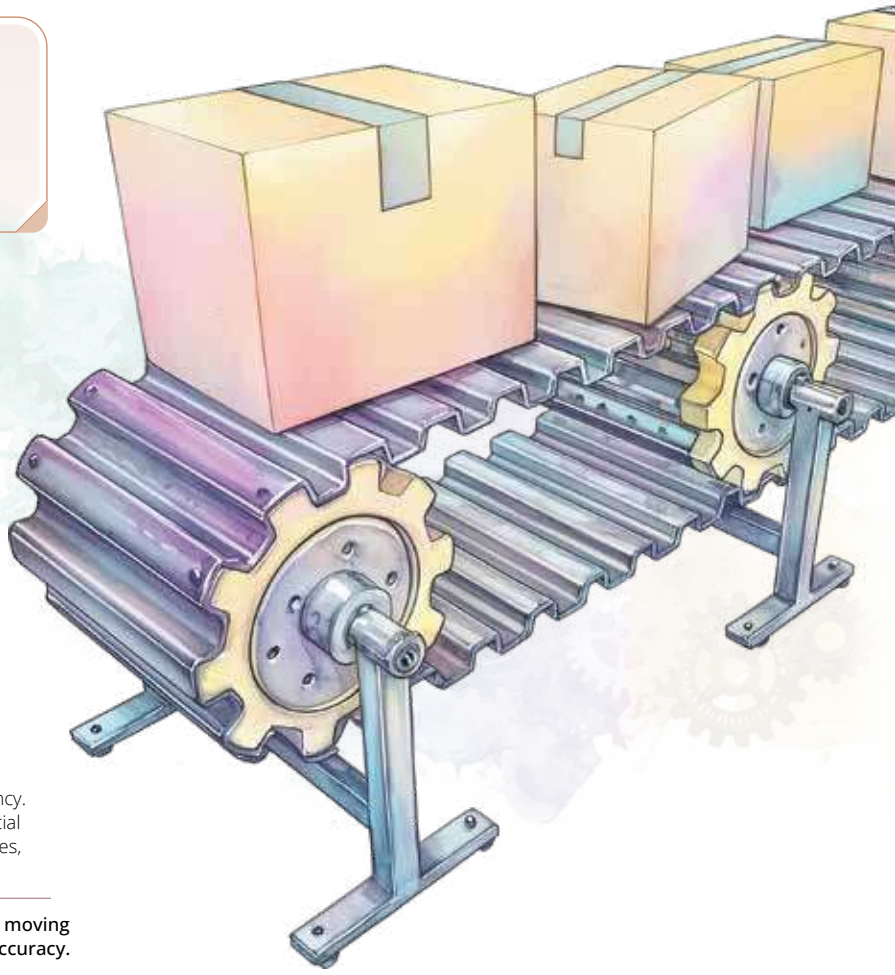
- Reached 200 branches with 08 new additions
- Achieved 25 hybrid solar-powered branches
- 16 branches in Myanmar operations

2024/25

- Expanded to 216 branches with 10 new openings
- Increased to 40 solar-powered branches
- Initiated green branch development
- Entered Yangon region with one branch

2025/26

- Expanded network to 225 branches, and 20 in Myanmar
- Strategically expanded into the Philippines, strengthening regional presence
- Invested in the acquisition of Associated Motor Finance Company PLC (AMF)
- Opened 09 new branches, enhancing market reach
- Invested Rs. 48.40 million in freehold buildings to strengthen physical infrastructure



Movement that Delivers

At LBF, infrastructure enables service to move with efficiency and consistency. Our operational systems, delivery channels and platforms transform financial resources into accessible loans, leasing, deposits, savings and digital services, supporting productivity, convenience and the smooth flow of value.

In a conveyor belt system, a coordinated gear system keeps every part moving in orchestrated sequence, carrying value forward with efficiency and accuracy.

Integrated Manufactured Capital

2. MANUFACTURED CAPITAL VALUE CREATION MODEL

At LBF, Manufactured Capital supports the delivery of reliable, accessible and efficient financial services through continuous enhancement of operational assets and service channels. This integrated approach strengthens business resilience, supports scalability and enables sustainable long-term growth.

Input

- Branch network
- IT infrastructure
- Digital platforms
- Operational facilities
- Technology investments
- Supporting service
- Delivery and accessibility

Strategic Alignment

Supports operational excellence, digital transformation, market expansion and sustainable growth

Business Model Linkages

Enables customer access, transaction processing, service delivery and operational execution across branch and digital channels

Integration with Other Capitals

- FC – Revenue generation and efficiency
- HC – Service delivery
- IC – Systems and digital innovation
- SRC – Customer accessibility and engagement

SDG Alignment

- Industry, Innovation and Infrastructure
- Decent Work and Economic Growth
- Sustainable Cities and Communities

Materiality and Stakeholder Relevance

Highly material due to its direct impact on customer experience, operational resilience, accessibility and business continuity

Key Risks

- Technology risk
- Cybersecurity risk
- Infrastructure disruption and Operational risk

Output

- Expanded branch and digital network
- Improved operational efficiency
- Enhanced service delivery capability
- Greater customer accessibility

Outcomes

- Stronger operational resilience
- Improved customer experience
- Higher efficiency
- Enhanced business scalability

Impact on Value Creation

A scalable and future-ready infrastructure platform supporting sustainable growth, operational excellence and long-term stakeholder value creation

3. MANUFACTURED CAPITAL VALUE CREATION PATH

Foundation

3.1. Strategic Capital Infusion

Enablement

3.2. Digitalisation and Operational Integration

Outcomes

3.3. Expanding Reach and Accessibility

Impact

3.4. Sustainability and Green Infrastructure

3.5. Operational Resilience and Continuity

3.1. Strategic Capital Infusion

LBF continues to strengthen its Manufactured Capital through disciplined investments in physical expansion and digital capabilities, aligned with long-term growth and customer accessibility objectives. The Company focuses on expanding its branch network in underserved regions while enhancing IT infrastructure and digital platforms to ensure secure, efficient and scalable operations.

In parallel, LBF is advancing a hybrid service model that integrates physical and digital channels, improving service delivery and operational efficiency. Sustainability is also embedded into infrastructure development through green building initiatives and energy-efficient systems, supporting long-term cost optimisation and environmental responsibility.

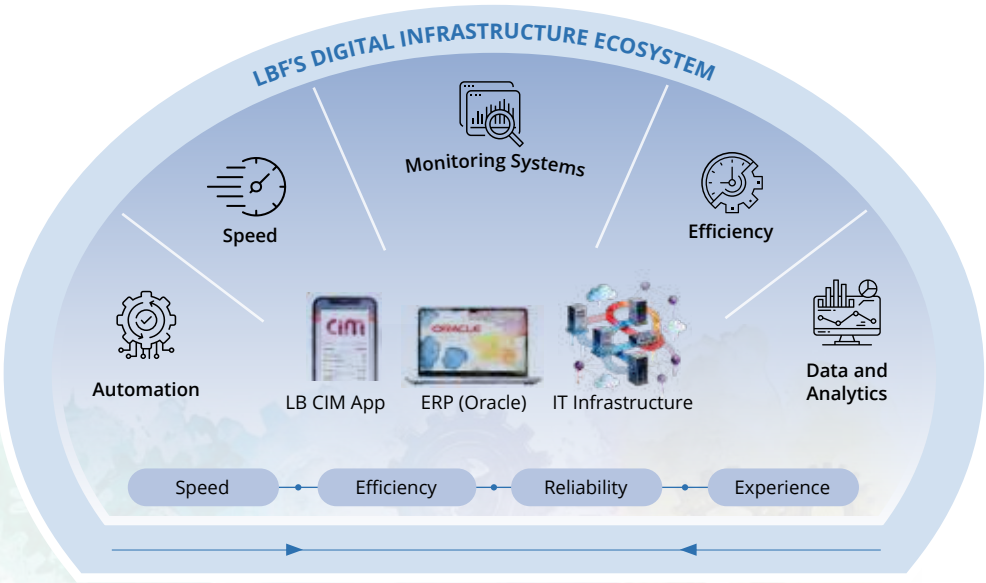
These strategic investments collectively enhance infrastructure resilience, service capability and competitiveness, positioning LBF for sustainable and scalable growth.

3.2. Digitalisation and Operational Integration

Technology remains a core enabler of LBF's manufactured capital strategy, supporting operational efficiency, scalability and seamless service delivery. The Company has strengthened its digital and operational ecosystem through continuous investments in advanced platforms and integrated systems.

Key capabilities include the LB CIM digital platform, enterprise-wide ERP integration (Oracle Fusion) and the deployment of process automation and monitoring systems, enabling real-time transaction processing and data-driven decision-making. These initiatives have streamlined end-to-end operations, reduced manual intervention and enhanced system visibility across the organisation.

This integrated digital ecosystem enables faster service delivery, optimised cost structures, improved system reliability and enhanced customer experience. By combining digital capabilities with physical infrastructure, LBF continues to build a scalable and agile operating model aligned with evolving customer expectations and industry trends



Integrated Manufactured Capital

3.3. Expanding Reach and Accessibility

LBF continues to strengthen its market presence through the strategic expansion of its physical network, with a focused approach on reaching untapped markets and regions where financial inclusion is most needed. The Company's branch expansion strategy prioritises extending access beyond urban centres, with a significant proportion of branches located outside the Western Province, particularly across the Northern and Eastern regions, enhancing accessibility and supporting inclusive growth.

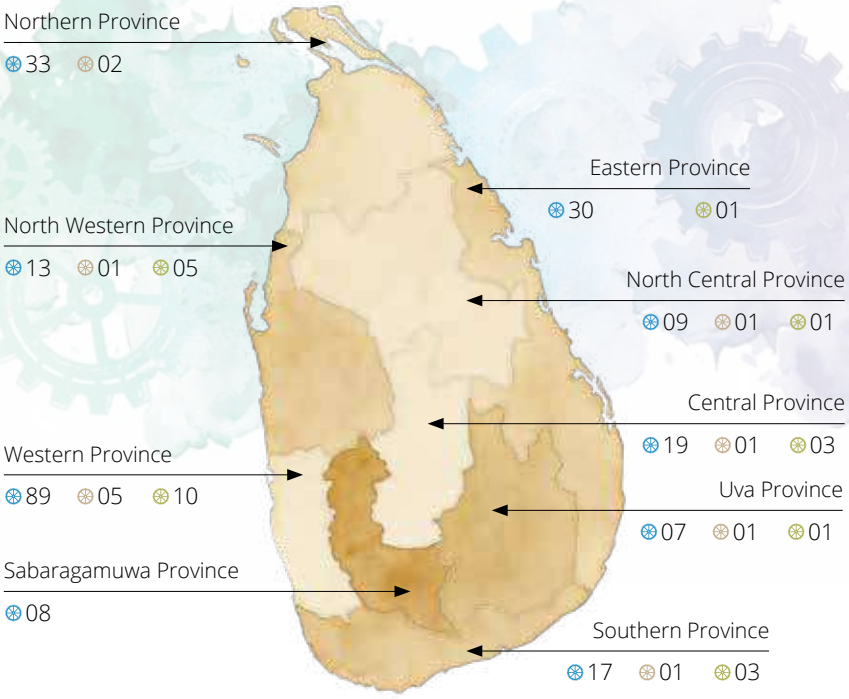
3.3.1. New Branch Openings and Relocations

During the year, 9 new branches were opened, while 60% of the network operates outside the Western Province, reflecting LBF's commitment to broad-based outreach.

LBF Branches **225**

AMF Branches **12**

Cash Deposit Machines (CDMs) **24**







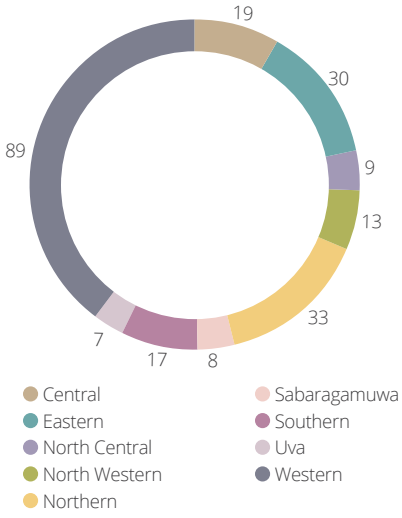
3.3.2. Branch Upgrades

The Company also undertook targeted branch upgrades and expansions to enhance customer experience and operational efficiency. Selective improvements were made to create more comfortable and customer-friendly interaction spaces, supporting a seamless service environment. Notably, counter expansions at the Kandy and Achchuveli branches have significantly improved transaction flow, reduced waiting times and enhanced overall service efficiency.

During the year, LBF also made a strategic investment to acquire AMF which comprises 12 branches across Sri Lanka.

The integration of physical branches with digital channels enables customers to access services seamlessly across multiple touchpoints. Continuous infrastructure enhancements and service optimisation initiatives have significantly improved responsiveness, reduced service gaps and increased transaction efficiency.

Province Wise Branch Network







3.3.3. Regional Expansion

LBF continues to strengthen its regional footprint through targeted expansion and strategic investments aligned with its long-term growth ambitions. The Company's Myanmar subsidiary continues to operate with 20 branches, enhancing its presence and accessibility within the market.



In addition, LBF has taken a forward-looking step in its regional growth strategy by securing regulatory approval to enter the Philippines market. The Company plans to establish its subsidiary operations in the Philippines, marking a key milestone in expanding its international presence and unlocking new growth opportunities.





DOC **13** Scan the QR code to understand Green Building concept

3.4. Sustainability and Green Infrastructure

LBF integrates sustainability into its manufactured capital strategy by embedding environmental considerations into infrastructure development and operations. A key milestone during the year was the construction of the Chilaw branch under a green building concept, representing a significant step towards environmentally responsible and sustainable business practices. This branch is expected to be certified by the Green Building Council of Sri Lanka, reinforcing the Company's commitment to recognised environmental standards.



In parallel, LBF continues to enhance energy efficiency across its network by transitioning existing branches to hybrid solar solutions, with 58 branches covered under this initiative. The Company has also initiated a fully solar-powered project at its Panadura Premium branch, further strengthening its shift towards renewable energy adoption.

Integrated Manufactured Capital

3.5. Operational Resilience and Continuity

Manufactured Capital plays a critical role in ensuring operational resilience and continuity across LBF's operations. The Company has established robust frameworks to safeguard its infrastructure and maintain uninterrupted service delivery, even under adverse conditions.

This includes a comprehensive Business Continuity Plan (BCP), supported by disaster recovery activities, preventive maintenance practices and continuous infrastructure monitoring. In addition, climate-related risks, particularly physical risks arising from climate change, are increasingly considered when establishing or relocating branches, ensuring that infrastructure decisions are aligned with long-term resilience objectives.

During the year, the Company experienced minor operational disruptions across six branches due to Cyclone Ditwah. However, through its established response mechanisms and adaptive operational approach, LBF was able to resume business operations promptly once conditions stabilised, minimising service disruption and maintaining customer access.

4. MANUFACTURED CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response/Mitigation
Operational disruptions arising from climate-related events and infrastructure vulnerabilities	Build a more resilient and adaptive operational network	Strengthen BCP, disaster recovery mechanisms, infrastructure monitoring and climate-conscious branch planning
Rising energy costs and environmental impact of branch operations	Improve operational efficiency through green infrastructure and renewable energy adoption	Expand hybrid solar-powered branches, develop green branches and implement energy-efficient infrastructure solutions
Expanding competition and evolving customer accessibility expectations	Expand market presence and improve service accessibility across underserved regions	Continue strategic branch expansion outside the Western Province and strengthen regional and international presence
Infrastructure scalability requirements arising from business growth and regional expansion	Build a future-ready and scalable operating platform	Invest in modern infrastructure, freehold buildings, regional expansion initiatives and integrated service delivery capabilities

5. FUTURE OUTLOOK

The Company will continue to invest in modern, efficient and scalable operational capabilities to support sustainable growth and enhanced customer accessibility as follows.

Short-term
Strengthening Infrastructure and Digital Capability

- Expand branch network in underserved regions
- Upgrade IT systems and digital platforms
- Improve operational efficiency and service speed

Medium-term
Driving Integration, Innovation and Sustainability

- Integrate physical and digital channels
- Expand green infrastructure and energy efficiency
- Strengthen automation and smart monitoring

Long-term
Building a Scalable, Resilient and Sustainable Infrastructure Ecosystem

- Develop fully integrated digital-physical infrastructure
- Achieve high operational resilience and scalability
- Lead in sustainable infrastructure within the finance sector

Integrated Human Capital

GRI 2-23, 3-3 IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance (LBF), Human Capital is recognised as a strategic asset that underpins sustainable value creation, organisational resilience and long-term competitiveness. The Company adopts an integrated and forward-looking approach to managing its workforce, focusing on attracting, developing and retaining high-performing talent aligned with evolving business priorities and a dynamic financial services landscape. During the year, LBF continued its transition towards a more strategic and insight-driven Human Capital function, enabling proactive decision-making, enhanced workforce effectiveness and stronger alignment with business strategy.

Our workforce strategy is closely integrated with the Company's broader transformation agenda, enabling us to respond effectively to changing customer expectations, regulatory requirements and technological advancements. By investing in our people, we ensure that Human Capital continues to contribute directly to operational efficiency, asset quality, customer experience and financial performance.

The table below outlines LBF's Human Capital development journey, highlighting key milestones and strategic initiatives undertaken to strengthen workforce capability, enhance employee wellbeing and promote an inclusive, safe and high-performing workplace culture.

2021/22

- 45 employees were promoted
- Launched e-learning academy
- Capitalised on online training programmes

2022/23

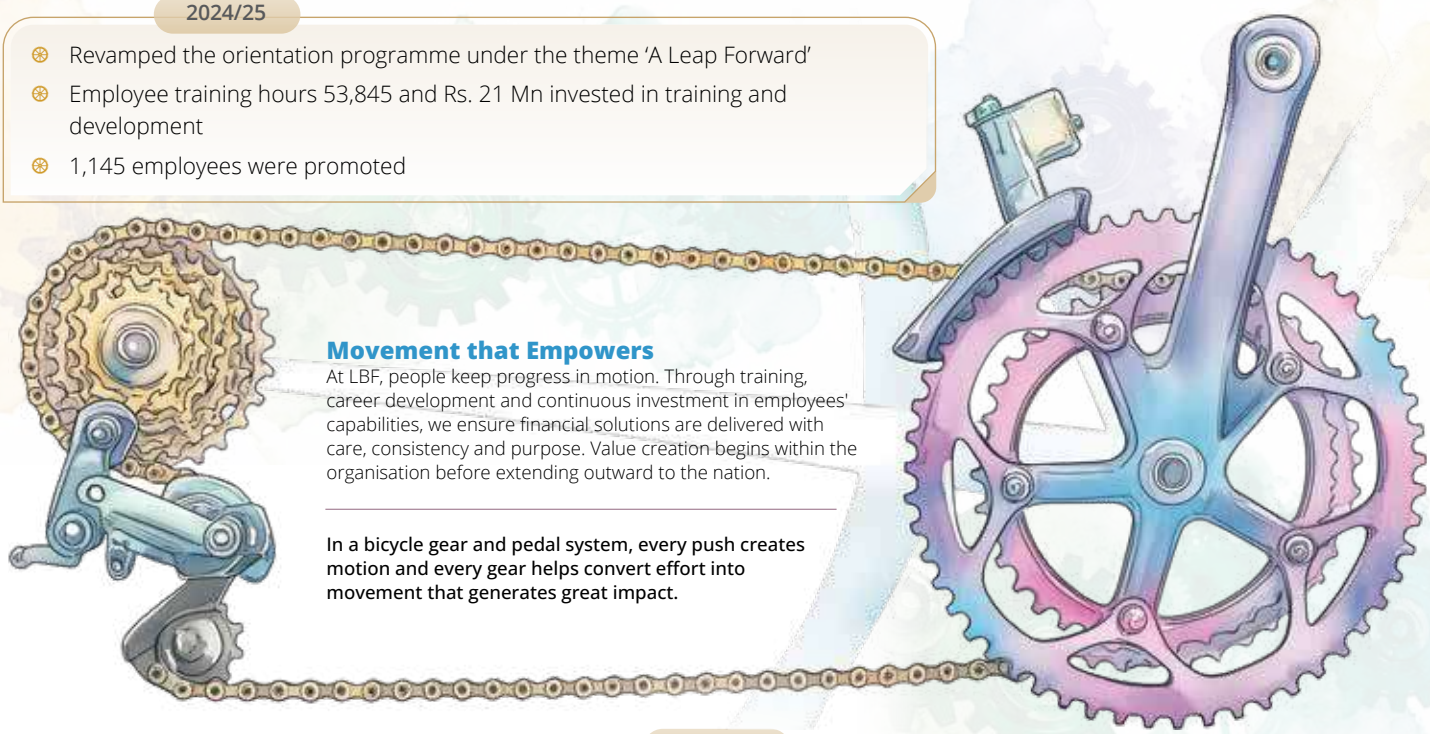
- Employee training hours 18,163 and Rs. 11.71 Mn invested in training and development
- 1,214 employees were promoted

2023/24

- Employee training hours 43,677 and Rs. 23.22 Mn invested in training and development
- 1,037 employees were promoted

2024/25

- Revamped the orientation programme under the theme 'A Leap Forward'
- Employee training hours 53,845 and Rs. 21 Mn invested in training and development
- 1,145 employees were promoted



Movement that Empowers

At LBF, people keep progress in motion. Through training, career development and continuous investment in employees' capabilities, we ensure financial solutions are delivered with care, consistency and purpose. Value creation begins within the organisation before extending outward to the nation.

In a bicycle gear and pedal system, every push creates motion and every gear helps convert effort into movement that generates great impact.

2025/26

- Total number of employees 4,665
- Investment in training Rs. 24.92 Mn
- Total training hours 54,922
- Number of new employees 2,214
- Number of promotions 947
- Gender ratio 1:1

Integrated Human Capital

2. HUMAN CAPITAL VALUE CREATION MODEL

At LBF, Human Capital is strategically managed to create value through a structured and integrated approach that links people, performance and long-term business outcomes. Our value creation model demonstrates how our workforce contributes to operational excellence, customer trust and sustainable growth.

Input

- Skilled employees
- Leadership capability
- Experience
- Organisational culture
- Foundation of service delivery
- Performance

Strategic Alignment

Supports performance excellence, customer-centricity, digital transformation and sustainable growth

Business Model Linkages

Enables customer interaction, credit evaluation, service delivery and operational execution across the branch network and digital platforms

Integration with Other Capitals

- FC – Productivity and profitability
- MC – Branch and digital operations
- HC – Service delivery
- IC – Systems and innovation
- SRC – Customer relationships

SDG Alignment

- Quality Education
- Decent Work and Economic Growth

Materiality and Stakeholder Relevance

Highly material due to its direct impact on customer experience, operational efficiency, employee engagement and business performance

Key Risks

- Talent turnover risk
- Skill gaps
- Performance inconsistency
- Employee disengagement risk

Output

- Skilled and trained workforce
- Enhanced service delivery capability
- Improved operational execution

Outcomes

- Higher employee productivity
- Improved customer experience
- Stronger engagement
- Consistent service quality

Impact on Value Creation

A high-performing, future-ready workforce driving sustainable growth, operational excellence and long-term stakeholder value

3. HUMAN CAPITAL VALUE CREATION PATH

Foundation

3.1. Human Capital Governance

3.2. Workforce Profile and Architecture

Enablement

3.3. Talent Management and People Strategy

3.4. Caring for Our People, Engaging Our People

3.5. HR Gallery and Event Calendar

Outcomes

3.6. Valuing Our People

Impact

3.7. Human Capital Outcomes and Value Creation Impact

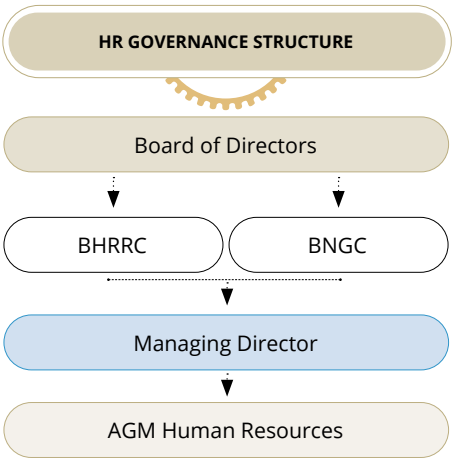
3.1. Human Capital Governance

At LBF, Human Capital is governed through a structured framework that ensures alignment with corporate strategy, risk management and long-term value creation. The Company recognises that effective governance of its workforce is essential to sustaining performance, maintaining service quality and supporting responsible growth.

3.1.1. Governance Structure and Oversight

Human Capital governance is anchored at the highest levels of the organisation, ensuring strong oversight, accountability and strategic alignment.

- The Board of Directors provides oversight on workforce strategy, leadership development and organisational culture
- The Board Human Resources and Remuneration Committee and Nominations Committee guide decisions relating to talent management, succession planning and remuneration frameworks
- The Head of Human Resources, reporting directly to the Managing Director, ensures that Human Capital considerations are integrated into executive decision-making



Integration with Enterprise Risk Management

- Talent turnover and succession risks
- Capability gaps in critical functions
- Employee conduct and ethical risks
- Workforce resilience in changing economic conditions

Policies, Controls and Ethical Framework

- Recruitment and performance management policies
- Code of Conduct and ethical standards
- Equal opportunity and non-discrimination principles
- Grievance handling and whistleblowing mechanisms

Digital Enablement and Performance Monitoring

- HR Information Systems (HRIS) support performance evaluation and workforce analytics
- KPI-based monitoring enables alignment between individual performance and business objectives
- Regular reporting ensures transparency and informed decision-making

Continuous Improvement and Accountability

- Internal audits and reviews
- Employee feedback mechanisms
- Periodic policy updates aligned with regulatory and industry developments

Integrated Human Capital

The Company maintains a comprehensive and evolving policy framework that supports fairness, accountability and ethical conduct.

Key Policies

- Performance Management and Appraisal Policy
- Performance Based Bonus Payment Policy
- Remuneration and Benefits Policy
- Training and Development Policy
- Talent Acquisition Policy
- Anti-Discrimination and Harassment Policy
- Whistleblowing Policy
- Code of Conduct (enhanced during the year)
- Data Protection Undertaking (enhanced during the year)
- Gender-Based Violence and Harassment (GBVH) Policy (introduced during the year)

These policies are regularly reviewed and updated to align with:

- Regulatory developments
- Emerging workforce trends
- Organisational priorities and risk considerations

3.2. Workforce Profile and Architecture

LBF's workforce is strategically structured to support its extensive branch network, diverse customer base and evolving digital ecosystem. Our people are deployed across the value chain to ensure efficient service delivery, effective risk management and consistent performance across all regions.

With a strong nationwide presence, our workforce reflects a balanced combination of frontline, operational and strategic capabilities, enabling the Company to deliver financial solutions while maintaining high standards of service, governance and operational discipline.

3.2.1. Workforce Scale and Composition

During the year, LBF continued to strengthen its workforce to support business growth and operational requirements.

TOTAL WORKFORCE	NEW RECRUITS	PROMOTIONS DURING THE YEAR
4,665	2,214	947

MALE	FEMALE	GENDER RATIO
2,341	2,324	1:1

3.2.2 Strategic Workforce Structure

Frontline Workforce (Customer-Facing)

- Branch staff and sales teams
- Drive customer acquisition, relationship management and service delivery
- Critical to expanding market reach and supporting financial inclusion

Operational and Control Functions

- Credit, risk, operations and administrative teams
- Ensure efficient processing, compliance and portfolio management
- Support asset quality and operational stability

Strategic and Digital Workforce

- Leadership, analytics and digital enablement teams
- Drive innovation, system optimisation and transformation initiatives
- Enable data-driven decision-making and scalability

3.2.3. Geographic Distribution and National Reach

Aligned with the Company's expansion strategy, our workforce is deployed across the island to ensure accessibility and service consistency.

- Strong representation outside the Western Province
- Workforce presence aligned with branch network expansion
- Coverage across Northern, Eastern and emerging regions

3.2.4. Workforce Capability and Experience

The Company maintains a strong mix of:

- Experienced professionals with deep industry knowledge
- Emerging talent supporting future growth
- Continuous capability development aligned with business needs

3.3. Talent Management and People Strategy

At LBF, talent management is approached as a strategic priority, ensuring that the workforce is not only capable of delivering current business objectives but also prepared to support future growth and transformation. The Company adopts a structured, integrated approach to managing talent throughout the employee lifecycle, focusing on attracting high-quality talent, enhancing capabilities, sustaining performance and building leadership continuity.



3.3.1. Our People Management Model

Our people management model is designed to balance performance, potential and values, ensuring that employees are evaluated not only on results, but also on behaviours that drive sustainable success.

A centralised HR structure provides governance and strategic direction, while enabling business units to effectively manage their people within a clearly defined framework. This approach ensures both operational consistency and localised responsiveness.

OUR VISION

Building the Right Team	Developing the Right Skill	Creating the Right Culture
Individual	**Organisational**	**Community**
Where Our People Grow Developing top talent	Where Our People Matter Diverse, equitable and inclusive workplace	Where Our People Make a Difference Collaboration for social responsibility

FUTURE FIT EMPLOYEE

Scan the QR code to view the video of Management Trainee Programme

PLAY **20**

3.3.2. Talent Acquisition and Retention Initiatives

Our talent acquisition strategy evolved alongside business expansion and emerging capability needs, enabling us to build a future-ready workforce. During the year, 2,214 new recruits were onboarded, strengthening operational readiness across the organisation.

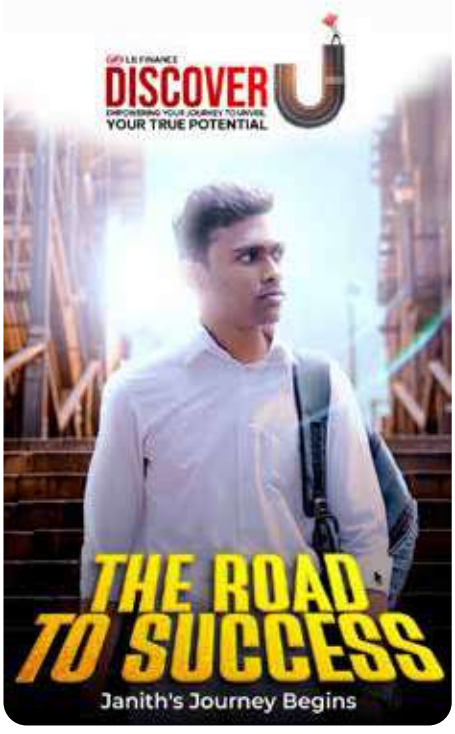
With 71% of our workforce comprising Gen Z talent, we continued to shape our talent management approach around accelerated learning, growth and purpose-driven careers.

This was further strengthened through the launch of our Management Trainee Programme, which attracted over 2,000 applicants, of which with 14 high-potential candidates selected through a rigorous process.

GEN Z

71%

Alongside as a precursor to the launch of the "Discover You" Career Guidance Programme, we conducted a career guidance workshop for teachers of the Western Province.



Integrated Human Capital

In parallel, retention initiatives were further strengthened with a focused approach towards safeguarding critical and high-impact roles, recognising the high mobility associated with a youthful workforce and the evolving dynamics of Sri Lanka's financial sector.

Talent Retention Initiatives

TMO & TOO Programme

Structured onboarding and engagement through 180-day check-ins for Trainee Marketing Officers and Trainee Operations Officers, particularly within the Credit Department, ensuring smoother integration and stronger early-career support.

Management Trainee Programme

A six-month accelerated development programme designed to attract high-potential graduates and build a strong pipeline of future managers through structured learning and leadership exposure.

Leadership Academy

Focused capability-building for Branch Managers to strengthen coaching effectiveness, improve employee support and better engage and manage a predominantly Gen Z workforce.

Momentum Circle

Recognition of outstanding performers within their first 12 months through incentives, rewards and defined career progression opportunities, fostering motivation and long-term commitment.

Alongside these initiatives, we continued to strengthen our reward and recognition framework, training and development opportunities and employee engagement efforts to foster a more supportive, growth-oriented and high-performing workplace culture.

3.3.3. Empowering Our Performance

The performance management framework at LBF is designed to align individual performance with organisational objectives, ensuring accountability, transparency and continuous improvement.

KPI-driven performance system with pre-agreed targets

Balanced scorecard approach:

Goal Alignment

Clear, pre-agreed KPIs linked to company objectives are set annually.

Continuous Feedback

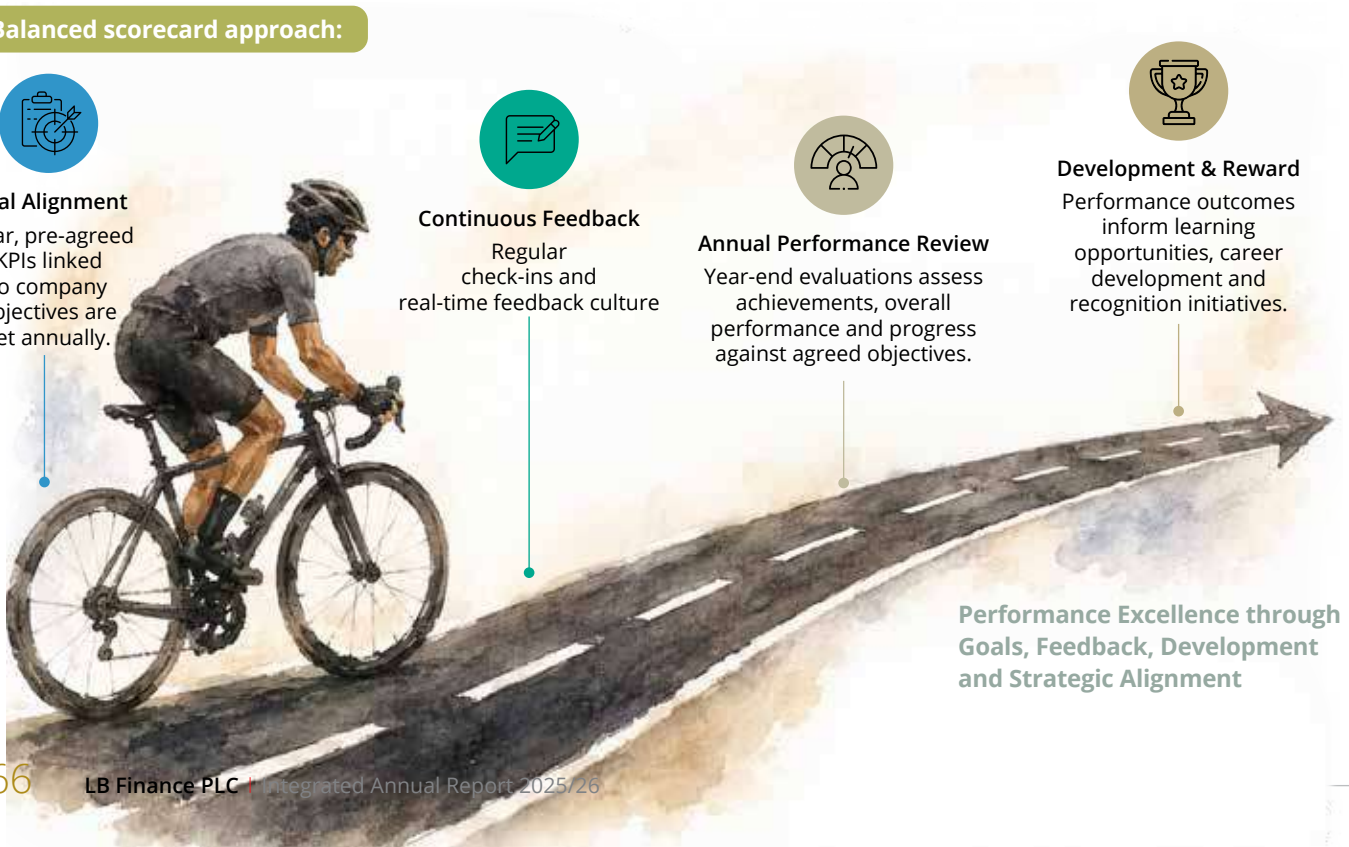
Regular check-ins and real-time feedback culture

Annual Performance Review

Year-end evaluations assess achievements, overall performance and progress against agreed objectives.

Development & Reward

Performance outcomes inform learning opportunities, career development and recognition initiatives.



Performance Excellence through Goals, Feedback, Development and Strategic Alignment

During the year under review, 100% of permanent staff received performance appraisals, reinforcing our commitment to a fair, consistent and objective performance management process. The introduction of a digitally enabled HRIS further strengthened evaluation efficiency, transparency and overall employee experience.

3.3.4. Celebrating Our People

During the year, we further strengthened our reward and recognition culture through a balanced framework of intrinsic and extrinsic rewards designed to motivate performance and reinforce employee engagement.

The Pinnacle Club continued to recognise top-performing Branch Heads on a quarterly basis, with the awards ceremony being held for the eighth consecutive quarter. A progressive, tiered recognition structure was also introduced to reward consistent achievement and long-term commitment.

In parallel, the Silver Circle initiative continued to recognise high-performing junior employees through a similar tiered framework, encouraging consistency, supporting professional growth and motivating emerging talent.

REWARD AND RECOGNITION OF LBF

Extrinsic Rewards

- Recognition programmes (Pinnacle Club, Silver Circle, Best Starters)
- Performance-based incentives and awards
- Career advancement opportunities
- Professional development sponsorship and support
- Service excellence awards

Intrinsic Rewards

- Inclusive and collaborative work environment
- Continuous learning and development opportunities
- Leadership exposure and mentoring
- Recognition through customer impact and service excellence
- Purpose-driven community and CSR engagement

THREE-PEAT AWARD
Three consecutive quarters

EXCEPTIONAL AWARD
Four consecutive quarters

LEGACY OF EXCELLENCE
Five consecutive quarters

CROWN OF LEGACY
Six consecutive quarters

SUPREME HONOUR AWARD
Seven consecutive quarters

ICON OF EXCELLENCE AWARD
Eight consecutive quarters

3.3.5. Developing Our People

At the heart of our people strategy is a commitment to human resource development. During the year, we continued to invest in training and development to strengthen workforce capabilities, support organisational transformation and foster a culture of continuous learning and professional growth.

140+
structured training programmes conducted

7 hours
average training per employee



- Programmes aligned with three key pillars:
  - Leadership development
  - Technical and functional skills
  - Digital and future skills
- Orientation programme provided new employees with a structured and engaging onboarding experience, helping them quickly understand organisational values, culture and processes and setting them up for success from day one
- To further enhance employee capabilities, we introduced Speech Craft through Central Colombo Toastmasters, enabling participants to develop communication, public speaking and presentation skills, strengthening the pipeline of future leaders

Integrated Human Capital

GRI 404-3

Key Interventions

Leadership Development

- Inspiring leadership HOB training programme
- Mentoring session for regional managers
- Training programme for regional leaders
- Pathway to progress
- Victorious 2026

Technical and Functional Capabilities

- AML/CFT compliance for financial institutions
- Credit Back Office training
- Gold Loan and Teller technical training
- Mortgage Loan training
- Technical training for Fixed Deposits and Savings
- Professional Certification in Credit and Marketing

Digital and Future Skills

- Cyber Security Summit 2020
- Mandatory phishing awareness training
- Phish proof 3.0 training session
- Blurred lines between branding, influencer and consumer
- Workshop on climate fundamentals

Programmes for Upgrading Employee Skills and Transition Assistance Programmes

Training Programme	Participants		Training Hours	
	Male	Female	Male	Female
Beyond the Counter - Mastering service & strategic leadership for Fixed Deposit Staff	13	15	280	336
Front line excellence training for cash operations team	36	171	279.5	1,329
Outbound training for Gold Loan Management Team	40	5	880	110
Inspiring leadership training for Credit Heads of Branches	45	0	958.5	0
Mentoring session for Credit Regional Managers on transformational leadership	45	0	90	0
Professional Certification in Credit and Marketing	147	18	4,399.5	564
Sales excellence and leasing mastery workshop for marketing officers	104	11	1,380	149.5

3.3.6. Succession Planning

The Company strengthened its succession planning framework to ensure continuity in critical roles and long-term leadership development.

- Structured identification of successors for key roles:
  - Successor 1, 2 and 3 mapped for each critical position
- Focus on:
  - Senior Management
  - Emerging leadership pipeline
- Alignment with career development and internal mobility

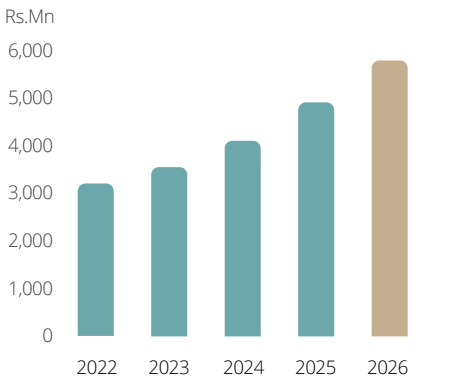
3.3.7. Total Rewards and Employee Value Proposition

The Company continues to enhance its total rewards framework to attract and retain talent while supporting employee wellbeing.

This includes,

- Competitive, market-aligned remuneration structures
- Introduction of "Work Plus Incentive":
  - Structured compensation for extended working hours
  - Approved through governance mechanisms
- Contributions:
  - EPF, ETF, gratuity and defined benefit plans

Employee Remuneration and Benefit



Benefits Offered to Our Employees

Benefit	2025/26	2024/25
Salaries and other related expenses (Rs. Mn)	5,133.32	4,319.15
Employer's contribution to EPF (Rs. Mn)	405.83	353.09
Employer's contribution to ETF (Rs. Mn)	90.28	77.28
Gratuity (Rs. Mn)	152.61	153.44

3.4. Caring for Our People

At LBF, employee wellbeing remains a key pillar of our organisational culture and people philosophy. We believe that a healthy, motivated and emotionally supported workforce is essential to driving sustainable growth, innovation and long-term success. Our holistic Health and Wellbeing Framework is designed to nurture the physical, mental, emotional and social wellness of our people.

Throughout the year, we strengthened initiatives that encouraged healthier lifestyles, meaningful connections and a positive work-life balance. Through wellness programmes, fitness initiatives, creative engagement platforms and emotional support systems, we continued to foster a workplace where employees feel valued, connected and empowered to thrive.

By embedding care, inclusion and wellbeing into everyday work life, LBF continues to build a resilient workforce inspired to grow with confidence, purpose and positivity.

Mental and Emotional Wellbeing

SMILE Counselling Programme
SMILE continued to serve as LBF's dedicated mental wellness support platform, providing employees with free and confidential 24/7 assistance for stress, anxiety, emotional instability and other mental health concerns. Through personalised guidance, emotional counselling and continuous follow-up support, the programme reinforced a workplace culture built on empathy, resilience and psychological wellbeing.

Motivational Trainings and Resilience Workshops
Motivational and personal development programmes strengthened employees' resilience, positivity, confidence and ability to manage workplace pressures effectively.

Creative Hub
The Creative Hub encouraged innovation, collaboration and idea-sharing while enhancing employee engagement, recognition and emotional wellbeing.

Seasonal and Religious Event-Based Competitions
Festive and cultural events promoted inclusivity, strengthened employee connections, reduced stress and fostered a stronger sense of belonging.

Physical Health and Fitness

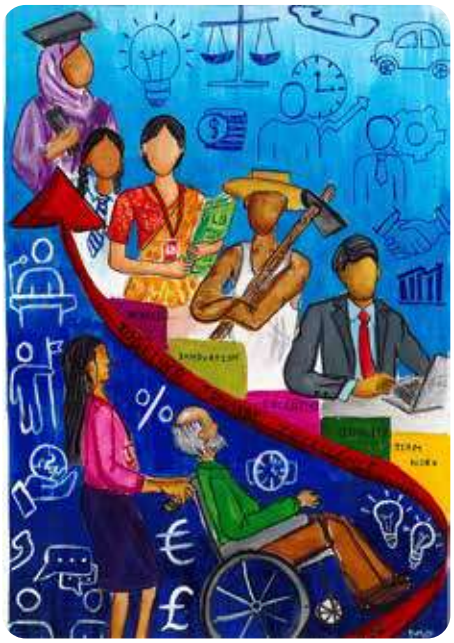
Fitness Sessions and Zumba Classes
Regular fitness and Zumba sessions encouraged active lifestyles, stress relief, employee wellness and social engagement among Kandy regional staff.

Outbound Trainings and Camping Experiences
Outbound training and wellness camping programmes strengthened teamwork, leadership, communication, problem-solving and employee wellness in outdoor environments.

Regional Team Gatherings
Regional team gatherings strengthened relationships, encouraged collaboration across branches and fostered unity and belonging among employees.

Regular Health Screening Initiatives
Medical health screening campaigns promoted preventive healthcare, wellness awareness, healthy habits and proactive employee health management.

Eye Care Programme
Eye care and vision screening programmes promoted healthy vision and greater awareness of long-term eye health and well being.







Integrated Human Capital

3.4.1. Engaging Our People

At LBF, employee engagement and wellbeing are integral to sustaining performance, strengthening organisational culture and enhancing workforce resilience. The Company adopts a holistic approach to employee experience, ensuring that individuals are not only productive but also supported, motivated and aligned with the organisation's purpose and values.

By fostering a culture of belonging, collaboration and recognition, LBF continues to build a workforce that is engaged, committed and capable of delivering consistent performance across all operations.

Employee Engagement and Culture

- Promoting a culture of performance, accountability and collaboration
- Strengthening alignment between employees and organisational values
- Encouraging cross-functional teamwork and knowledge sharing
- Creating opportunities for employees to contribute meaningfully beyond their roles

3.5 HR Gallery and Event Calendar

3.5.1. HR Events

Our HR Event Gallery reflects the diverse employee engagement initiatives carried out throughout the year to strengthen teamwork, collaboration and workplace connectivity. Through interactive programs, team-building activities and employee-focused engagements, these initiatives fostered stronger professional relationships, enhanced communication and reinforced a culture of unity and shared success across the organisation.

LB Sooryabhishekaya 2025

Our Sinhala and Tamil New Year celebration, LB Sooryabhishekaya 2025, brought employees together to honour Sri Lanka's rich heritage and vibrant culture through traditional games, performances and festive meals, fostering unity and togetherness. The heartfelt "අලේ අවුරුදු" celebration organised by the LB Finance Gampola Region further enriched the festive spirit with cherished memories and stronger bonds.





Dansal following Vesak and Poson Poya

Following the Vesak and Poson Poya celebrations, employees across branches came together through shared offerings and moments of reflection inspired by Sri Lanka's cherished Buddhist traditions. These gatherings fostered cultural appreciation, strengthened inter-departmental relationships and nurtured unity across the organisation.





LB Sports Arena - Season 02

Regional sports activities brought employees together through friendly competition and team-based games that promoted teamwork, collaboration and employee well-being. Successfully hosted by the branches of the Panadura Region, the event created a vibrant atmosphere of energy, unity and regional camaraderie across the organisation.





Regional Get Together Parties

Themed regional get-together parties provided employees across the regions with valuable opportunities to relax, connect and celebrate achievements in a warm and engaging atmosphere. These vibrant gatherings promoted teamwork and camaraderie, strengthened professional and personal relationships and enhanced employee engagement, fostering a stronger sense of unity and belonging across the organisation.





LBF Thai Pongal Celebrations

Thai Pongal was celebrated at LBF with great enthusiasm, embracing the values of gratitude, tradition and renewal. The vibrant festivities brought employees together to honour the rich cultural heritage of the harvest festival, fostering unity, cultural appreciation and a warm spirit of togetherness across the organisation.





Integrated Human Capital

Disco Night 2025

Disco Night 2025 provided employees with a vibrant evening of music, entertainment, and celebration in recognition of their contributions. The event encouraged team bonding, social interaction, and a spirit of appreciation and camaraderie.





Zumba Sessions

Regular Zumba sessions promoted employee well-being by encouraging physical fitness, stress relief, and active lifestyles. These energising sessions also created opportunities for employees to connect, fostering positivity and teamwork in the workplace.





Iftar Gathering – Central Region

Held during the holy month of Ramadan, the Iftar gathering brought together valued customers, business partners, and employees in an atmosphere of unity and fellowship at the Central Kandy region.





Women's Day Celebration

The Women's Day celebration recognised the achievements and contributions of our women. The event fostered appreciation, empowerment, and meaningful dialogue while reinforcing our commitment to diversity and inclusion.





3.5.2. Special Events

Management Trainee Programme 2026

The launch of the Management Trainee Programme marked an important step in developing future leaders for the organisation. Through structured learning, mentoring, and practical exposure, the programme aims to nurture high-potential talent and build a strong leadership pipeline.





'A Mosaic of Strength' – Promotion Ceremony 2025

This special ceremony recognised employees promoted to Management Grade and above, celebrating their dedication, achievements, and leadership potential. The event highlighted our commitment to recognising excellence and supporting career progression.






Pinnacle and Silver Circle Awards Ceremonies

The Pinnacle and Silver Circle Awards recognised outstanding performers and consistent achievers across the organisation. These prestigious events celebrated excellence, inspired high performance, and reinforced a culture of recognition and achievement.







Integrated Human Capital

Outbound Training Series

Organised for the Gold Loan Management Team, the outbound training series combined experiential learning with team-building activities to strengthen collaboration, leadership, and employee engagement.





LBF Lean Champion Awards

The inaugural LB Lean Champion Awards ceremony was held, marking a pioneering milestone as the first such event in Sri Lanka's NBFI sector. The occasion celebrated the commitment, innovation and teamwork of individuals leading our Lean and SHIFT initiatives.





'R.O.A.R' – Welcoming Our New Talent

Inspired by the journey of a young lion navigating challenges to discover its strength and leadership, R.O.A.R symbolised courage, resilience and personal growth.

Just as the lion grows stronger through every obstacle faced in the vast savannah, the programme encouraged new employees to embrace challenges with confidence and determination. Reflecting the values of Rise, Overcome, Achieve and Reflect, the initiative delivered an engaging onboarding experience that introduced employees to LBF's culture, values and expectations while empowering them to begin their journey with confidence and purpose.

During FY 2025/26, 15 impactful programmes were conducted, inspiring our young lions to roar with boldness and potential.






3.6. Valuing Our People

LBF continues to strengthen its commitment to diversity and inclusion as a driver of innovation and organisational performance.

Gender-balanced workforce

Male **50%** Female **50%**

Balanced promotion trends across genders

Male **55%** Female **45%**

Equal opportunity embedded across

Recruitment

Male **45%** Female **55%**

Training

Male **52%** Female **48%**

Gender Pay Equity is maintained through structured review processes

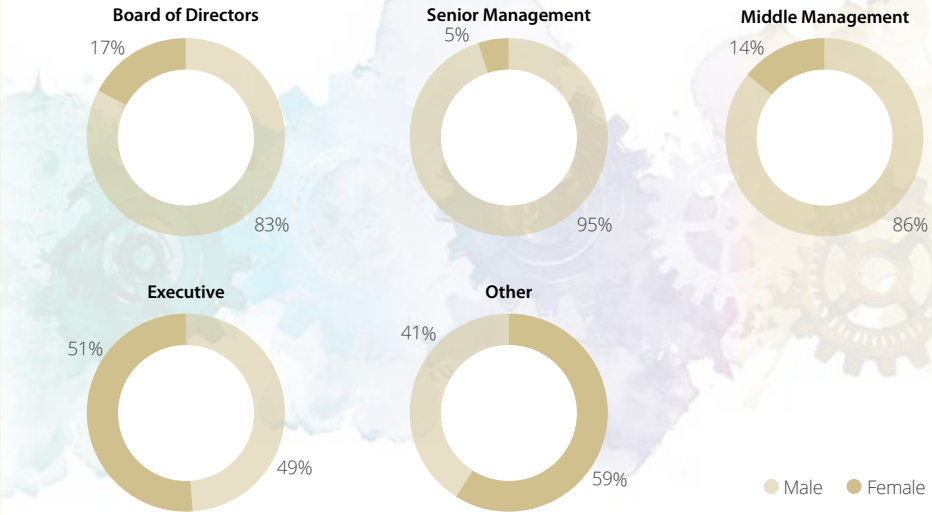
3.6.1. Policies Related to Diversity, Equity and Inclusion

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 Gender-Based Violence and Harassment Policy to safeguard all employees from sexual harassment and provide clear guidelines for reporting any incidents.

3.6.2. Gender Composition

Gender Composition at Occupational Level



Basic Salary and Remuneration of Male to Female for Each Employee Category

	2025/26		2024/25	
	Male	Female	Male	Female
Senior Management	1	0.75	1	0.51
Middle Management	1	0.94	1	0.94
Executive	1	0.80	1	0.82
Other	1	0.94	1	0.94

Return to Work and Retention After Parental Leave (Women)	Total
Total number of female employees	2,461
Total number of employees that were entitled to parental leave, by gender	380
Total number of employees that took maternity leave	47
Number of employees who returned to work after maternity leave ended	30
Number of employees who returned to work after maternity leave ended and still employed twelve months after their return to work	22
Return to work rate (%)	63
Retention rate (%)	73

Integrated Human Capital

3.6.3. Employee Voice and Ethical Workplace

- Open-door communication culture
- Structured grievance handling framework
- Whistleblowing mechanisms ensuring confidentiality
- Strong emphasis on ethical conduct and human rights

3.6.4. Safeguarding Human Rights

Respect for human rights remains a fundamental principle across all our operations. We maintain a zero-tolerance approach to discrimination, harassment and unethical conduct, ensuring a workplace defined by dignity, respect and fairness.

This commitment is reinforced from the outset of the employee lifecycle. At onboarding, all employees formally acknowledge and sign the Code of Conduct, which provides clear guidance on expected behaviour, ethical standards and respect for human rights. These principles are further emphasised during employee orientation programmes, where awareness is created on maintaining a safe, inclusive and respectful work environment.

3.6.5. Grievance Handling

We maintain a structured and confidential framework that enables employees to raise concerns freely, without fear of retaliation or hesitation. Our approach fosters a culture of open communication and trust, supported by an open-door policy, formal grievance procedures and regular team briefings.

3.6.6. Employee Safety and Resilience

During the year, LBF strengthened its commitment to employee safety through proactive crisis management initiatives.

Disaster Management Unit (DMU)

- Introduced during the Ditwah flood impact
- Real-time employee connectivity and communication
- Rapid response and support for affected employees and families

3.7. Human Capital Outcomes and Value Creation Impact

At LBF, Human Capital has continued to play a pivotal role in delivering sustainable value by strengthening organisational capability, enhancing operational performance and supporting long-term strategic objectives. Through a disciplined and integrated approach to managing people, the Company has translated workforce investments into measurable outcomes that contribute directly to business success.

Enhanced Workforce Productivity and Efficiency	● Improved alignment between individual performance and organisational objectives ● Increased efficiency across branch and operational functions ● Streamlined processes resulting in faster service delivery
Strengthened Customer Experience and Service Delivery	● Consistent service standards across the branch network ● Improved responsiveness and quality of customer interactions ● Stronger customer relationships driven by frontline excellence
Workforce Stability and Engagement	● Sustained employee engagement supported by structured initiatives ● Improved retention and workforce continuity ● Strong organisational culture supporting performance and collaboration
Digital Capability and Future Readiness	● Increased adoption of digital platforms and systems ● Improved workforce adaptability to technological advancements ● Strengthened ability to support ongoing digital transformation

IMPACT ON BUSINESS PERFORMANCE

The above outcomes have collectively contributed to:

- Sustained business growth and market expansion
- Improved operational efficiency and cost management
- Strengthened customer trust and brand reputation
- Enhanced risk management and financial stability

DOC **14**

Scan the QR code to understand Human Capital Accounting concept

This is further strengthened through our Whistleblowing Policy, which provides secure and confidential channels for reporting concerns. Awareness and understanding are continuously reinforced through interactive learning initiatives, including quizzes conducted via the LMS platform.

Our processes emphasise timely resolution, transparency and accountability, ensuring that every concern is addressed fairly while continuously enhancing our workplace practices.

4. HUMAN CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response / Mitigation
Talent attraction and retention in a competitive market	Build a strong employer brand and employee value proposition	Enhance employer branding, offer competitive remuneration and benefits, introduce career development pathways and succession planning
Skills gaps in digital and evolving financial services	Upskilling and reskilling workforce for future readiness	Implement continuous learning programmes, digital training and professional development initiatives aligned with business needs
Employee engagement and productivity	Foster a high-performance and inclusive work culture	Strengthen employee engagement programmes, recognition schemes and promote a culture of collaboration, innovation and accountability
Managing workforce wellbeing and work-life balance	Improve employee satisfaction and retention through wellbeing initiatives	Wellness programmes, mental health support and work-life balance policies
Compliance with labour laws and ethical practices	Strengthen governance and ethical workplace standards	Ensure adherence to labour regulations, implement policies such as grievance handling, code of conduct and fair HR practices

5. FUTURE OUTLOOK

Under our ESG Roadmap 2.0, we have comprehensively defined clear metrics and measurable targets across the Human Capital based on 2024/25 baseline. Set out below are selected priority areas that underpin our Human Capital.

Short-term
Strengthening Workforce Capability and Employee Wellbeing

- Reduce talent turnover ratio to 7.6%
- Train ≥ 50% of employees on GBVH / TFGBVH and respectful workplace behaviour
- Maintain a well-balanced female representation in the total workforce
- ≥ 50% of relevant staff trained on social risk management
- Improve occupational health and safety awareness coverage

Medium-term
Driving Talent Development, Inclusion and Workplace Excellence

- Reduce talent turnover ratio to 7%
- Train 100% of employees on GBVH/ TFGBVH and respectful workplace behaviour
- Ensure gender parity is maintained at the highest possible level
- 100% of relevant staff trained; social risk fully embedded in ESMS
- Improve occupational health and safety awareness coverage

Long-term
Building a High-Performing, Inclusive and Resilient Workforce

- Sustain low voluntary turnover through strong talent retention culture (<7%)
- Embed continuous refresher training and zero-tolerance culture
- Achieve and sustain leadership-level gender parity across all functions
- Social risk management fully institutionalised in all operations and supply chains
- Improve occupational health and safety awareness coverage

Integrated Human Capital

6. HUMAN RESOURCES DASHBOARD

Total employees **4,665**

TOTAL EMPLOYEES BY REGION AND GENDER

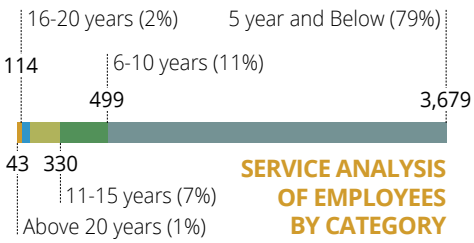
No of employees

Province	2025/26				2024/25			
	No. of Branches	Male	Female	Total	No. of Branches	Male	Female	Total
Central	18	215	144	359	19	209	121	330
Eastern	30	207	200	407	27	179	183	362
Northern	33	116	182	298	30	107	165	272
North-central	10	111	69	180	9	106	52	158
North-western	13	134	128	262	12	128	100	228
Sabaragamuwa	8	92	84	176	8	100	81	181
Southern	17	198	151	349	16	201	124	325
Uva	7	73	58	131	7	83	50	133
Western	89	1,195	1,308	2,503	88	1,204	1,214	2,418
Total	225	2,341	2,324	4,665	216	2,317	2,090	4,407

TOTAL EMPLOYEES BY GENDER



SERVICE ANALYSIS OF EMPLOYEES BY CATEGORY



EMPLOYEE PROMOTION FROM CATEGORY AND GENDER

Total Promotions **947**

517 430

Senior Management	10	-
Middle Management	154	30
Executive	346	399
Other	7	1

EMPLOYEE TYPE AND GENDER

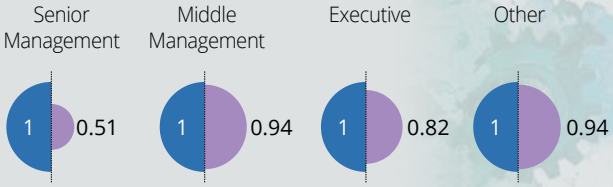
Full-time employees



Employees on contract basis



RATIO OF THE BASIC SALARY AND REMUNERATION OF WOMEN TO MEN FOR EACH EMPLOYEE CATEGORY



EMPLOYEE TURNOVER BY REASON

Resignation	Retirement	Deceased
967	2	01
983	0	00

NEW EMPLOYEE HIRES BY REGION AND GENDER

Province			Total
Central	77	77	154
Eastern	130	104	234
Northern	54	90	144
North-central	60	44	104
North-western	68	86	154
Sabaragamuwa	32	31	63
Southern	92	63	155
Uva	34	24	58
Western	444	704	1,148
Total	991	1,223	2,214

COMPOSITION OF THE EMPLOYEES BY EMPLOYEE CATEGORY AND AGE GROUP

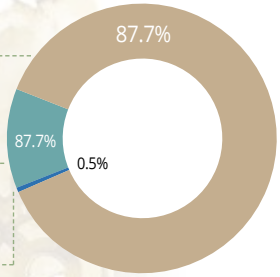
	Below 30 years	30 - 50 years	Over 50 years
Senior Management	-	30	17
Middle Management	39	509	24
Executive	1157	661	33
Management Trainee	21	2	0
Other	2094	66	12
Total	3,311	1,268	86

EMPLOYEE TURNOVER BY AGE GROUP AND GENDER

Below 30 years: 810 903

30-50 years: 154 76

Over 50 years: 6 4



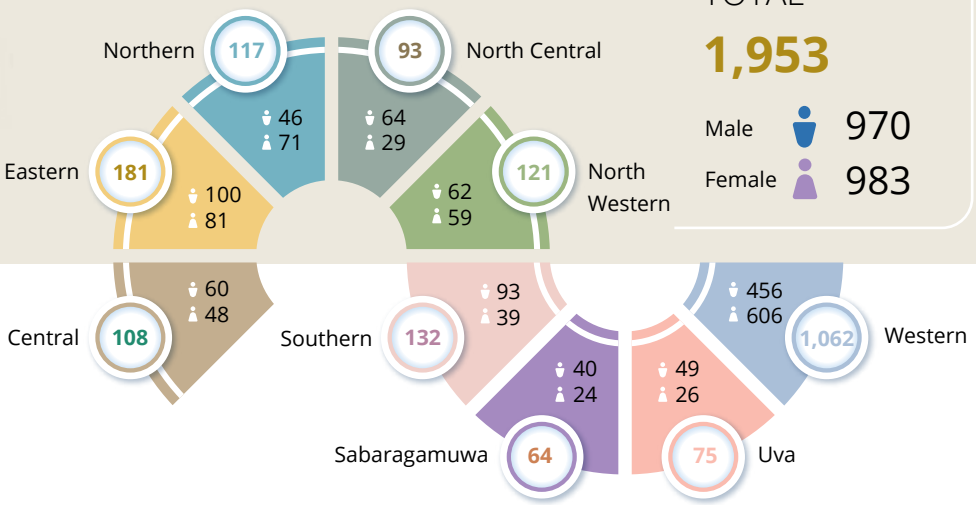
Total training hours

54,922 for **7,896** Employees **6.96** Average training Hours per emplyee

PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION

	Senior Management			Middle Management			Executive			Management Trainee			Other		
	♂	♀	Total	♂	♀	Total	♂	♀	Total	♂	♀	Total	♂	♀	Total
Total training hours	262	21	283	4,933	753	5,686	5,305	6,619	11,924	42	365	407	16,510	20,112	36,622
No of employees	82	7	89	1,067	147	1,214	808	991	1,799	5	47	52	2,115	2,627	4,742
Average training Hours	3.2	3.0	3.2	4.6	5.1	4.7	6.6	6.7	6.6	8.4	7.8	7.8	7.8	7.7	7.7

EMPLOYEE TURNOVER BY REGION AND GENDER



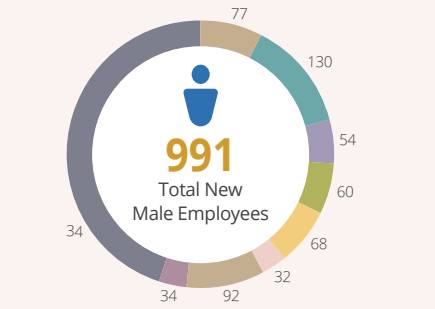
TOTAL

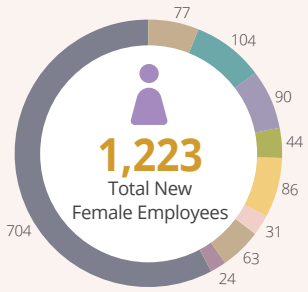
1,953

Male ♂ 970

Female ♀ 983

NEW EMPLOYEE HIRES BY REGION AND GENDER

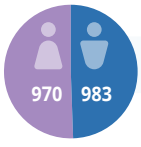




EMPLOYEE TURNOVER BY AGE GROUP AND GENDER

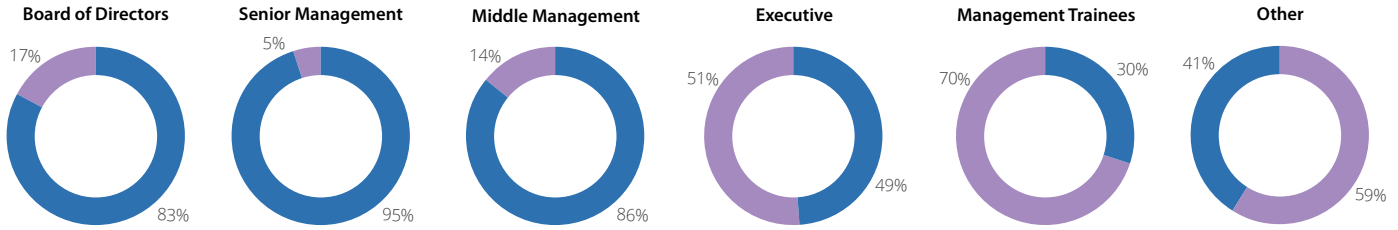
	Male	Female
Senior Management and above	2	1
Below 30 years	-	-
30-50 years	1	-
Over 50 years	1	1
Middle Management	51	14
Below 30 years	4	1
30-50 years	44	11
Over 50 years	3	2
Other	643	668
Below 30 years	622	662
30-50 years	19	6
Over 50 years	2	-

	Male	Female
Executive	271	287
Below 30 years	181	227
30-50 years	90	59
Over 50 years	0	1
Management Trainee	3	13
Below 30 years	3	13
30-50 years	0	0
Over 50 years	0	0



Total New Hires

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES



Integrated Intellectual Capital

GRI 2-23, 3-3 IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance (LBF), Intellectual Capital is managed through an integrated approach that aligns digital transformation, data intelligence, brand development and governance with the Company's strategic objectives. This approach ensures that technology, knowledge and innovation are effectively leveraged to enhance operational efficiency, strengthen customer experience and support sustainable value creation. Our management approach focuses on:

Digital platforms and technology infrastructure - Enhancing core systems and digital platforms to enable seamless, secure and scalable service delivery across all channels.

Data, analytics and artificial intelligence - Leveraging data and AI to strengthen decision-making, improve risk assessment and enable intelligent, automated processes.

Brand strength and market presence - Building trust and visibility through consistent brand positioning, customer engagement and market-focused initiatives.

Governance, security and knowledge systems - Strengthening cybersecurity, data governance and organisational knowledge to ensure resilience, compliance and long-term capability development.

2021/22

- LBF tied up with DRP to fast-track digital financial services
- Partnered with WEBXPAY to promote LB CIM business loans to MSMEs
- Installed data visualisation and modelling software
- Established robotic process automation software

2022/23

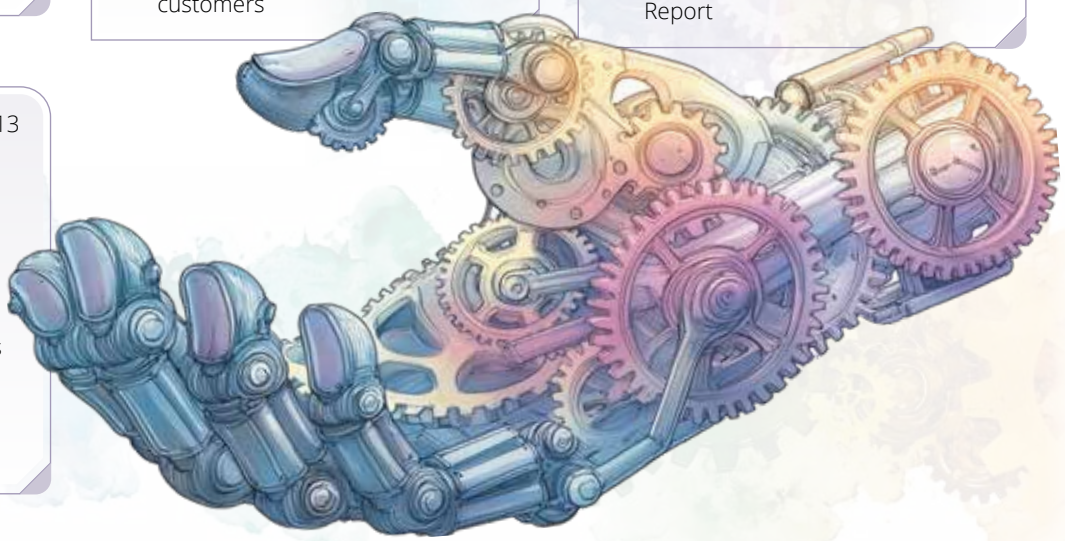
- Profitability dashboard linked to Oracle profitability and cost management modules to provide real-time analysis of branch-wise and product-wise profitability
- Top-up facility identification dashboard to identify customers with underutilised debt capacities
- Credit scoring for Gold Loan customers

2023/24

- Established an Independent Information Security Department
- Implemented Snowflake cloud-based solution
- Launched "LB Sustainable Kids," Sri Lanka's first animated video series on sustainability
- Developed Sri Lanka's first NBFI sector micro-site for the Annual Report

2024/25

- Transitioned from ISO 27001:2013 to ISO 27001:2022 Information Security certification
- Overhauled the technology risk management framework aligned with CBSL standards
- Digitised core banking processes
- Digitised the entire lifecycle of Fixed Deposits from initiation to maturity



Movement that Innovates

At LBF, knowledge, technology and innovation create value with greater precision. Through digital channels, online services, LB CIM wallet and technology-enabled solutions, we make financial access easier, faster and more relevant, while enhancing decision-making, convenience and inclusion.

A robotic cog system operates through calibrated movements that connect intelligence with action and execute with precision, control and continuous improvement.

2025/26

- Introduced an AI-powered personal loan granting system integrated with LB CIM app
- Revamped LB CIM app UI/UX and introduced lifestyle features
- Streamlined loan settlement process through Eclipse module
- Integrated AI-powered credit appraisal and scoring models
- Strengthened data architecture and cloud-based analytics platforms

2. INTELLECTUAL CAPITAL VALUE CREATION MODEL

Intellectual Capital is transformed into value through a structured process that integrates digital capabilities, data intelligence, brand strength and governance systems into the Company's business model. This enables the organisation to convert knowledge and technology into enhanced performance, innovation and long-term competitive advantage.

Input

- Brand equity
- Digital platforms
- Data and analytics capabilities
- Governance frameworks
- Organisational knowledge
- Innovation capability

Strategic Alignment

Digital ecosystem development, AI and data analytics, product innovation, brand building and governance and cybersecurity systems

Business Model Linkages

Enable digital customer engagement, data-driven lending, secure transaction processing and efficient service delivery across physical and digital channels

Integration with Other Capitals

- FC — Efficiency and growth
- HC — Skills and expertise
- SRC — Trust and relationships
- MC — Digital infrastructure

SDG Alignment

- Quality Education
- Decent Work and Economic Growth
- Industry, Innovation and Infrastructure

Materiality and Stakeholder Relevance

Highly material due to its impact on customer experience, operational efficiency, innovation, data security and brand reputation

Key Risks

- Cybersecurity threats
- Data privacy risks
- System disruptions
- Technological obsolescence
- Reputational risk

Output

- Enhanced digital platforms
- AI-driven solutions
- Improved systems
- Strengthened brand presence
- Innovative financial products

Outcomes

- Improved customer experience
- Faster service delivery
- Increased digital adoption
- Enhanced operational efficiency
- Stronger stakeholder trust

Impact on Value Creation

A resilient, intelligent and technology-enabled organisation driving innovation, competitive advantage and sustainable long-term value

Integrated Intellectual Capital

3. INTEGRATED INTELLECTUAL CAPITAL VALUE CREATION PATH

Foundation

3.1. Intellectual Capital Governance

3.2. Building Intellectual Capital Foundation

Enablement

3.3. Digital Ecosystem and Technology Platform

Outcomes

3.4. Strategic Technology Investments

3.5. Digital Reporting and Innovation Showcase

Impact

3.6. Managing Emerging Risks while Advancing Intelligence

3.1. Intellectual Capital Governance

LBF maintains a robust governance framework to safeguard and enhance its Intellectual Capital, ensuring resilience, security, regulatory compliance and stakeholder trust. This framework enables the protection of critical knowledge assets while supporting continuous digital innovation and sustainable business growth.

Our Governance Framework Covers

Information Security and Cyber Protection
Strengthening cybersecurity through advanced systems, continuous monitoring and proactive threat detection to safeguard digital platforms and information assets.

Business Continuity and Operational Resilience
Maintaining comprehensive Business Continuity Plans (BCP), regularly tested through simulations to ensure uninterrupted service delivery and protection of critical systems and data.

Technology Risk Management
Embedding structured risk management practices to identify, assess and mitigate technology-related risks, ensuring system reliability and operational stability.



Data Privacy and Protection
Implementing strict data privacy controls, including encryption, secure storage and controlled access, to protect customer and organisational data.

Information Systems Assurance
Conducting periodic information system audits to evaluate control effectiveness, ensure compliance and support continuous improvement.

3.2. Building Intellectual Capital Foundation

Intellectual Capital at LBF is built upon a strong foundation of organisational knowledge, digital infrastructure, data assets, brand equity, governance systems and innovation capability. These resources collectively support operational efficiency, strengthen decision-making and sustain competitive advantage within a rapidly evolving financial services environment.

This foundation extends beyond technology and includes the knowledge embedded within employees, operational systems, brand trust, governance frameworks and innovation capability. Together, these intellectual assets provide the platform from which LBF drives digital transformation, process innovation, customer engagement and secure growth.

3.2.1. Organisational Knowledge and Human Expertise

Organisational knowledge is a key intellectual asset supported by the expertise, experience and judgement of our people. LBF continues to invest in learning, skill enhancement and leadership development initiatives to strengthen employee capabilities and support long-term business performance.

3.2.2. Knowledge-Based Systems and Processes

LBF continues to strengthen knowledge-based systems and operational processes to improve service quality, efficiency and organisational agility. Process re-engineering initiatives support the continuous review and optimisation of internal workflows while reducing operational inefficiencies.

3.2.3. Digital Infrastructure and Technology Systems

Digital infrastructure forms a critical pillar of the Company's Intellectual Capital. The technology environment supports core operations, customer engagement, secure transactions, analytics, reporting and business continuity across the organisation.

The Company continues to strengthen this infrastructure through initiatives including core banking digitisation, cloud-based solutions, data centre upgrades, disaster recovery infrastructure, backup solutions and system modernisation.

3.2.4. Data and Information Assets

Data is increasingly becoming a strategic asset within LBF's Intellectual Capital framework. Customer data, operational information, transaction insights and analytics capabilities support risk assessment, customer segmentation, decision-making and service enhancement.

The Company continues to strengthen its ability to convert data into actionable insights through investments in analytics platforms, dashboards, data visualisation tools and automated data pipelines.

3.2.5. Brand Equity and Market Trust

Brand equity represents another key component of Intellectual Capital, reflecting the trust, credibility and recognition built by LBF over time.

Brand Positioning and Market Presence

LBF continues to strengthen its market positioning through targeted initiatives that enhance visibility and reinforce its reputation as a reliable and progressive financial institution. During the year, the Company improved its LMD Brand Ranking to 17th place in most respected entity (20th place in 2024), reflecting increased market recognition and brand visibility.

The brand continues to be positioned around:

- Trust and reliability
- Customer-centric service delivery
- Innovation and digital accessibility



01st Place in **Finance and Leasing Sector**

17th Place among **Most Respected Entities**



Integrated Intellectual Capital

Customer Experience and Digital Engagement

The strength of the LBF brand is reinforced through customer-centric service experiences delivered across physical and digital channels. Digital platforms such as LB CIM app continues to enhance customer engagement through seamless, convenient and accessible financial services.

Integrated Brand Communication

The Company adopts an integrated communication approach that combines traditional and digital channels to maintain consistent messaging and strengthen stakeholder engagement.

Brand as a Driver of Value Creation

A strong and credible brand supports customer loyalty, market differentiation, digital adoption and stakeholder confidence, contributing directly to long-term business growth and competitive advantage.

3.3. Digital Ecosystem and Technology Platform

LBF continues to strengthen its Intellectual Capital through the development of an integrated digital ecosystem that connects platforms, systems, data and customer interfaces into a seamless operating environment.

The Company has progressively transitioned from traditional system-based operations into a digitally integrated ecosystem that supports customer engagement, operational efficiency, intelligent decision-making and scalable financial services delivery.

3.3.1. Digital Transformation Journey towards a Future-Ready Institution

LBF continues to accelerate its transformation journey towards becoming an intelligent, agile and digitally enabled financial institution through continuous investment in technology, innovation and intelligent platforms.

Next-Generation Digital Transformation

LBF is evolving towards an integrated digital ecosystem supported by connected platforms, real-time data and intelligent decision-making capabilities



Innovation as a Strategic Differentiator

Innovation remains a strategic priority, enabling the Company to enhance financial service delivery through intelligent platforms, advanced technologies and scalable digital solutions



Reinventing Customer Experience through Intelligent Engagement

The Company continues to strengthen customer experience through AI-enabled engagement and digitally enhanced service delivery that improves accessibility, convenience and responsiveness

Research and Development for Future Growth

LBF continues to strengthen research and development capabilities to support emerging technology adoption, experimentation and future-focused innovation



Operational Excellence through Intelligent Automation

Through intelligent automation and process optimisation, LBF continues to streamline workflows, reduce manual intervention and improve operational efficiency and scalability

Sustainability-Driven Digital Finance

Sustainability remains integrated into the Company's transformation agenda through paperless operations, financial inclusion initiatives and responsible digital practices

Trust-Centric Security, Governance and Responsible Innovation

LBF continues to strengthen cybersecurity, governance and responsible AI practices to ensure that digital innovation remains secure, ethical, resilient and aligned with stakeholder trust

3.4. Strategic Technology Investments

LBF continued to strengthen its Intellectual Capital during the year through targeted investments in digital platforms, artificial intelligence, operational systems, cybersecurity infrastructure and enterprise technologies.

Category	Asset Name / Initiative	Objective
Digital experience and customer platforms	LB CIM app UI/UX revamp	Improve digital user experience and engagement
	Bringing lifestyle features to the LB CIM app	Expand ecosystem to increase customer engagement
	Development of customer onboarding solution	Digitise and accelerate customer onboarding
	Strengthening Customer Relationship Management	Enhance customer engagement and retention
AI and data-driven solutions	AI-powered Personal Loan	Enable faster, data-driven loan approvals
	Integrating AI-powered credit appraisals	Enhance efficiency and accuracy of loan evaluations
	Customer credit score for Auto Loans	Improve accuracy of credit risk assessment
Process digitalisation and automation	Eclipse loan settlement module	Streamline loan settlement processes
	Digitalisation of vehicle insurance process	Improve efficiency of insurance processing
Enterprise systems and capability enhancement	HRIS upgrade	Improve HR efficiency and data management
	IT asset management solution implementation	Improve IT asset visibility and control
Infrastructure and cyber resilience	Web application firewall implementation	Enhance protection of digital platforms
	Data centre upgrade	Enhance infrastructure scalability and reliability
	DR Blade server solution implementation	Strengthen disaster recovery and system availability
	Backup solution implementation	Strengthen data protection and recovery
	Data leakage prevention system implementation	Identify, monitor and protect sensitive data by preventing unauthorised access, sharing, or exfiltration across endpoints
	Security Incident and Event Management (SIEM) system implementation	Collect, correlate and analyse security events in real time to detect, investigate and respond to potential threats
	Attack Surface Management (ASM) system implementation	Continuous visibility of the organisation's external digital footprint and proactively detect and mitigate external cyber threats, reducing overall cyber risk and exposure
	24*7 Operational Security Operations Centre (SOC)	Detect and respond to cyber threats in real time to minimise risk and impact organisation critical digital assets

Integrated Intellectual Capital

3.4.1. Driving Digital Financial Services through LB CIM App

During the year, LBF significantly enhanced the LB CIM app through a UI/UX revamp and the introduction of lifestyle features aimed at expanding customer engagement beyond traditional financial transactions.

The platform further strengthened its functionality through digital lending, virtual debit card capability, Tap-to-Pay functionality, GovPay integration, cross-border transaction capabilities and enhanced payment solutions.

Refer to page 12 for more information

3.5. Digital Reporting and Innovation Showcase

LBF continued to strengthen stakeholder engagement through innovative digital reporting and communication platforms designed to improve accessibility, interactivity and user experience.

During the year, the Company enhanced its Annual Report micro-site by integrating interactive dashboards, smart chart generators, embedded multimedia content, AI-enabled chatbot functionality and dynamic digital navigation features.

The micro-site also incorporated HTML-based reporting, animated video integration, flipbook functionality and responsive mobile-friendly interfaces, enabling stakeholders to access corporate information seamlessly across multiple digital channels.

3.6. Managing Emerging Risks While Advancing Intelligence

As LBF continues to strengthen its digital ecosystem and intelligent operating capabilities, the Company remains focused on proactively managing emerging risks associated with technology, data, cybersecurity and evolving regulatory expectations. This balanced approach enables the organisation to pursue innovation while maintaining resilience, trust and operational stability.

3.6.1. Strengthening Intelligent Risk Management

The increasing integration of digital platforms, AI-enabled processes and data-driven decision-making requires a more dynamic and forward-looking risk management approach. LBF continues to enhance its ability to identify, assess and respond to emerging technology and information-related risks through strengthened governance, monitoring mechanisms and internal control environments.

3.6.2. Cyber Resilience and Digital Trust

As customer interactions increasingly shift towards digital channels, maintaining secure and resilient systems remains a strategic priority. The Company continues to strengthen cyber resilience through continuous monitoring, threat detection capabilities, access controls and security governance practices designed to safeguard critical systems, customer information and digital operations.

3.6.3. Responsible Use of Data and Artificial Intelligence

The growing use of data analytics and AI-driven solutions presents significant opportunities to enhance operational efficiency and customer experience. At the same time, LBF recognises the importance of ensuring responsible, ethical and secure use of data and intelligent technologies. Governance mechanisms continue to evolve to support transparency, accountability and reliability in technology-driven decision-making.

3.6.4. Building Organisational Agility

Rapid changes in customer expectations, regulatory developments and technological advancement require continuous organisational adaptability. LBF continues to strengthen internal capabilities, knowledge systems and digital readiness to support agile decision-making, operational responsiveness and sustainable long-term growth.

3.6.5. Sustaining Long-term Competitive Readiness

The Company's continued investment in digital capability, governance systems, cybersecurity resilience and intelligent technologies supports its long-term strategic positioning within an increasingly connected financial services landscape. By balancing innovation with disciplined risk management, LBF continues to strengthen its ability to create sustainable value while remaining future-ready.

4. INTELLECTUAL CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response / Mitigation
Cybersecurity threats and increasing sophistication of attacks	Strengthening stakeholder trust through secure digital platforms	SOC enablement, SIEM implementation, attack surface management, red teaming, VAPT enhancements and continuous monitoring
Data privacy and protection requirements	Build confidence through responsible data governance	PDPA readiness, DLP optimisation, privacy controls, secure access and data protection governance
Technology obsolescence	Build scalable and future-ready infrastructure	Cloud-based platforms, data centre upgrades, DR Blade server implementation, backup solutions and platform modernisation
AI governance and ethical risks	Enable responsible AI-led innovation	AI security and governance initiatives addressing privacy, ethics and model integrity
Operational disruption and system dependency	Improve resilience and continuity	Business continuity planning, disaster recovery systems, backup solutions and system assurance
Human-layer security risk	Strengthening security culture	Phishing simulations, behavioural analytics, awareness programmes and targeted training

5. FUTURE OUTLOOK

Our Intellectual Capital spanning technology, knowledge, compliance and innovation is the foundation upon which LBF builds competitive advantage and sustainable value.

Short-term

Strengthening knowledge and digital intelligence

- Consolidate major financial services within LB CIM app
- Expand AI-powered personalisation and instant loan capabilities
- Enhance process automation across core operations
- Strengthen AML screening and real-time transaction monitoring
- Continue knowledge-building and technology capability development
- Reinforce cybersecurity, data governance and ethical AI practices

Medium-term

Driving data driven innovation and intelligent integration

- Develop LB CIM-as-a-Service (CaaS) capabilities
- Introduce open finance and API-driven integrations
- Strengthen data intelligence and ecosystem partnerships
- Expand fintech collaboration and platform accessibility
- Scale digital governance and intelligent compliance systems
- Deepen customer engagement through integrated digital experiences

Long-term

Building a smart and future ready knowledge systems

- Position LBF as a leading intelligent digital ecosystem
- Build a fully connected customer-centric financial ecosystem
- Advance inclusive and sustainable digital finance solutions
- Lead responsible AI-driven financial innovation
- Create long-term value through resilient digital infrastructure
- Strengthen trust, resilience and stakeholder value creation

Integrated Social and Relationship Capital

SRC

GRI 2-23, 3-3 IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance (LBF), Social and Relationship Capital is managed through a structured, stakeholder-centric approach that integrates customer insights, partner collaboration, regulatory compliance and community engagement into core business decisions. The Company ensures strong governance through defined policies, ethical practices and robust Risk Management Frameworks that reinforce trust and accountability. Performance is continuously monitored through key metrics covering customer experience, partner effectiveness, community impact and compliance.

2021/22

- Established digital classrooms in 6 schools
- Strengthened ISO 27001 Information Security Framework
- Partnered with FinCSIRT to enhance cybersecurity resilience

2022/23

- Entered strategic partnership with WEBXPAY Ltd.
- Enabled Instant Fixed Deposit placement via LB CIM app
- Invested Rs. 15.56 million in community development

2023/24

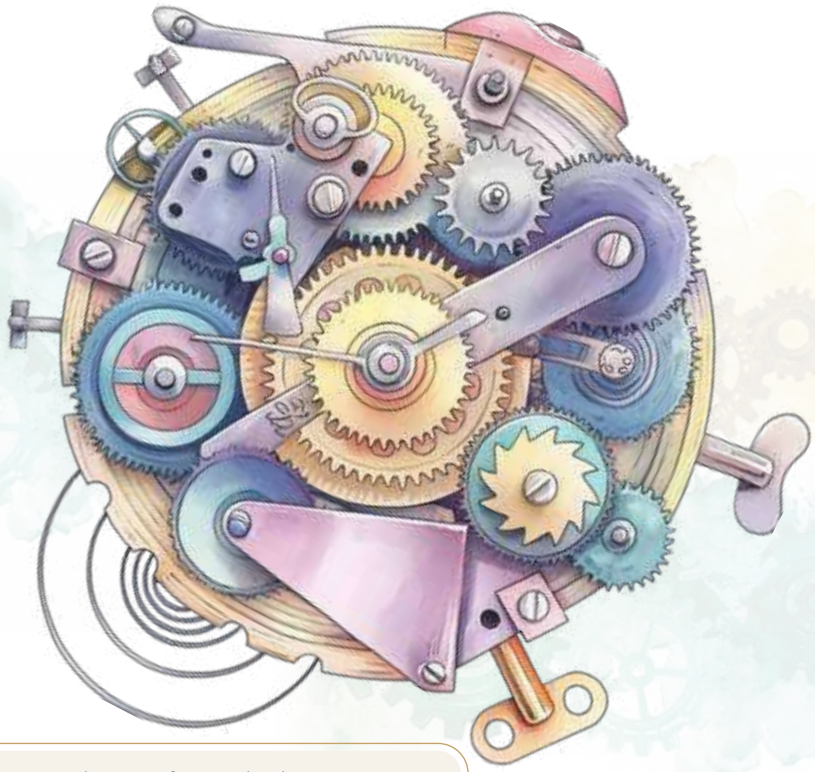
- Expanded customer accessibility through new inquiry channels
- Surpassed 800,000+ customer base
- Invested Rs. 18.68 million in community initiatives

2024/25

- Implemented Personal Data Protection Policy
- Partnered with NDDCB and NEDA for national social initiatives
- Invested Rs. 27.35 million in CSR programmes
- Employee volunteer hours 7,552

Movement that Connects

At LBF, relationships move value towards people, businesses and communities. By connecting capital with personal needs, MSME ambitions, Gold-backed Financing, Leasing, Deposits and Digital Solutions, we support economic activity, opportunity, livelihoods and more confident financial participation.



A clock gear system, where every wheel turns in relation to another, keeps the whole system coordinated, reliable and purposeful towards achieving perfection.

2025/26

- Launched LB Sanmitha to empower SMEs, MSMEs and drive inclusive growth
- Established strategic partnerships across automotive and sustainability sectors to enhance access and innovation
- 35 comprehensive financial solutions
- Contributed Rs. 13,718 million to the government as taxes
- Invested Rs. 8.97 million in community related projects

2. SOCIAL AND RELATIONSHIP CAPITAL VALUE CREATION MODEL

At LBF, Social and Relationship Capital is built through strong relationships, trust and responsible engagement practices that support long-term value creation. Through continuous collaboration with customers, business partners, regulators and communities, the Company strengthens its market presence, enhances stakeholder confidence and promotes inclusive and sustainable growth.

Input

- Customers
- Business Partners, Regulators, communities and stakeholder engagement platforms
- Collaboration and long-term relationships

Strategic Alignment

Supports customer-centric growth, financial inclusion, responsible business practices and sustainable stakeholder engagement

Business Model Linkages

Enables customer acquisition, service delivery, stakeholder collaboration, relationship management and brand positioning

Integration with Other Capitals

- FC: Revenue growth and sustainability
- HC: Service culture and engagement
- IC: Digital platforms and customer insights
- MC: Service accessibility and branch network

SDG Alignment

- Decent Work and Economic Growth
- Reduced Inequalities
- Sustainable Cities and Communities
- Partnerships for the Goals

Materiality and Stakeholder Relevance

Highly material due to its direct impact on customer trust, reputation, stakeholder confidence, service quality and long-term business sustainability

Key Risks

- Reputation risk
- Customer dissatisfaction
- Regulatory non-compliance
- Service delivery risk and stakeholder trust erosion

Output

- Enhanced customer engagement
- Expanded financial accessibility
- Strengthened stakeholder collaboration
- Improved service responsiveness
- Innovative financial products

Outcomes

- Increased customer trust and loyalty
- Stronger stakeholder relationships
- Improved reputation
- Enhanced brand value
- Stronger stakeholder trust

Impact on Value Creation

Sustainable stakeholder relationships, inclusive economic growth, strengthened social value and long-term business resilience and value creation

Integrated Social and Relationship Capital

CUSTOMER CAPITAL

Empowering Financial Journeys Through Trust, Responsibility and Experience

Individual Customers	Corporate Customers
950,000+	1,000+

3. CUSTOMER CAPITAL VALUE CREATION PATH

Foundation

- 3.1 Customer Philosophy and Relationship Strategy
- 3.2 Customer Segmentation and Portfolio Insight

Enablement

- 3.3 Customer Lifecycle and Value Journey
- 3.4 Digital Customer Ecosystem and Accessibility
- 3.5 Advanced Customer Analytics and Insight Capability
- 3.6 Product Responsibility and Customer Protection
- 3.7 Customer Trust, Data Privacy and Security

Outcomes

- 3.8 Customer Engagement Initiatives and Experience Highlights
- 3.9 Customer Relationship Outcomes

Impact

- 3.10 Customer Value Contribution to Business Strategy
- 3.11 Financial Inclusion and Customer Empowerment

3.1. Customer Philosophy and Relationship Strategy

Customers remain at the core of LBF's value creation process, representing the most significant component of its Social and Relationship Capital. Serving a network exceeding 950,000+ customers, the Company builds long-term relationships based on trust, transparency and consistent value delivery.

Market Focus Value Delivery

- Needs-based products and services
- Fair and effective post-sales and complaints management
- Disclosure-transparent and informative
- Products perform as expected and good level of service
- Suitable advice by trained employees
- Effective and suitable channels
- Partnership with regulator (FSCA)
- Responsible marketing and communication
- Robust market conduct risk and compliance management



The Company's customer promise reflects its commitment to delivering seamless, transparent and customer-centric financial experiences across all touchpoints.

Our Customer Promise

Delivering excellence and trust in every experience.

- **TAILORED SOLUTIONS** *Tailored to every need*
- **DIGITAL ACCESS** *Anytime, anywhere*
- **SERVICE EXCELLENCE** *Consistent and personalised*
- **CUSTOMER EMPOWERMENT** *Informed decisions*
- **CONTINUOUS INNOVATION** *Continuously evolving*

3.2. Customer Segmentation and Portfolio Insight

LBF serves a diverse customer base across multiple life stages and business segments, including individuals, professionals and SMEs. Through structured segmentation and insight-driven analysis, the Company identifies customer needs, financial behaviours and growth potential.

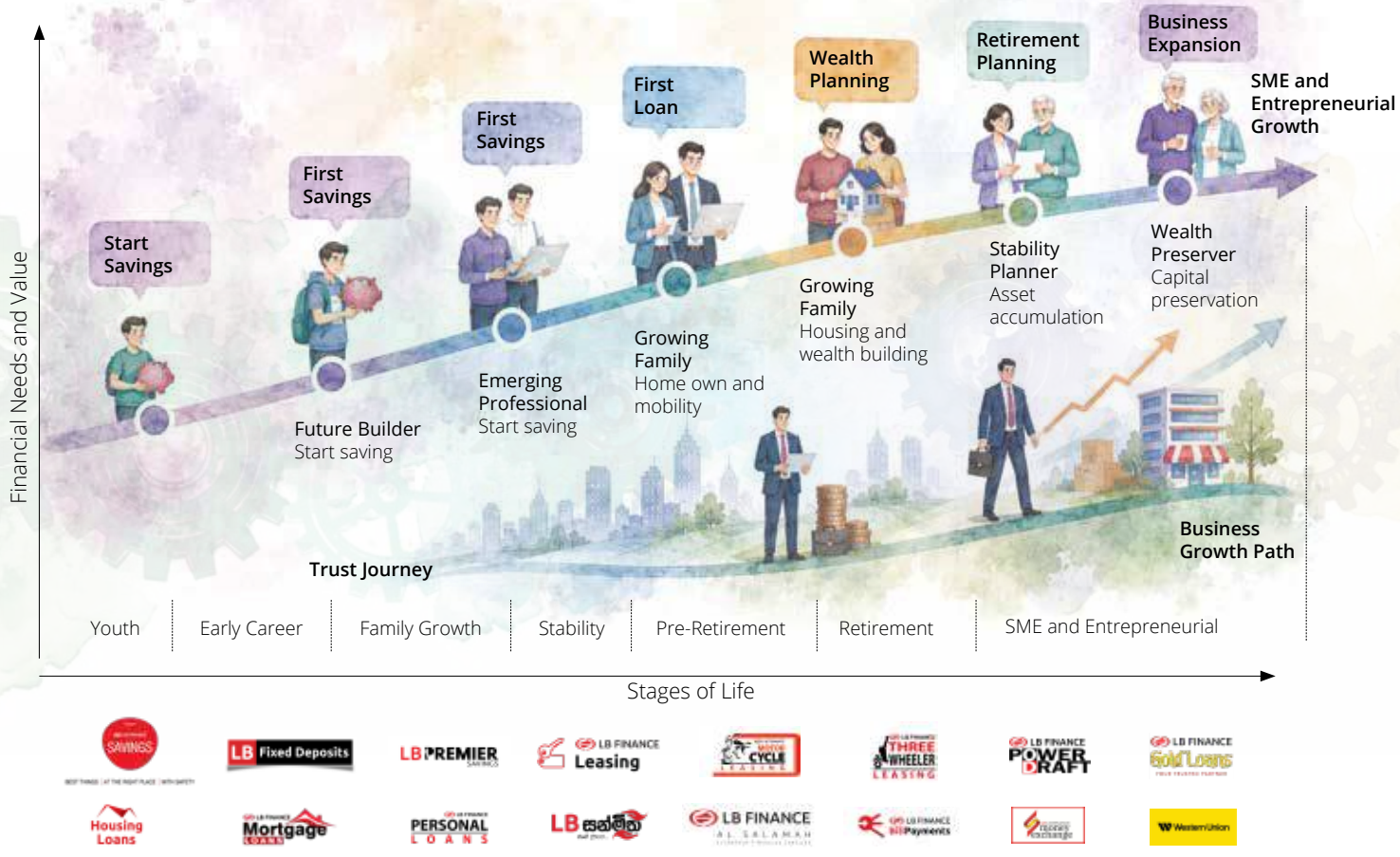
The customer persona and value alignment model further illustrates how LBF supports customers across their financial journeys while strengthening long-term engagement and value creation.

Scan to view our product portfolio

WEB **3**

Supporting Customers Across Every Stage of Life

Enabling financial growth through tailored solutions and trust.



Integrated Social and Relationship Capital

3.3. Customer Lifecycle and Value Journey

Customer relationships at LBF evolve through a structured lifecycle that reflects how value is created over time.

This journey demonstrates how the Company expands financial access, gains insights through segmentation and analytics, develops tailored solutions, delivers them efficiently and continuously engages to build trust and long-term relationships.

From First Interaction to Lifelong Relationship

Customer Value Creation Journey

Access
Focus
- Branch network
- LB CIM app
- Digital channels
- Outreach initiatives

Understand
Insight and segmentation
- Segmentation
- Data analytics
- Feedback mechanism
- Customer interactions

Develop
Tailored solutions
- Structured product development
- Responsible lending
- LB Sanmitha

Deliver
Seamless service
- Omnichannel delivery
- Fast approvals
- Digital processing
- Service standards

Engage
Continuous interaction
- Increased product adoption
- Lifestyle partnerships
- Digital interaction

Retain
Loyalty and value
- Loyalty initiatives
- Consistent service
- Trust-based engagement

3.4. Digital Customer Ecosystem and Accessibility

The LB CIM app serves as the cornerstone of LBF's digital ecosystem, enabling customers to access financial services seamlessly and in real time. Through its integrated functionality, user-centric design and secure platform, the application enhances convenience, accessibility and overall customer engagement.

WEB **4**

Scan the QR code to download the LB CIM app

Digitally active customers
216,267

Growth in digital onboarding
22%

Features in the mobile application
30+



3.4.1. Digital Experience Impact

LBF continues to strengthen its digital ecosystem through strategic partnerships that enhance functionality and expand service capabilities. In collaboration with eChannelling PLC, the LB CIM app now enables customers to conveniently book doctor appointments directly through the platform, making healthcare access faster, more accessible and seamlessly integrated into everyday financial interactions.

Further enhancing customer convenience, LBF partnered with SLIIT to introduce smart and efficient digital payment solutions for students and parents, simplifying education-related transactions and improving accessibility to financial services within the education ecosystem.

The Company also actively supports national digital initiatives, including the "Pay Digital" campaign led by the CBSL, aimed at accelerating the adoption of digital payment solutions across the country. Through participation in initiatives such as the Kurunegala promotional campaign and awareness programmes for CBSL employees, LBF reinforces its commitment to advancing Sri Lanka's digital financial ecosystem.





3.4.2. Continuous Digital Enhancement

LBF continues to invest in strengthening its digital capabilities by enhancing platform functionality, improving system reliability and introducing new features aligned with evolving customer expectations. This ensures that the Company remains agile, responsive and future-ready in an increasingly digital environment.





3.5. Advanced Customer Analytics and Insight Capability

LBF leverages data-driven insights to strengthen customer understanding and improve decision-making. Through analytics, feedback systems and behavioural tracking, the Company can identify evolving customer needs and enhance service delivery.

Channel	Role in Engagement	Customer Experience
LB CIM app	Digital self-service and transactions	Real-time access and convenience
Social media	Engagement and brand interaction	Real-time communication and awareness
SMS and email	Alerts and personalised communication	Timely and relevant updates
Website	Information and financial education	Informed decision-making
Call centre	Customer support and issue resolution	Responsive and reliable service
Branch network	Personalised relationship building	Trust and human connection
Feedback and surveys	Customer insight and improvement	Continuous service enhancement

3.5.1. Data-driven Customer Decision Making

LBF integrates insights derived from customer analytics into its core decision-making processes, ensuring that product development, marketing strategies and service delivery are aligned with evolving customer expectations.

3.5.2. Enhancing Customer Experience Through Analytics

By analysing customer interactions across digital platforms, branch networks and communication channels, LBF continuously refines its service delivery model. This ensures that customer journeys are streamlined, responsive and aligned with user expectations.

Analytics-driven insights also support faster response times, improved service quality and a more personalised customer experience across all touchpoints.

Social Media Analytics

193k	13k	85k	101k
Followers	Followers	Followers	Followers

Integrated Social and Relationship Capital

Call Centre and Customer Complaint Handling Analytics

	Number of Customer Complaints Received	Customer Complaints Solved
Deposits (Savings/FD)	2	2
Loans and receivables (All loan and lease categories)	577	548
Bill Payment/Western Union/Foreign Exchange)	-	-
General	2	2
Total	581	552



3.6. Product Responsibility and Customer Protection

At LBF product responsibility is governed through a structured framework that ensures all financial solutions are developed and delivered in alignment with regulatory requirements, ethical standards and customer needs. The Company maintains robust governance mechanisms, including defined policies, approval processes and oversight by management and relevant committees.

Policies related to governance and compliance in product responsibility are given below.

- Information Classification Policy
- Information Security Policy
- Product related procedure manuals
- Policies related to anti-money laundering and combating terrorist financing
- Financial Consumer Protection Policy
- Security and Surveillance Policy

Product development at LBF is guided by a structured and disciplined process that ensures alignment with customer needs, regulatory requirements and responsible financing principles.

Responsible Product Development Lifecycle *From Concept to Customer Value*

IDEATE	DESIGN	VALIDATE	APPROVE	PILOT	LAUNCH
Idea generation, concept development	Product structuring, refinement	Prototype development, testing	Regulatory and risk review	Controlled pilot launch	Commercial rollout
Initial screening and alignment with strategy	Management review and approval	Quality assurance and validation checks	BIRMC approval and compliance checks	Performance monitoring and feedback	Final approvals and readiness checks
Innovation aligned with customer needs	Well-defined, customer-focused solutions	Reliable and effective product design	Regulatory-compliant and risk-controlled products	Real-world validation and refinement	Market-ready, customer-centric solutions

Transparency → Quality → Trust → Value

3.7. Customer Trust, Data Privacy and Security

Safeguarding customer information is a fundamental responsibility at LBF. The Company maintains a robust Customer Protection Framework, aligned with regulatory requirements, to ensure secure handling of customer data.



The implementation of the Board-approved Personal Data Protection Policy strengthened governance across data collection, storage and usage. Access to sensitive information is restricted to authorised personnel, ensuring confidentiality and integrity.

Policies related to IT and IS include

- Information Classification Policy and
- Information Security Policy

3.8. Customer Engagement Initiatives and Experience Highlights

During the year, LBF strengthened customer engagement through a series of experiential initiatives and promotional campaigns.

These included participation in lifestyle exhibitions, automotive showcases and housing events, enabling customers to explore financial solutions aligned with key life moments such as home ownership, mobility and celebrations.

Customer reward initiatives and interactive campaigns further enhanced engagement, strengthening brand visibility and fostering deeper customer relationships.

Engagement Platform	Experience Delivered	Value Created
Lifestyle and event engagements	Wedding shows, exhibitions, lifestyle events	Emotional connection and brand engagement
Automotive and product showcases	Toyota experience zone, motor shows	Product awareness and solution accessibility
Customer reward initiatives	Promotional campaigns and giveaways	Increased engagement and brand loyalty
Housing and lifestyle exhibitions	Kedella and Art of Living platforms	Enabling life goals through financial support













Integrated Social and Relationship Capital

3.9. Customer Relationship Outcomes

Through a strong focus on customer engagement and service excellence, LBF continues to strengthen trust, improve customer satisfaction and enhance long-term relationships.

Focus Area	KPI	Definition	2025/26	2024/25	Target	Strategic Insight
Customer growth	Total customer base	Total active customers	950,000+	850,000+	↑	Market expansion
Digital acquisition	New customers	New customers onboarded	129k	106k	↑	Growth momentum
Loyalty	Net Promoter Score (NPS)	% Promoters – % Detractors	29%	41%	>50%	Brand advocacy
Engagement	Digital active users	App/online users	307k	438k	↑	Digital adoption
Complaint management	Resolution rate	% complaints resolved	95%	89%	100%	Trust indicator
Data security	Data breaches	Number of breaches	0	0	0	Risk control

3.10. Customer Value Contribution to Business Strategy

Customer Capital plays a critical role in supporting LBF's strategic objectives, particularly in driving customer-centric growth, enhancing digital transformation and strengthening long-term sustainability.

By improving customer experience, increasing retention and expanding financial inclusion, the Company enhances revenue growth, operational resilience and competitive positioning.

Ultimately, Customer Capital enables LBF to create sustainable value by aligning business performance with customer needs, ensuring that growth is both inclusive and long-term.

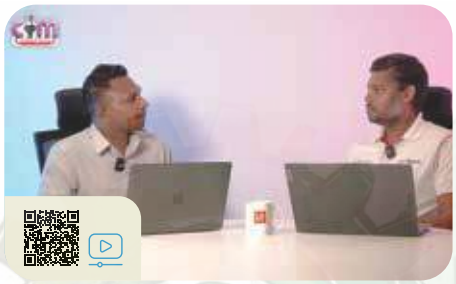
3.11. Financial Inclusion and Customer Empowerment

LBF is committed to expanding financial access and empowering customers through inclusive solutions and awareness initiatives.

Through targeted products and services, including LB Sanmitha, the Company supports underserved segments, particularly SMEs, enabling entrepreneurship and economic participation.

In addition, financial literacy initiatives and transparent communication practices empower customers to make informed financial decisions, enhancing confidence and long-term financial wellbeing.







4. CUSTOMER CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response / Mitigation
Increasing customer expectations for seamless digital experiences	Enhance customer engagement through integrated digital and physical channels	Strengthen LB CIM app capabilities, improve omnichannel accessibility and continuously enhance digital customer experience
Growing cybersecurity and data privacy concerns	Build stronger customer trust and digital confidence	Strengthen data protection frameworks, cybersecurity systems and customer awareness initiatives
Changing customer behaviours and evolving financial needs	Leverage analytics and customer insights to develop personalised solutions	Utilise customer analytics, feedback systems and behavioural insights to enhance products and service delivery
Increasing competition within the financial services sector	Differentiate through customer-centric innovation and service excellence	Strengthen relationship management, product innovation, customer engagement initiatives and value-added financial solutions

5. CUSTOMER CAPITAL FUTURE OUTLOOK

Short-term
Strengthening experience and digital adoption

- Strengthen data security and trust
- Accelerate digital adoption
- Integrate sustainable and responsible financial products aligned with ESG priorities

Medium-term
Driving personalisation, innovation and inclusion

- Leverage advanced analytics and AI-driven insights
- Lead in sustainable finance and ESG-driven product innovation
- Strengthen omnichannel engagement models

Long-term
Building a future-ready, sustainable customer ecosystem

- Develop a fully integrated digital financial ecosystem embedded in customers' daily lives
- Lead in sustainable finance and ESG-driven product innovation
- Embed customer-centric innovation culture across all business operations

Integrated Social and Relationship Capital

BUSINESS PARTNER CAPITAL

Together, We Create Value Through Strategic Collaboration

Local suppliers
19,000+

Strategic partnerships strengthened

Trusted partner network

Responsible sourcing

6. BUSINESS PARTNER CAPITAL VALUE CREATION PATH

Foundation

6.1 Partner Ecosystem Overview

6.2 Strategic Partnerships and Value Creation

Enablement

6.3 Partner Engagement and Relationship Management

6.4 Procurement Governance and Ethical Practices

6.5 Digital Integration and Operational Efficiency

Outcomes

6.6 Partner Contribution to Innovation and Growth

Impact

6.7 Partner Risk and Resilience Considerations

6.1. Partner Ecosystem Overview

Business Partner Capital at LBF represents a dynamic ecosystem of external relationships that supports the delivery of financial solutions, strengthens operational capabilities and enhances long-term value creation. These partnerships span across funding providers, technology partners, suppliers and strategic collaborators, forming an interconnected network that enables the Company to operate efficiently and respond to evolving market needs.

BUSINESS PARTNER ECOSYSTEM OF LBF

Creating shared value through collaboration

Trust and Collaboration
Long-term relationships built on transparency and mutual growth

Value Creation
Partners enabling innovation, efficiency and customer value

Governance and Ethics
Robust procurement controls and ethical practices



Operational Excellence
Streamlined processes through digital integration (ERP)

Innovation and Growth
New products, markets and sustainable solutions

Resilience and Risk
Managed through due diligence, monitoring and multi-vendor strategy

KEY OUTCOMES

Enhanced Customer Outcomes | Sustainable Growth | Stronger Ecosystem | Operational Efficiency | Long-term Value Creation

6.2. Strategic Partnerships and Value Creation

During the year, LBF strengthened its ecosystem through strategic partnerships across automotive, jewellery, agriculture and sustainability sectors. These collaborations enable the Company to deliver innovative financial solutions, expand market reach and enhance customer experience.

Sector	Key Partners	Value Created
Automotive and mobility	Toyota Lanka, DIMO, Kia Sri Lanka, United Motors, Euro Motors	Expanding vehicle financing solutions and enhancing customer access to mobility
Jewellery and gold financing	Ashadi Jewellers, Ravi Jewellers, Muthukarupan Chittiyar	Enabling gold-backed financing and improving access to liquidity
Agriculture and SME development	Hayleys Agriculture, CAFT (Smart Agriculture)	Supporting farmers and SMEs through inclusive and sector-focused financing
Green solutions	John Keells CG Auto, Browns EV, Hayleys Solar	Promoting sustainable financing and environmentally responsible investments
Integrated lifestyle and asset financing	Multi-sector collaborations	Supporting housing, mobility and life-stage financial needs







6.3. Partner Engagement and Relationship Management

LBF maintains structured engagement with its business partners through transparent communication, performance monitoring and long-term collaboration frameworks. Suppliers and service providers are selected through formal registration and due diligence processes, ensuring reliability, quality and alignment with organisational standards. Ongoing engagement includes:

- Performance evaluation ensuring quality, cost efficiency and ethical compliance
- Preferred vendor management promoting local sourcing
- Continuous collaboration and feedback strengthening partnerships

6.4. Procurement Governance and Ethical Practices

Procurement at LBF is governed by a robust framework that ensures transparency, accountability and ethical conduct across all activities. All procurement processes are executed through structured approval mechanisms supported by the Oracle Fusion ERP system, enabling full traceability, control and regulatory compliance.

The Company upholds strict confidentiality throughout procurement processes while maintaining a zero-tolerance approach towards corruption and misuse of authority. Clear mechanisms are in place to identify and manage potential conflicts of interest, ensuring that all procurement decisions are conducted with integrity, fairness and in the best interest of the organisation.

6.5. Digital Integration and Operational Efficiency

Digital integration plays a key role in managing partner relationships and procurement activities at LBF. The use of ERP systems enables streamlined procurement processes, automated approvals and real-time monitoring of transactions, enhancing overall operational effectiveness. This digital capability improves efficiency, strengthens cost management and enhances transparency and control across procurement activities, while also enabling faster procurement cycles and more responsive decision-making.

Integrated Social and Relationship Capital

6.6. Partner Contribution to Innovation and Growth

Business partners contribute significantly to LBF's ability to innovate and expand. Strategic collaborations enable the Company to introduce new financial products, enter new markets and enhance service delivery.

Business partner capital performance dashboard is given below.

Focus Area	KPI	Definition	2025/26	2024/25	Target	Strategic Insight
Network strength	Number of partners	Active partnerships	19,000+	19,000+	↑	Ecosystem growth
Strategic alliances	New partnerships	New MoUs signed	10	04	↑	Expansion
Supplier engagement	Local supplier %	% local procurement	99%	99%	↑	Economic impact
Reliability	On-time payments	% payments on time	100%	100%	100%	Partner trust
Compliance	Supplier compliance rate	% compliant suppliers	100%	100%	100%	Governance strength

6.7. Partner Risk and Resilience Considerations

Managing partner-related risks is critical to ensuring operational continuity and resilience. LBF mitigates risks through structured procurement processes, supplier due diligence and continuous monitoring.

Key Risk	Description	Mitigation Approach	Outcome / Value Protected
Operational disruptions	Disruptions in supply or service delivery impacting operations	Multi-vendor strategies and alternative sourcing arrangements	Business continuity and uninterrupted service delivery
Supplier dependency	Over-reliance on specific suppliers affecting flexibility and resilience	Supplier diversification and ongoing performance monitoring	Improved resilience and reduced dependency risk
Compliance risks	Non-compliance with regulatory, contractual, or ethical standards	Strong governance frameworks, internal controls and due diligence processes	Enhanced compliance, transparency and risk mitigation

7. BUSINESS PARTNER CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response / Mitigation
Dependence on key strategic partners	Enhance long-term collaboration and operational resilience	Maintain continuous performance monitoring and strengthen partner diversification initiatives
Rapid technological advancements impacting operational integration	Improve operational efficiency through digital integration	Expand ERP integration, automation and real-time monitoring across procurement and partner management processes
ESG and compliance expectations across the partner ecosystem	Strengthen sustainable and ethical business partnerships	Enhance governance frameworks, supplier compliance monitoring and ESG-focused partner engagement

8. BUSINESS PARTNER CAPITAL FUTURE OUTLOOK

Short-term
Strengthening partnerships and operational efficiency

- Expand strategic partnerships across key sectors (automotive and sustainability)
- Improve digital integration through ERP systems and process automation

Medium-term
Driving collaboration, innovation and ESG alignment

- Integrate digital platforms with partners for seamless collaboration
- Strengthen ESG alignment across the partner ecosystem

Long-term
Creating a resilient and sustainable partner ecosystem

- Enhance long-term value through trusted and strategic partnerships
- Foster innovation through strategic collaborations and co-creation

REGULATORY CAPITAL

Upholding Trust Through Strong Governance and Regulatory Excellence

Central Bank of Sri Lanka, Securities and Exchange Commission, Department of Inland Revenue and other regulatory bodies

9. REGULATORY CAPITAL VALUE CREATION PATH

Foundation

9.1 Regulatory Landscape Overview

Enablement

9.2 Governance Framework and Compliance Approach

9.3 Engagement with Regulatory Bodies

Outcomes

9.4 Transparency, Reporting and Accountability

Impact

9.5 Long-term Value Generated through Regulations

9.1. Regulatory Landscape Overview

As a licensed finance company in Sri Lanka, LBF operates within a well-defined regulatory framework designed to ensure financial stability, transparency and stakeholder protection. The Company is primarily regulated by the Central Bank of Sri Lanka under the Finance Business Act, while also complying with the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange as a listed entity.

In addition, LBF adheres to a broad spectrum of applicable laws and regulatory requirements, including corporate governance codes, financial reporting standards, anti-money laundering regulations and consumer protection frameworks. This comprehensive regulatory environment ensures disciplined operations and reinforces accountability across all aspects of the business.

9.2. Governance Framework and Compliance Approach

LBF maintains a robust Governance and Compliance Framework that ensures adherence to all regulatory requirements while supporting responsible business conduct. This framework is embedded across the organisation through clearly defined policies, procedures and control mechanisms.

Integrated Social and Relationship Capital

GRI 207-3

UPHOLDING TRUST THROUGH REGULATORY EXCELLENCE

Operating within a disciplined governance and compliance framework that ensures stability, transparency and accountability.

REGULATORY COMPLIANCE OVERSIGHT

Regulatory compliance is overseen through a structured Governance Framework comprising:

Board Oversight
Governance through Board-level supervision and specialised committees

Independent Assurance
Risk Management and Internal Audit functions ensuring control effectiveness

Regulatory Alignment
Continuous updates to reflect evolving regulatory requirements

Monitoring and Reporting
Structured compliance tracking and regulatory reporting systems

TRANSPARENCY AND DISCLOSURE PRACTICES

LBF ensures transparency and accountability through:

Financial Reporting
Periodic financial and statutory disclosures

Integrated Reporting
Alignment with global best practices in corporate reporting

Regulatory Reporting
Timely submissions to regulatory authorities

TRUST AND STAKEHOLDER CONFIDENCE

This commitment to compliance and governance supports:

Customer Protection
Safeguarding customer interests and financial wellbeing

Ethical Practices
Ensuring fair, transparent and responsible conduct

Investor Confidence
Strengthening credibility and trust among investors

CONTRIBUTION TO FINANCIAL SYSTEM STABILITY

LBF contributes to the broader financial ecosystem by:

Financial Discipline
Promoting responsible lending and prudent financial practices

Economic Support
Facilitating financial intermediation and economic activity

Market Disclosure
Strengthening stability within the financial sector

System Resilience
Strengthening stability within the financial system

9.3. Engagement with Regulatory Bodies

LBF maintains proactive and transparent engagement with key regulatory bodies, including the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka, Colombo Stock Exchange and the Department of Inland Revenue. These engagements are conducted through regular reporting, regulatory submissions, consultations and adherence to supervisory requirements.

The Company adopts a proactive risk management approach to ensure compliance with all applicable requirements imposed by the Central Bank of Sri Lanka, Securities and Exchange Commission of Sri Lanka, Colombo Stock Exchange the Department of Inland Revenue and other regulatory authorities, thereby minimising the risk of non-compliance and strengthening governance and operational resilience.

The Company adopts a collaborative approach, ensuring timely communication and responsiveness to regulatory developments. This ongoing engagement strengthens regulatory relationships and ensures alignment with evolving expectations within the financial sector.

9.4. Transparency, Reporting and Accountability

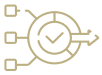
Transparency is a fundamental principle guiding LBF's regulatory approach. The Company ensures accurate, timely and comprehensive disclosure of financial and non-financial information in accordance with applicable reporting standards

The effectiveness of LBF's regulatory framework is measured through a structured set of key performance indicators that reflect compliance, reporting discipline, transparency and governance strength. These metrics demonstrate the Company's commitment to accountability and regulatory excellence.

Focus Area	KPI	Definition	2025/26	2024/25	Target	Strategic Insight
Reporting	Timely submissions	% submitted on time	100%	100%	100%	Governance discipline
Training	Compliance training coverage	% employees trained	14%	11%	100%	Awareness

10. REGULATORY CAPITAL RELATED CHALLENGES AND OPPORTUNITIES





Challenge	Opportunity	Response / Mitigation
Evolving regulatory requirements and compliance expectations	Strengthen governance, transparency and compliance culture	Continuously enhance policies, internal controls and compliance monitoring mechanisms
Increasing reporting and disclosure requirements	Improve accountability and stakeholder confidence	Strengthen reporting systems, governance practices and timely disclosure processes
Cybersecurity, data privacy and financial crime risks	Enhance regulatory resilience and operational security	Strengthen AML frameworks, cybersecurity systems and employee awareness programmes
Complexity arising from changing financial sector regulations	Leverage technology-driven compliance and monitoring systems	Integrate automated compliance tools and strengthen engagement with regulatory authorities

11. REGULATORY CAPITAL FUTURE OUTLOOK



Short-term
Strengthening compliance and governance discipline

- Ensure timely and accurate regulatory reporting and disclosures
- Strengthen employee awareness on compliance and ethical practices

Medium-term
Advancing transparency and regulatory alignment

- Integrate technology-driven compliance and reporting systems
- Strengthen engagement and collaboration with regulatory bodies engagement models

Long-term
Building trust and contributing to system stability

- Strengthen stakeholder confidence through sustained transparency
- Contribute to long-term financial system stability and resilience

Integrated Social and Relationship Capital

GRI 413-1

COMMUNITY CAPITAL

Creating Lasting Impact Through Responsible Engagement

Community engagement projects	Inclusive financial access	Women-led businesses enabled	Inclusive stakeholder dialogue
13			

12. COMMUNITY CAPITAL VALUE CREATION PATH

Foundation

12.1. Community Impact Philosophy

12.2. Community Value Creation Model

Enablement

12.3. Community Investment and Resource Allocation

12.4. Key Community Initiatives and Employee Volunteerism

12.5. Financial Inclusion and Rural Outreach

Outcomes

12.6. Community Impact Outcomes and Beneficiaries

12.7. Community Engagement and Relationship Building

Impact

12.8. Responsible Financing and Negative Lending Approaches

12.1. Community Impact Philosophy

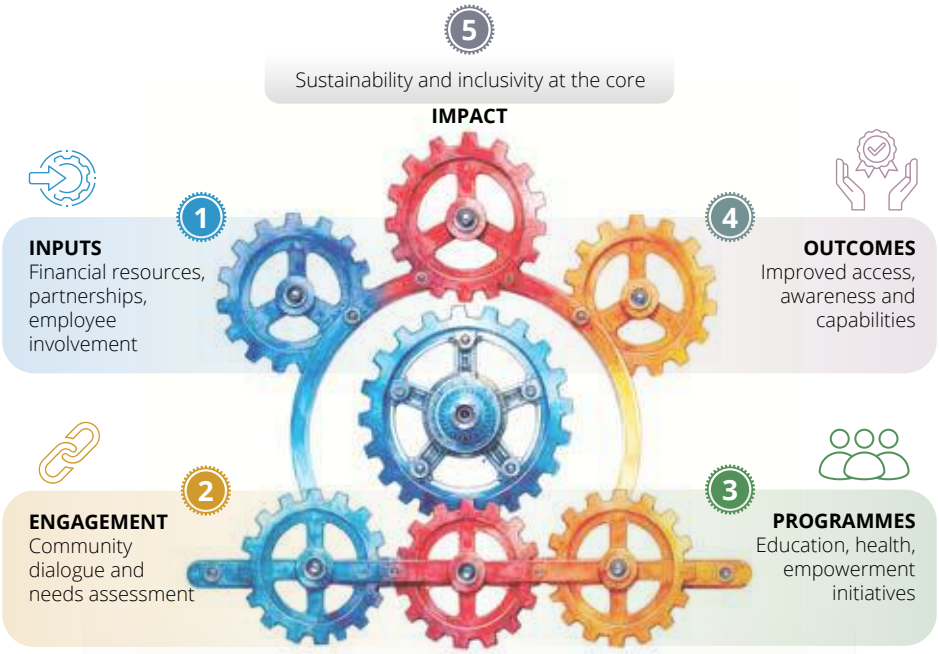
At LBF, community development is not viewed as a responsibility, but as an obligation embedded within the Company's purpose. Recognising the strong interconnection between business growth and societal wellbeing, LBF is committed to creating sustainable social and economic value across the communities it serves.

Through a focus on financial inclusion, responsible business practices and meaningful engagement, LBF supports individuals, entrepreneurs and underserved communities, contributing to inclusive development while strengthening its role as a responsible corporate citizen.

12.2. Community Value Creation Model

LBF's community value creation approach is centred on delivering long-term, sustainable impact through structured interventions.

COMMUNITY VALUE CREATION MODEL



INPUTS → ENGAGEMENT → PROGRAMMES → OUTCOME → IMPACT

Sustainability and inclusivity at the core

- Financial resources, partnerships, employee involvement
- Investment in empowerment through resourcing economic value growth
- Employee volunteer contributions and supports local economies

12.3. Community Investment and Resource Allocation

LBF adopts a structured approach to community investment, focusing on long-term impact rather than short-term welfare initiatives. Resources are allocated across priority areas based on community needs, national relevance and potential for sustainable outcomes.

Community Investments

Community Wellbeing	Employee Wellbeing	Education for Development	Transformative CSR	Building Partnerships
Good health and wellbeing	*Decent work and economic growth*	*Quality education*	*No poverty*	*Partnerships for the goals*

12.4. Key Community Initiatives and Employee Volunteerism

During the year, LBF implemented a wide range of impactful initiatives across community wellbeing, education and empowerment.

Community Wellbeing

Project : Drug abuse prevention programmes

As part of our commitment to promoting healthier and safer communities, LBF conducted a series of drug abuse prevention awareness programmes in collaboration with the National Dangerous Drugs Control Board (NDDCB). The initiative focused on educating students and teachers on the importance of prevention, mental wellbeing and responsible decision-making, helping to build awareness and resilience among young individuals. Programmes were conducted across Kuliyapitiya Zonal Education Office, Buddaghosa Vidyalaya, Kalubowila, Girulla and Kurunegala.

Expected benefits and impact

- Raise awareness on the dangers and consequences of drug abuse
- Promote mental wellbeing and responsible lifestyle choices among students
- Strengthen prevention-focused education within schools and communities
- Empower teachers and students with knowledge to identify and address risks
- Encourage safer and healthier communities through awareness and education initiatives

Investment: Rs. 223,350

No. of beneficiaries: 275 students and 94 teachers

Volunteer hours: 92





Integrated Social and Relationship Capital

Project : School sanitation upgrade

As part of our commitment to creating safer and healthier learning environments, LBF supported sanitation facility upgrades at Kalutara Musaeus Vidyalaya. The initiative aimed to improve hygiene, safety and overall wellbeing for students by enhancing access to clean and well-maintained sanitation facilities, contributing to a more supportive and conducive educational environment.

Expected benefits and impact

- Improve hygiene and sanitation conditions for students
- Create a safer and healthier school environment
- Support student wellbeing and daily comfort
- Promote healthy habits and cleanliness awareness among students
- Enhance the overall learning environment through improved facilities

Investment: Rs. 353,150

No. of beneficiaries: 650 students

Volunteer hours: 12





Education and Development

Project : LCES tailoring school programme

As part of our commitment to empowering women and supporting sustainable livelihoods, LBF partnered with the LCES Tailoring School Programme to provide vocational training opportunities for women. The initiative focused on enhancing practical tailoring skills, improving employability and encouraging financial independence, enabling participants to build stable incomes and improve their quality of life.

Expected benefits and impact

- Enhance vocational and tailoring skills among women
- Improve employability and income-generating opportunities
- Promote financial independence and self-sufficiency
- Support sustainable livelihoods and community empowerment
- Encourage confidence, entrepreneurship and long-term economic participation

Investment: Rs. 136,500

No. of beneficiaries: 25 women

Volunteer hours: 84





Project : "Arunodaya" – Child Guide and Skill Development Center, Wadduwa

As part of our commitment to fostering inclusive communities and supporting children with special needs, LBF established a specialised behavioural training space at the "Arunodaya" Child Guide and Skill Development Center in Wadduwa. The initiative aims to create a safe and engaging environment for children with autism, supporting inclusive education, behavioural development and skill enhancement while empowering them to achieve greater independence and confidence.

Expected benefits and impact

- Support inclusive education and behavioural development for children with autism
- Enhance learning, communication and social interaction skills
- Create a safe and engaging therapeutic learning environment
- Promote equal opportunities and social inclusion for differently abled children
- Empower children and families through specialised developmental support

Investment: Rs. 508,850

No. of beneficiaries: 100+ children

Volunteer hours: 88





Empowerment and Livelihood

Project : Women empowerment programmes

As part of our commitment to empowering women and fostering inclusive economic growth, LBF conducted four women empowerment programmes in collaboration with the 'Bee Women' organisation across Kurunegala, Colombo and Hanwella. The initiative focused on supporting women engaged in self-employment and small-scale businesses by enhancing entrepreneurial skills, encouraging financial independence and strengthening sustainable livelihood opportunities.

Expected benefits and impact

- Empower women through entrepreneurship and self-employment opportunities
- Enhance business knowledge and practical livelihood skills
- Promote financial independence and economic participation among women
- Support the growth and sustainability of small-scale businesses
- Encourage confidence, resilience and long-term community development

Investment: Rs. 750,000

No. of beneficiaries: 200 women

Volunteer hours: 100





Integrated Social and Relationship Capital

Project : Agricultural entrepreneurship programme

As part of our commitment to empowering rural communities and promoting sustainable livelihoods, LBF conducted an agricultural entrepreneurship programme in Mahiyanganaya to introduce greenhouse cultivation techniques for agri-entrepreneurs. The initiative, supported with resource contributions from Mr. Kelum Randima ("Gamiya"), aimed to enhance modern agricultural practices, improve productivity and create sustainable income-generating opportunities for aspiring entrepreneurs in the agriculture sector.

Expected benefits and impact

- Promote modern and sustainable agricultural cultivation practices
- Enhance entrepreneurial and income-generating opportunities for agri-entrepreneurs
- Improve agricultural productivity through greenhouse cultivation techniques
- Support rural economic development and sustainable livelihoods
- Encourage innovation and long-term resilience within the agriculture sector

Investment: Rs. 250,000

No. of beneficiaries: 60 agri-entrepreneurs

Volunteer hours: 50





Transformative Impact

Project : Cyber security awareness initiatives

As digital interactions continue to grow, customers and employees are increasingly exposed to cyber threats such as phishing attacks, online scams, malware and data security risks. In response, LBF conducted a series of cybersecurity awareness initiatives through social media campaigns, communique emails, phishing awareness training programmes, orientation sessions for newly onboarded employees and department-wise 'Information Guardian' programmes. These initiatives focused on enhancing awareness on ongoing security incidents, phishing threats, online scams and preventive security measures, while promoting a stronger culture of cybersecurity across both customers and staff.

Expected benefits and impact

- Enhance awareness on cybersecurity threats and preventive measures
- Strengthen protection against phishing attacks, scams and malware risks
- Promote responsible digital behaviour among customers and employees
- Improve organisational readiness and response to cyber incidents
- Foster a stronger cybersecurity culture across the organisation

Investment:

No. of beneficiaries: Customers and employees

Volunteer hours: 3,293





Community Wellbeing

Initiative	Impact Delivered	Beneficiaries	Investment (Rs.)	Volunteer Hours
Disaster relief – Ditwah cyclone	Supported national relief efforts through financial assistance to affected communities	Many	5,000,000	—
Blood donation campaigns	Promoted public health and lifesaving support through 3 campaigns across multiple locations	Many	202,980	246
Support for the children with special needs	Enabled inclusive education through sponsorship of aesthetic programme	200+	85,000	21

Education and Development

Initiative	Impact Delivered	Beneficiaries	Investment (Rs.)	Volunteer Hours
"Arunu Dora" book donation programme	Enhanced learning environments by supporting schools and libraries with limited resources, promoting reading culture	Many	882,000	Many
Support for visually impaired students	Provided funding for English and IT education, enabling independence and future opportunities	25 students	330,000	15
World Children's Day celebrations	Conducted nationwide engagement events promoting joy, inclusion and child wellbeing across multiple locations	Many	250,000	385

12.5. Community Impact Outcomes and Beneficiaries

LBF's community initiatives are designed to deliver measurable and lasting impact, supporting individuals, families and communities across Sri Lanka. Through targeted programmes in education, health and empowerment, the Company has positively influenced a wide range of beneficiaries.

Focus Area	KPI	Definition	2025/26	2024/25	Target	Strategic Insight
Investment	CSR spending	Total community investment (Rs.)	36.81 Mn	27.35 Mn	↑	Demonstrates long-term social commitment
Outreach	Number of projects	Total community initiatives implemented	13	18	↑	Expanding scale of social impact
Beneficiaries	Individuals impacted	Total number of beneficiaries reached	Many	Many	↑	Strengthening community reach and inclusivity
Inclusion	Financial inclusion reach	New underserved customers supported	160	320	↑	Supporting SMEs and expanding access in rural communities
Engagement	Volunteer hours	Total employee volunteer contribution	5,031 hrs	7,552 hrs	↑	Strengthening culture of giving and employee engagement
Education	Financial literacy programmes	Number of programmes conducted	4	3	↑	Promoting financial awareness and informed decision-making
Impact	SME support	Number of SMEs and entrepreneurs supported	160	320	↑	Enabling entrepreneurship, inclusive growth and economic resilience

Integrated Social and Relationship Capital

12.7. Community Engagement and Relationship Building

LBF maintains strong relationships with local communities through continuous engagement, open communication and mutual respect. The Company leverages its branch network to interact directly with communities, understand their needs and design relevant interventions.

12.8. Responsible Financing and Negative Lending Approach

LBF integrates sustainability into its core lending practices through a structured Responsible Financing Framework, ensuring that financial decisions contribute positively to society and the environment. As part of this approach, the Company has implemented a negative lending list, embedded within its Credit Policy and appraisal processes.

By incorporating environmental and social considerations into credit decisions, LBF safeguards community wellbeing, promotes sustainable development and strengthens its role as a socially responsible financial institution.

13. COMMUNITY CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenges	Opportunities	Response / Mitigation
Growing socio-economic disparities and financial exclusion	Expand financial inclusion and community empowerment initiatives	Strengthen outreach programmes, SME support initiatives and inclusive financial solutions
Increasing demand for sustainable and impactful community investments	Enhance long-term social value creation	Focus on structured community development initiatives aligned with national priorities and stakeholder needs
Limited financial awareness within underserved communities	Promote financial literacy and informed decision-making	Conduct awareness programmes, educational initiatives and community engagement activities
Climate-related and social challenges impacting communities	Build resilient and sustainable communities	Strengthen disaster relief support, community partnerships and responsible financing practices

14. COMMUNITY CAPITAL FUTURE OUTLOOK

Short-term
Expanding community reach and social impact

- Expand outreach to underserved and rural communities
- Enhance financial literacy and awareness programmes

Medium-term
Driving inclusion, empowerment and sustainable development

- Scale financial inclusion initiatives targeting SMEs and vulnerable groups
- Strengthen partnerships for community development programmes

Long-term
Building trust and contributing to system stability

- Build sustainable community development ecosystems
- Strengthen long-term community relationships and trust

DOC **15**

Scan the QR code to understand Social Return on Investment concept

Integrated Natural Capital

GRI 2-23, 3-3 IR 2A, 2C, 3E

1. MANAGEMENT APPROACH

At LB Finance (LBF), Natural Capital is managed through a structured, integrated and forward-looking approach that embeds environmental responsibility across strategy, operations and financial decision-making. Our management approach is guided by the ESG Roadmap 2.0, supported by a robust Environmental Management System (EMS) and aligned with evolving regulatory and global sustainability frameworks.

Recognising the increasing significance of climate change, resource constraints and environmental risks, the Company has transitioned from a compliance-driven approach to a value-driven environmental strategy, where sustainability is embedded into both operational practices and lending activities.

The Company also promotes environmental awareness among employees and customers while monitoring performance through defined environmental metrics and continuous improvement initiatives. By extending this responsibility across its value chain, LBF aims to strengthen environmental resilience and contribute to a more sustainable future.

The table below outlines LBF's environmental sustainability journey, showcasing key milestones and initiatives undertaken to strengthen environmental stewardship and advance sustainable business practices.

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 scopes under GHG Protocol

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

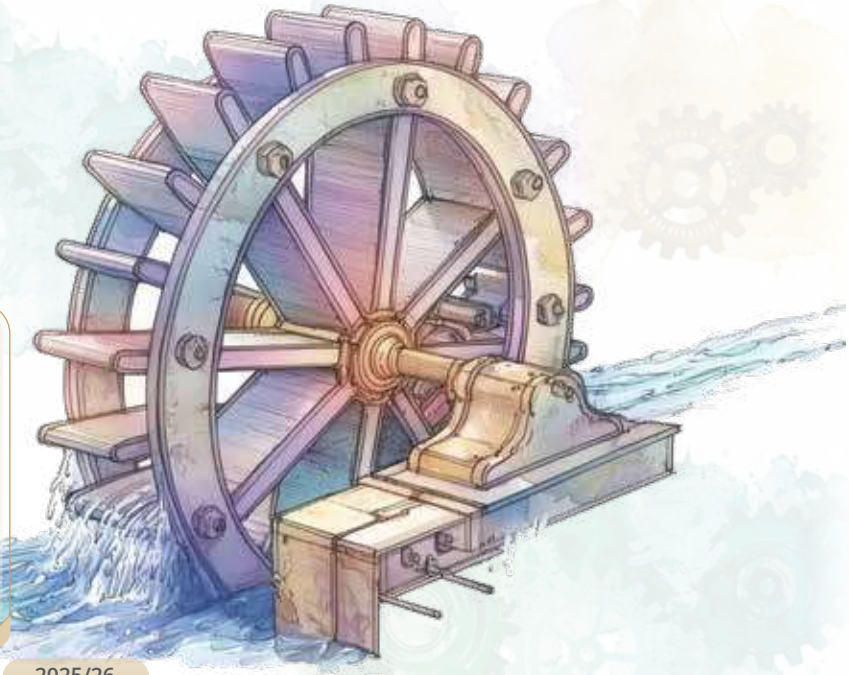
2024/25

- Launched first green branch development
- Rs. 7 Bn+ in green lending
- Calculated GHG emissions following GHG Protocol
- Maintained GHG Quality and Procedure Manuals (ISO 14064 aligned)
- First NBFI to calculate financed emissions
- Obtained assurance report on carbon footprint
- Revamped Environmental Policy and Pledge

Movement that Sustains

At LBF, growth is meaningful when it is sustainable. Through responsible resource management, environmental stewardship and initiatives that promote ecological resilience, we ensure that business progress remains aligned with the preservation of natural resources for future generations.

A water wheel and turbine system utilises natural force through guided motion to turn raw energy into sustained output that creates ripples of change.



2025/26

- Environmentally certified Company under ISO 14001
- Signatory of PCAF
- Committed to near term and net zero targets of SBTi
- Solarised branches 58
- Paper recycled 49,959 kg
- Green lending portfolio Rs. 42.72 Bn
- Investment in environmental projects Rs. 27.83 Mn

Integrated Natural Capital

2. NATURAL CAPITAL VALUE CREATION MODEL

At LBF, Natural Capital is managed through a structured value-creation approach that translates environmental responsibility into measurable business outcomes and long-term sustainability impact. This model demonstrates how environmental inputs are systematically managed, integrated into operations and financing and translated into outcomes that support both ecological preservation and economic performance.

Input

- Energy
- Water and other natural resources
- Environmental ecosystems
- Internal and regulatory frameworks supporting sustainable operations
- Green financing

Strategic Alignment

Supports climate resilience, sustainable operations, responsible lending and long-term environmental stewardship under the ESG Roadmap 2.0

Business Model Linkages

Enables sustainable operations, green product offerings, digital financing and environmentally responsible lending and investment decisions

Integration with Other Capitals

- FC: cost efficiency and green financing
- MC: energy-efficient infrastructure and green buildings
- HC: environmental awareness
- IC: digitalisation and climate data
- SRC: community engagement and partnerships

SDG Alignment

- Affordable and Clean Energy
- Responsible Consumption and Production
- Climate Action
- Life Below Water
- Life on Land

Materiality and Stakeholder Relevance

Highly material due to increasing regulatory focus, climate-related risks, investor expectations and the need for environmental accountability and sustainable practices

Key Risks

- Climate risk
- Regulatory risk
- Transition risk
- Environmental compliance risk
- Resource scarcity

Output

- Reduced carbon emissions
- Increased renewable energy adoption
- Improved resource efficiency
- Growth in green lending portfolio
- Reduced waste and paper usage

Outcomes

- Lower environmental footprint
- Improved operational efficiency
- Enhanced climate resilience
- Strengthened stakeholder confidence in sustainability practices

Impact on Value Creation

Sustainable business growth, cost optimisation, strengthened ESG positioning, improved resilience to climate risks and long-term environmental and stakeholder value creation

3. NATURAL CAPITAL VALUE CREATION PATH

Foundation

3.1. Natural Capital Governance

Enablement

3.2. 2025/26 Sustainability Milestones

3.3. Sustainable Operations and Resource Efficiency

Outcomes

3.4. Digitalisation and Paperless Transformation (Environmental Impact)

3.5. Sustainable Finance and Green Lending

Impact

3.6. Environmental Stewardship and Biodiversity

3.1. Natural Capital Governance

At LBF, Natural Capital governance is embedded within the Company's broader Governance and Risk Management Framework, ensuring that environmental considerations are integrated into strategic decision-making, operational execution and financial activities. Recognising the increasing importance of climate-related risks and sustainability expectations, the Company has established a structured, multi-layered governance framework to oversee environmental performance, manage risks and drive long-term sustainability.

3.1.1. Governance Structure and Oversight

The Board of Directors provides overall oversight on Natural Capital, ensuring alignment with:

- ESG Roadmap 2.0
- Climate commitments and net-zero ambitions
- Regulatory frameworks including SLFRS S1 and S2
- Long-term sustainability strategy
- ESG Policy 2.0

To ensure effective implementation and ongoing monitoring, the following governance mechanisms are in place:

- Board Sustainability Committee
- Sustainability Management Committee
- Corporate Sustainability Department

Responsible Financing Filter - Embedding Environmental and Social Responsibility in Every Financing Decision

EXCLUSION CRITERIA

- Destruction of high conservation value areas
- Degradation of critical habitats
- Unsustainable fishing practices
- Production or trade of hazardous, radioactive, or internationally restricted materials

ESMS ALIGNMENT

- International Finance Corporation
- World Bank Environmental and Social Framework
- Equator Principles
- Asian Development Bank Safeguard Policy Statement
- Sri Lanka Green Finance Taxonomy

1 Loan Application

Customer submits loan application with business information and supporting documents

2 Exclusion List Screening

Screening against LBF Exclusion List (aligned with EDFI Exclusion List) to identify activities with significant environmental and social risks

Activities on the exclusion list are not financed **REJECT**

3 ESMS Risk Assessment

Comprehensive ESMS assessment to evaluate potential E&S risks and impacts based on IFC Performance Standards and applicable regulations

ESMS CONSIDERS

- Environmental impacts
- Social impacts
- Regulatory compliance
- Stakeholder concerns
- Climate risks

4 Decision

APPROVE
Low E&S risk projects that meet our sustainability criteria

MITIGATE
Manageable risks with mitigation measures and monitoring plans

REJECT
High E&S risk projects that cannot be mitigated or on the exclusion list

- Projects that create positive environmental and social impact
- Projects proceed with mitigation actions and ongoing monitoring
- Projects rejected due to unacceptable environmental and social risks

5 SUSTAINABLE PORTFOLIO

- Supports responsible economic growth
- Reduces environmental impact
- Promotes resource efficiency
- Strengthens climate resilience
- Creates long-term value for stakeholders



At LBF, sustainability is not just a policy – it is a commitment we apply to every financing decision

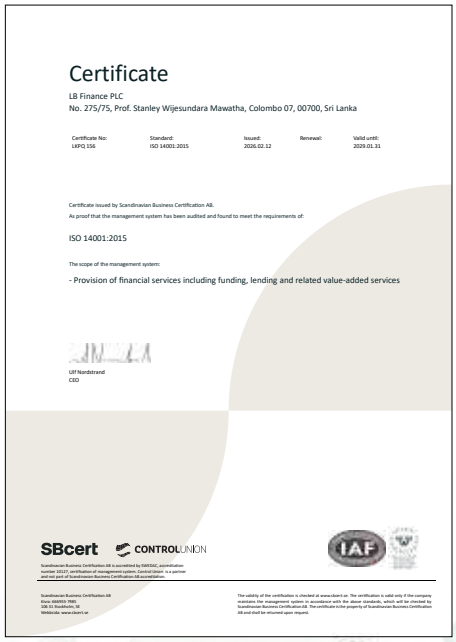
Integrated Natural Capital

3.2. 2025/26 Sustainability Milestones

3.2.1. ISO 14001:2015 Certificate Strengthening Environmental Management

For the first time in the NBFI sector, LBF has achieved ISO 14001 certification, marking a significant milestone in our environmental management journey. It reflects our commitment to systematic environmental stewardship, resource efficiency and the integration of sustainable practices across all operations.

The certification audit and verification were conducted by Control Union Sri Lanka and the certificate issued by Scandinavian Business Certification AB, which is accredited by SWEDAC.



Certificate

LB Finance PLC
No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07, 00700, Sri Lanka

Certificate No:	Standard:	Issued:	Renewal:	Valid until:
LKPQ 156	ISO 14001:2015	2026.02.12		2029.01.31

Certificate issued by Scandinavian Business Certification AB.
As proof that the management system has been audited and found to meet the requirements of:

ISO 14001:2015

The scope of the management system:

- Provision of financial services including funding, lending and related value-added services

Ulf Nordstrand
CSO

SBcert CONTROLUNION IAF



3.2.2. ESG Roadmap 2.0

LBF revised its ESG Roadmap to guide the Company's sustainability journey and strategic priorities towards 2030. This Roadmap was reviewed and formally approved by the Board, providing a clear framework for implementing ESG initiatives, managing sustainability-related risks and opportunities and tracking progress against established goals.

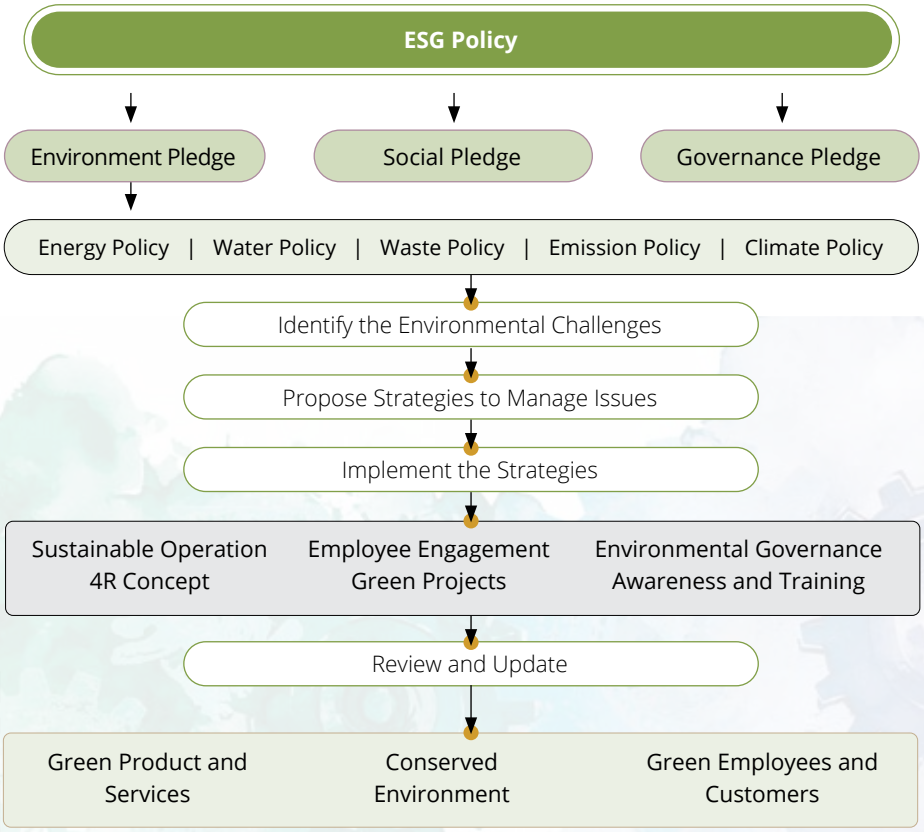
- Climate action and net-zero transition
- Sustainable operations and green buildings
- Circular economy and waste management
- Paperless and digital banking
- Environmental risk management in lending

Refer to Sustainability Section (page 88-140) for more information

3.2.3. ESG Policy 2.0

LBF's Natural Capital governance is further strengthened through a comprehensive policy framework that translates environmental commitments into structured actions across the organisation. This framework forms a critical component of the Company's Environmental Management System (EMS), enabling systematic identification, management and monitoring of environmental impacts.

The ESG Policy serves as the overarching framework, supported by specialised policies that address key environmental focus areas, including energy, water, emissions, waste management and climate action. Together, these policies ensure a consistent and coordinated approach to managing environmental risks and opportunities across operations and lending activities.



3.3. Sustainable Operations and Resource Efficiency

At LBF, sustainable operations are a core component of Natural Capital management, focusing on optimising resource consumption, reducing environmental impact and improving operational efficiency across the branch network. Guided by the ESG Roadmap 2.0 and supported by the EMS, the Company adopts a systematic approach to managing energy, water, waste and emissions.

The Company's environmental management is supported by key focus areas:

Input Management

Energy Management
Optimising energy consumption, enhancing efficiency and transitioning toward renewable energy

Water Management
Promoting responsible water use, conservation and sustainable management practices



Output Management

Waste Management
Minimising waste generation and promoting circular economy practices through reduction, reuse and recycling

Emission Management
Managing greenhouse gas emissions and supporting the transition toward a low-carbon business model

Climate Management
Integrating climate considerations into strategy, operations and decision-making, aligned with net-zero ambitions

3.3.1. Energy Management

Energy consumption represents one of the most material environmental impacts of the Company's operations. LBF has implemented a structured energy management approach to improve efficiency and reduce emissions.

Key practices:

- Establishment of energy baselines and monitoring systems across branches
- Transition to LED lighting and energy-efficient equipment
- Regular energy audits and performance tracking
- Integration of renewable energy solutions

Energy management strategies, metrics and targets are explained in the ESG Roadmap 2.0, page 92

Energy Footprint

75,419 GJ
(2024/25: 55,714 GJ)

Per employee
16.17 GJ
(2024/25: 12.64 GJ)

Per working day
314.24 GJ
(2024/25: 232.14 GJ)

Per outlet
335.19 GJ
(2024/25: 257.94 GJ)

Renewable Energy Generation

Renewable energy generation continues to be a core element of LBF's climate action strategy and net-zero transition. During the year, we expanded our rooftop solar PV systems by installing systems at 18 newly added branches, increasing the total number of solar-powered branches to 58 across our network. This expansion represents a total investment of Rs. 82.39 million, reflecting our long-term commitment to clean energy integration and energy cost optimisation.

Integrated Natural Capital

TOTAL RENEWABLE ENERGY GENERATION

180.15 MWh/Year

NO. OF BRANCHES WITH SOLAR

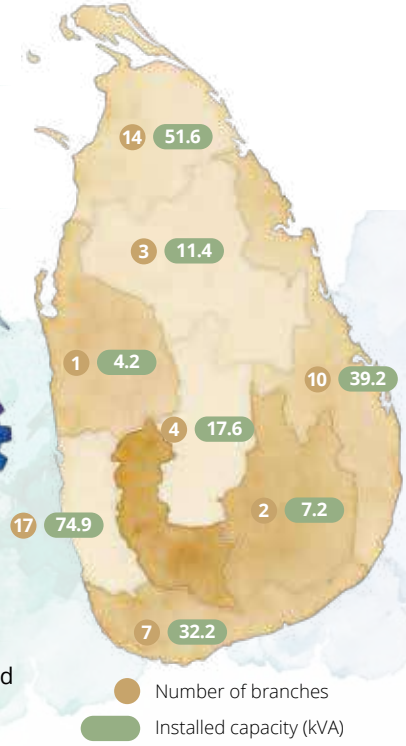
58

TOTAL INSTALLED CAPACITY

238.30 kVA



Solar energy generation increased by 47% compared to the previous year.



3.3.2. Water Stewardship

Although the Company's direct water footprint is relatively low, LBF adopts a proactive approach to water management.

Key practices:

- Implementation of water management plans across branches
- Regular audits and leak detection mechanisms
- Promotion of responsible water use practices

Water management strategies, metrics and targets are explained in the ESG Roadmap 2.0, page 92.

Water Footprint

50,280 m³
(2024/25: 48,514 m³)

Per employee
10.78 m³
(2024/25: 11.01 m³)

Per working day
209.50 m³
(2024/25: 202.14 m³)

Per outlet
223.47 m³
(2024/25: 224.60 m³)

3.3.3. Waste Management and Resource Efficiency

The Company adopts a circular economy approach to waste management, focusing on minimisation, segregation and responsible disposal.

Key initiatives:

- Implementation of 4R principles (Reduce, Reuse, Recycle, Refuse)
- Segregation of waste streams at branch level
- Partnership with certified recycling providers for responsible waste disposal

Responsible e-waste Management with Green Links

LBF has partnered with Green Links, a certified e-waste management provider in Sri Lanka, to ensure the responsible collection, recycling and disposal of electronic waste generated across our operations. This partnership enables us to safely manage IT assets, electronics and office devices, ensuring compliance with national environmental regulations while minimising environmental impact.



Waste management strategies, metrics and targets are explained in the ESG Roadmap 2.0, page 92





Waste Footprint

Total paper recycled
49,959 kg
(2024/25: 52,604 kg)

849
(2024/25: 894)
No. of fully-grown trees

87,678 Litres
(2024/25: 92,320 Liters)
of oil

199,836 kWh
(2024/25: 210,416 kWh)
of electricity

1,587,697 Litres
(2024/25: 1,671,755 Liters)
of water

150 m³
(2024/25: 158 m³)
of landfill

3.3.4. Emission Management and Climate Action

Driving the Transition to a Low-Carbon and Climate-Resilient Future

At LBF, climate change is recognised as a material financial and strategic risk that requires a structured and proactive response. The Company has embedded climate action at the core of its Natural Capital strategy, aligning operational practices, financing decisions and long-term targets with global and national climate priorities.

Through a combination of robust measurement frameworks, emission-reduction initiatives and sustainable financing solutions, LBF is actively contributing to the transition to a low-carbon economy while strengthening its own resilience to climate-related risks.

Emission Footprint

58,958 tCO_2e
(2024/25: 36,934 tCO_2e)

Per employee
12.64 tCO_2e
(2024/25: 8.38 tCO_2e)

Per working day
245.66 tCO_2e
(2024/25: 153.89 tCO_2e)

Per outlet
262.04 tCO_2e
(2024/25: 170.99 tCO_2e)

Comprehensive Carbon Footprint Assessment

During the year, LBF strengthened its climate accountability by conducting a comprehensive carbon footprint assessment covering:

- **Scope 1 emissions** – Direct emissions from fuel combustion and Company controlled emissions
- **Scope 2 emission** – Indirect emission from purchased electricity
- **Scope 3 emissions** – Indirect emissions across the value chain, including financed emissions

The assessment was conducted in accordance with the Greenhouse Gas (GHG) Protocol, ensuring consistency, transparency and comparability of data

In a significant milestone:

- Financed emissions were calculated using PCAF methodology
- Carbon footprint data was independently verified in line with ISO 14064 standards

DOC **16**
Scan the QR code to view comprehensive GHG inventory report

Scope 1
Direct emissions
4,014 tCO_2e
(2024/25: 2,711 tCO_2e)

+

Scope 2*
Indirect emissions
2,315 tCO_2e
(2024/25: 2,241 tCO_2e)

+

Scope 3
Other indirect emissions
52,629 tCO_2e
(2024/25: 31,981 tCO_2e)

=

Total carbon footprint
58,958 tCO_2e
(2024/25: 36,934 tCO_2e)

*Scope 2 emissions are location-based

Integrated Natural Capital

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

Performance Monitoring and Metrics

Scope	Source	Current Tear Carbon Footprint (2025/26)(tCO_2e)	Baseline Carbon Footprint (2024/25) (tCO_2e)	Reason for Changes
Scope 1	Onsite generators	49.53	33.96	
	Refrigerant leakage	114.06	163.57	
	Company - owned vehicles	3,269.43	2,101.83	
	Employee commuting - Fuel paid by the Company	0.05	0.03	
	CO_2 fire extinguishers	581.08	411.63	
Scope 1 total		4,014.15	2,299.39	
Scope 2	Grid electricity consumption	2,315.26	2,241.45	
Scope 2 total		2,315.26	2,241.45	
Scope 3				The increase in carbon footprint was mainly due to the expansion of the branch network and related operational activities.
	Purchased goods and services	1,193.80	1,226.78	
	Water consumption	7.34	7.27	
	Capital goods	225.45	380.11	
	Upstream emission for purchased fuel	886.36	591.22	
	Upstream emission for purchased electricity	493.23	465.79	
	Electricity transmission and distribution losses	243.05	229.83	
	Waste generation	19.70	4.13	
	Business air travel	3.25	5.8	
	Employee commuting	2,079.37	1,806.67	
	Teleworking	49.62	18.88	
	Investments - Motor vehicle loans	47,071.15	27,245.12	
	Investments - Mortgages	356.34	-	
Scope 3 total		52,628.67	31,981.60	
Total emissions		58,958.08	36,522.44	

Scope	Source	tCO_2e	tCO_2	tCH_4	tN_2O	tHFCs
Scope 1	Onsite generators	49.53	49.36	0.06	0.11	-
	Company - owned vehicles	114.06	112.05	0.44	1.57	-
	Employee commuting - Fuel paid by the company	3,269.43	3,188.25	40.99	40.19	-
	CO_2 fire extinguishers	0.05	0.05	-	-	-
	Refrigerant leakage	581.08	-	-	-	581.08
Scope 1 total		4,014.15	3,349.709	41.49	41.87	581.08

Emissions Management Strategy

The Company has adopted a structured emissions management approach targeting reductions across all emission scopes:

Scope 1	Scope 2	Scope 3
Direct Emissions ⊛ Optimisation of generator usage and fuel consumption ⊛ Adoption of energy-efficient workplace practices ⊛ Increased use of solar alternatives to reduce reliance on diesel generators	**Indirect Energy Emissions** ⊛ Expansion of rooftop solar PV installations across branches ⊛ Transition to LED lighting and energy-efficient equipment ⊛ Regular energy audits and consumption monitoring at branch level	**Value Chain and Financed Emissions** ⊛ Improved measurement of emissions from: • Employee commuting • Purchased goods and services • Leased assets ⊛ Integration of ESG screening in supplier selection ⊛ Promotion of low-carbon financing solutions (EV leasing, solar loans)

Emission Management metrics and targets are explained in the ESG Roadmap 2.0, page 92.

Net-Zero and Climate Commitments

LBF has strengthened its climate ambition by embedding a structured and forward-looking approach to emission reduction within its overall strategy. LBF has strengthened its climate ambition through:

- ⊛ Commitment to near-term and long-term emission reduction targets
- ⊛ Alignment with the Science Based Targets initiative (SBTi)
- ⊛ Integration of climate considerations into business strategy and ESG Roadmap 2.0
- ⊛ Climate strategy aligned with Sri Lanka's Nationally Determined Contributions (NDC 3.0)
- ⊛ Commitment to UN Global Compact principles

Climate Risk and Resilience

Climate-related risks are systematically embedded within LBF's Enterprise Risk Management Framework, recognising their potential impact on operations, portfolio quality and long-term financial performance. The Company considers both physical risks, such as extreme weather events and climate variability and transition risks arising from evolving regulations, carbon pricing and market shifts toward a low-carbon economy. These risks are proactively managed through scenario-based planning, structured risk assessments and continuous monitoring of climate exposure. Importantly, climate risk considerations are integrated into credit evaluation and lending decisions, ensuring that the Company's portfolio remains resilient while supporting a sustainable transition.

Refer to page 92-106 for more information

Integrated Natural Capital

Greenhouse Gas Verification Opinion

ISO/IEC 17029 and ISO 14066
VVB 011-01

GREENHOUSE GAS VERIFICATION OPINION

Certificate Code: C 904734CU-GHG-01.2026

GHG statement in the reporting year 2025/2026 of

LB Finance PLC

No. 275/75, Prof. Stanley Wijesundera 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	4,014.15 tonnes of CO_2e
02	Indirect emissions from imported energy	2,315.26 tonnes of CO_2e
03	Other indirect emissions	52,628.67 tonnes of CO_2e
04	Biogenic emissions	00.00 tonnes of CO_2e

Total Verified Greenhouse Gas Emissions: 58,958.08 tonnes of CO_2e

GHG statement covers the operations of twelve (12) months
from April 01, 2025, to March 31, 2026

Date of Verification
27 May 2026
Place and Date of Issue:
Colombo 07, 29 May 2026

Declared by

On behalf of the Managing Director

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

CONTROL UNION ENVIRONMENTAL SERVICES

DOC **17**

Scan the QR code to view comprehensive GHG Assurance Report

Avoided Greenhouse Gas Emissions Verification Opinion



AVOIDED GREENHOUSE GAS EMISSIONS VERIFICATION OPINION

Certificate Code: C904734CU-GHG-02.2026

Avoided Greenhouse Gas emissions statement in the reporting year 2025/26 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

PCAF - Financed avoided emissions & forward-looking metrics, Supplemental guidance to Part A of the PCAF Standard, 2025

Control Union Certifications has inspected and verified the avoided Greenhouse Gas emissions calculations and methodologies of the above-mentioned client in accordance with the standards mentioned and declares that

01	Avoided GHG Emissions from Project Finance (Solar loans)	118.10	tonnes of CO_2e
02	Avoided GHG Emissions from Motor Vehicle Loans	3,900.29	tonnes of CO_2e

Total Verified Avoided Greenhouse Gas Emissions: 4,018.39 tonnes of CO_2e

Avoided emissions statement covers the operations of twelve (12) months from April01, 2025, to March 31, 2026

Date of Verification
20 May 2026
Place and Date of Issue:
Colombo 07, 29 May 2026

CONTROL UNION VERIFIED

Declared by

On behalf of the Managing Director

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

CONTROLUNION ENVIRONMENTAL SERVICES

This summary is not valid without the full Assurance Statement attached on pages 2 to 3 to which it applies.

DOC **18** Scan the QR code to view comprehensive Avoided GHG Emissions Assurance Report

DOC **19** Scan the QR code to understand Avoided Emissions concept

Integrated Natural Capital

3.3.5. Green Buildings and Sustainable Infrastructure

Green Branch Development – Chilaw (Flagship Initiative)

LBF is advancing sustainable infrastructure through the development of its GREENSL® certified green branch in Chilaw, in partnership with the Green Building Council of Sri Lanka.

Key features:

- Solar PV systems covering a significant portion of energy demand
- Rainwater harvesting and water-efficient fixtures
- Energy-efficient HVAC systems and LED lighting
- Use of sustainable and locally sourced materials
- Enhanced indoor environmental quality and natural lighting
- Waste recycling and composting systems





3.4. Digitalisation and Paperless Transformation (Environmental Impact)

At LBF, digitalisation plays a pivotal role in advancing environmental sustainability by reducing resource consumption, minimising waste and improving operational efficiency. This transformation reflects a strategic shift toward a low-resource, digitally enabled operating model, supporting both environmental and business objectives.

3.4.1. Paperless Banking and Digital Solutions

LBF has accelerated the adoption of digital platforms to reduce environmental impact across its operations and customer interactions.

- Expansion of the LB CIM app, enabling digital access to financial services
- Digital onboarding for:
  - Loans
  - Fixed deposits
- Adoption of e-statements and digital documentation

Refer to pages 14-15 for more information

3.4.2. Digital Process Transformation

The Company has streamlined internal processes through automation and system integration.

- Digitisation of loan processing workflows
- Automated documentation and approvals
- Reduced reliance on physical records

Refer to page 184 for more information

3.4.3. Environmental Impact of Digitalisation

Digital transformation contributes directly to:

- Reduction in paper usage and associated waste
- Lower carbon emissions from reduced printing and logistics
- Decreased energy consumption linked to physical operations
- Improved resource efficiency across the organisation

Additionally, digital banking reduces the need for:

- Customer travel to branches
- Physical document handling

3.5. Sustainable Finance and Green Lending

At LBF, sustainable finance is a core pillar of Natural Capital strategy, extending the Company's environmental impact beyond its operational footprint to the broader economy. Through responsible lending practices and targeted green financing solutions, the Company actively supports the transition toward a low-carbon, resource-efficient and environmentally responsible economic model.

Our ESMS provides a structured framework to identify, assess, manage and monitor environmental and social risks and impacts arising from our operations and lending activities. The ESMS integrates considerations such as biodiversity, water resources, land use, pollution prevention and climate-related risks into credit appraisal, risk management and decision-making processes.

3.5.1. Green Financing Portfolio

Enabling Digital Loans

In 2025/26, LBF introduced an AI-powered digital personal loan solution through LB CIM app, enabling a fully automated loan process from application to approval. This innovative solution enhanced speed, convenience and accessibility for customers while strengthening the Company's digital transformation journey and customer-centric service delivery.

Year	No. of CIM Personal Loans	Amount Granted (Rs. Mn)
2022/23	819	41
2023/24	953	44
2024/25	1,336	95
2025/26	2,312	248

Green Leasing

Through our green leasing offering, we extend preferential leasing facilities for hybrid and electric vehicles, enabling customers to shift towards cleaner transportation options.

Year	No. of Green Financing Facilities	Amount Granted (Rs. Mn)
2022/23	855	2,411
2023/24	1,597	5,056
2024/25	2,716	7,351
2025/26	11,108	42,700









3.6. Environmental Stewardship and Biodiversity

At LBF, environmental stewardship extends beyond operational efficiency and financing activities to actively contributing toward the protection and restoration of natural ecosystems. Recognising the critical importance of biodiversity in sustaining life, livelihoods and economic resilience, the Company is committed to supporting initiatives that preserve ecological balance and promote environmental sustainability.

Project : Restoration of degraded patches of Yagirala forest reserve

At the Yagirala Forest Reserve, LBF carried out a key reforestation initiative, planting more than 700 native trees over one acre of land. The selected 14 species include ecologically, medicinally and commercially valuable trees, contributing to a resilient and biodiverse ecosystem.

Partnership

Center for Sustainability of the University of Sri Jayewardenepura

Expected benefits and impact

- Restoration of degraded forest patches with native species with the objective of forest rehabilitation
- Support research and educational purposes
- Enhance villagers' living conditions through nature-based eco-tourism

Investment: Rs. 392,700

No. of beneficiaries: Many

Team engagement: 22

Volunteer hours: 198





Integrated Natural Capital

Project : Beach caretakers for sustainable beaches

As part of our ongoing commitment to coastal conservation and community support, LBF continues the beach caretaker programme this year. Two beach stretches - Crow Island Beach Park in Colombo and Wadduwa Beach in Kalutara remain under the care of five dedicated beach caretakers at each site. The project not only contributes to cleaner and healthier coastal environments, but also provides sustainable employment opportunities.

Expected benefits and impact

- Reduce marine pollution from waste and promote plastic recycling
- Maintain clean and well-managed beaches consistently
- Provide sustainable employment opportunities for low-income families
- Encourage active community involvement in environmental protection
- Enhance the recreational and aesthetic value of beaches

Partnership

Marine Environment Protection Authority (MEPA)

Investment: Rs. 650,000

No. of beneficiaries: Many

Team engagement: 04

Volunteer hours: 28





Project : 2025 World Environment Day celebration: 'Clean Sri Lanka' programme

In line with World Environment Day on June 5th, under the 'Clean Sri Lanka' initiative by the Presidential Secretariat, we planted 2000 'Thakkada' plants along Marine Drive, Colombo.

Expected benefits and impact

- Enhanced urban green cover
- Air quality improvement in urban areas
- Aesthetic and recreational value for sustainable cities
- Climate resilience by strengthening coastal vegetation

Partnership

Investment: Rs. 387,000

No. of beneficiaries: Many

Team engagement: 22

Volunteer hours: 120





Project : Crow Island Environmental Day art competition

LBF sponsored for an art competition to celebrate World Environment Day. The event brought together school students across Northern Colombo to showcase their creativity and promote environmental awareness. The winners were recognised with gifts and certificates for their exceptional talent and commitment to conservation.

Expected benefits and impact

- Raise environmental awareness among school students through creative expression
- Encourage youth engagement and participation in sustainability initiatives
- Promote community involvement in conservation efforts
- Recognise and motivate students for their creativity and commitment to the environment





Partnership

Marine Environment Protection Authority (MEPA)

The Crow Island Beach Park Society

Investment: Rs. 13,300

No. of beneficiaries: 40

Team engagement: 09

Volunteer hours: 36

Project : Environmental awareness and tree-planting initiative at Deniyaya Saubhagya Vidyalaya

The LBF Deniyaya branch organised a motivational session for students at Saubhagya Vidyalaya, followed by a tree-planting programme within the school premises and near a local tourist attraction. Branch staff also volunteered in cleaning the Deniyaya city area to promote environmental stewardship and local tourism. A total of 46 trees were planted.

Expected benefits and impact

- Raise environmental awareness among students
- Enhance green cover in school premises and surrounding areas
- Promote a cleaner urban environment through voluntary city cleaning
- Support sustainable tourism by improving environmental conditions
- Strengthen employee engagement





Investment: Rs. 110,000

No. of beneficiaries: Many

Team engagement: 10

Volunteer hours: 80

Integrated Natural Capital

Project : Mangrove restoration for coastal resilience in Ittapana

As part of our ongoing commitment to environmental conservation and community resilience, LBF successfully implemented the mangrove restoration project in Ittapana. The project focused on the planting of three key mangrove species and over 400 mangrove plants were planted across more than one acre of land, contributing to the restoration of vital coastal ecosystems.

Expected benefits and impact

- Restore and conserve mangrove ecosystems to enhance coastal biodiversity
- Strengthen natural coastal protection against erosion and climate impacts
- Promote carbon sequestration through the expansion of mangrove cover
- Support sustainable environmental practices through ecosystem restoration

Partnership

Center for Sustainability of the University of Sri Jayewardenepura

Investment: Rs. 58,477 (Rs. 376,250 - FY 24/25)

No. of beneficiaries: Many

Team engagement: 17

Volunteer hours: 153





Project : Rehabilitation of degraded coastal ecosystems

LBF successfully completed a project to develop a habitat for ornamental fish in the Kaisawella area of Dondra in the Southern Province. This initiative contributes to the restoration of marine biodiversity by creating a supportive environment for coral reefs, while also promoting sustainable tourism, marine ornamental fisheries and community empowerment.

Expected benefits and impact

- Develop artificial habitats to encourage the breeding of ornamental fish
- Support the cultivation and restoration of coral reefs to enhance marine biodiversity
- Promote sustainable tourism through snorkelling and eco-tourism activities
- Provide new livelihood opportunities and strengthen income sources for local fishing communities

Partnership

National Aquatic Resources Research and Development Agency (NARA)

No. of beneficiaries: Many





4. NATURAL CAPITAL RELATED CHALLENGES AND OPPORTUNITIES

Challenge	Opportunity	Response / Mitigation
Rising GHG emissions and exposure to climate-related risks	Transition towards a low-carbon and climate-resilient business model	Measure and monitor Scope 1, 2 and relevant Scope 3 emissions, expand renewable energy adoption, promote carbon-conscious operational practices across the branch network
High energy and resource consumption across branch operations	Operational efficiency through green building concepts and resource optimisation	Adopt green building standards for new and refurbished branches, install energy-efficient lighting and equipment, integrate environmentally responsible procurement practices
Managing increasing waste while advancing resource efficiency	Cost savings and environmental protection through circular practices	Strengthen waste segregation at source, partner with certified recyclers, promote reuse and responsible disposal of e-waste and office materials
Dependence on paper-based processes and associated environmental impact	Reduced resource consumption and enhanced customer convenience through digitalisation	Expand digital documentation and e-statements, promote mobile and online banking platforms, digitise internal workflows, minimise physical record storage and printing requirements
Exposure to environmental and climate risks within the loan portfolio	Stronger portfolio resilience and responsible credit allocation	Integrate environmental and climate risk assessments into credit evaluation processes, implement sector-based risk screening, engage high-risk clients on environmental compliance and improvement measures

5. FUTURE OUTLOOK

Under our ESG Roadmap 2.0, we have comprehensively defined clear metrics and measurable targets across the Natural Capital based on 2024/25 baseline. Set out below are selected priority areas that underpin our Natural Capital.

Refer to page 211 for detailed Natural Capital metrics and targets

Short-term
Building operational efficiency and environmental awareness

- Establish advanced systems to monitor and reduce Scope 1, 2 and 3 emissions
- Expand solar installations, replace conventional lighting with LEDs and conduct branch energy audits
- Introduce better waste segregation and improve recycling practices across branches
- Strengthen sustainable procurement through eco-friendly purchasing practices
- Enhance digital transformation initiatives to reduce paper use and improve efficiency

Medium-term
Driving resource stewardship and environmental integration

- Scale renewable energy adoption and improve energy-efficient infrastructure
- Strengthen water conservation initiatives, including rainwater harvesting and wastewater management
- Improve waste diversion by increasing recycling rates and reducing landfill disposal
- Expand paperless processes and improve sustainable sourcing practices
- Increase green lending for environmentally responsible projects and enhance stakeholder awareness

Long-term
Creating climate resilience and sustainable value

- Achieve 2030 targets for Scope 1, 2 and 3 emissions reduction
- Transition toward fully sustainable waste management practices across operations
- Integrate environmental considerations into all business operations and lending decisions
- Significantly expand green lending portfolios to support climate-resilient investments
- Strengthen climate resilience and drive long-term environmental sustainability through innovation

Business Review

Our integrated business model built on lending, funding and value-added services enables us to create long-term value for all our stakeholders. Powered by digital intelligence, strong governance and a customer-first mindset, we continue to strengthen our leadership in the non-banking financial services sector while continuing to a sustainable future.

LENDING

In line with the Company's strategic direction, our financing strategy is designed to position LBF among Sri Lanka's leading lending solutions providers. Through a diversified portfolio comprising Auto Finance, Gold Loans, Mortgage Loans, and other credit solutions, we continue to support the evolving financial needs of individuals and businesses while driving sustainable value creation over the short, medium, and long-term.

	2025/26	2024/25
	Rs.Mn	Rs.Mn
Auto Finance	180,955	102,960
Gold Loans	120,392	85,686
Term Loans	14,675	12,280
Mortgage Loans	4,960	3,949

FUNDING

Our funding portfolio comprises a broad range of Deposit and Savings solutions aimed at supporting customers in enhancing their financial strength and achieving their financial aspirations. By combining personalised service with relationship-driven engagement, we continue to foster enduring customer trust and loyalty.

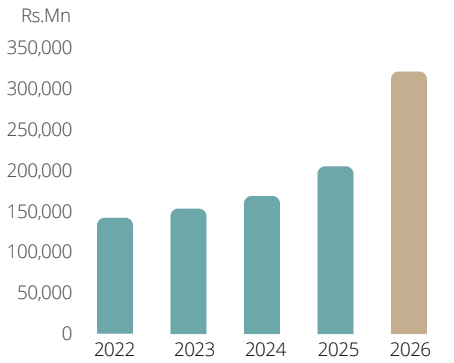
	2025/26	2024/25
	Rs.Mn	Rs.Mn
Customer Deposits	173,329	138,497
Bank Borrowings	148,367	42,417
Equity	61,383	51,266
Interest Expense	22,029	16,433

VALUE ADDED SERVICES

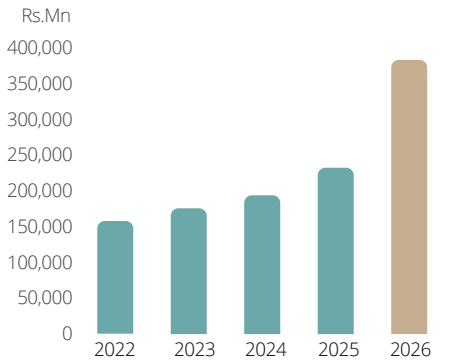
We enhance customer convenience and financial accessibility through integrated payment solutions and a diverse portfolio of Value-Added Services (VAS) delivered across interconnected channels and our extensive branch network. These services include utility Bill Payments, Foreign Currency Exchange, International Money Remittance solutions such as Western Union, and Bulk Insurance Payments, enabling customers to manage their financial activities efficiently and seamlessly.

	2025/26	2024/25
	Rs.Mn	Rs.Mn
Foreign Currency Exchange	174	146
Western Union Money Remittance	4,904	4,554
Bill Payments	1,756	1,330
Bulk Insurance Payments	2,084	-

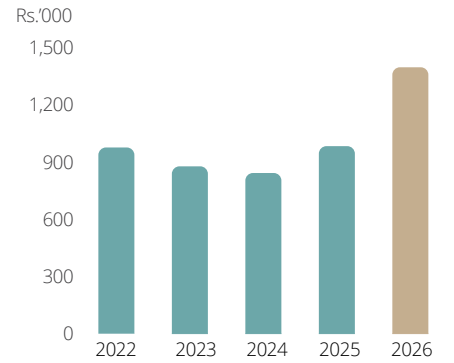
Gross Loan Portfolio



Total Funding



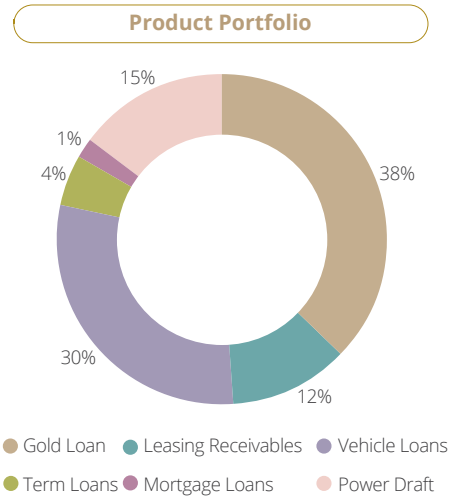
Transactions Volume



LOANS AND RECEIVABLES



LBF strengthens its Loans and Receivables segment through accessible and customer-focused financing solutions that support the funding needs of individuals and businesses while maintaining a diversified and sustainable lending portfolio.



AUTO FINANCE

The segment offers a comprehensive portfolio of Leasing, Vehicle Loans, and Power Draft facilities supported by flexible repayment structures tailored to diverse customer requirements. Through its extensive branch network, highly trained marketing team and strong operational capabilities, LBF continues to strengthen its position within Sri Lanka's highly competitive vehicle financing market.

Challenge/Opportunity	Strategic Response
Rapid market growth following import restriction removal	Accelerated operational scalability and dealer engagement initiatives
Intense competition and declining margins	Strengthened financial discipline and cost management
High employee turnover amid industry expansion	Enhanced staff incentives, training programmes and recruitment initiatives
Funding requirement arising from rapid business expansion	Leveraged alternative funding sources through local and international lenders
Increasing customer expectations for speed and flexibility	Enhanced operational efficiency and customer service delivery

OPERATING CONTEXT AND STRATEGIC RESPONSE

LBF continued to expand its Auto Finance segment during 2025/26 through accelerated business growth, operational efficiency, disciplined credit management and strong customer and dealer relationships. Supported by improving economic conditions, easing interest rates and the removal of vehicle import restrictions, the sector experienced significant momentum during the year, positioning Auto Finance as one of the Company's strongest growth drivers.

PERFORMANCE OVERVIEW

LBF Auto Finance recorded exceptional growth during FY 2025/26, fully capitalising on favourable market conditions and increased customer demand. Business volumes within the portfolio increased by 76%.

Total portfolio amounted to Rs. 180.96 billion compared to Rs. 102.96 billion in FY 2024/25, reflecting a strong year-on-year increase. Detailed financial information is disclosed on pages 409 to 412 of this Annual Report.

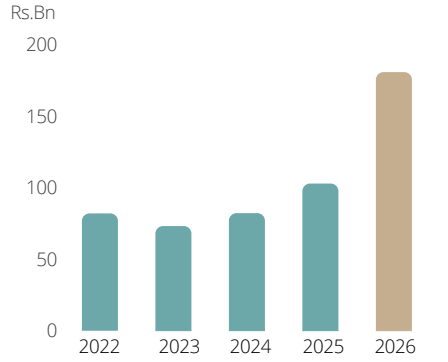
Business Review

CORE COMPETENCIES

LBF continues to strengthen its market leadership within Auto Finance through several key capabilities such as:

- Well-trained credit marketing team across 225 branches island-wide
- Strong operational efficiency enabling rapid service delivery
- Robust collection and recovery process efficiency
- Expanded partnership with vehicle importers and EV dealers to gain an early advantage in EV market
- Flexible product structures and repayment solutions
- Strong customer retention and relationship management capabilities
- Established reputation and credibility within the vehicle financing industry

Auto Finance Portfolio



YoY growth in auto finance transaction value

76%

(2024/25: 25%)

NPL MANAGEMENT AND CREDIT QUALITY

The segment continued maintaining strong portfolio quality and comparatively low NPL levels despite rapid business expansion and changing market conditions. Gross NPL levels remained below market averages 1.35% due to proactive post disbursement monitoring, disciplined recovery mechanisms and strong operational coordination between call centre and Recovery Teams.

The Company's early action collections framework and carefully calibrated recovery processes continue to support sustainable portfolio quality and long-term operational stability.

KEY INITIATIVES AND MARKET ACTIVATION

- Conducted extensive dealer focused regional campaigns initiatives across all operational regions
- Strengthened dealer and strategic partnerships and long standing market relationships
- Enhanced operational efficiency and approval turnaround times
- Expanded staff training and performance incentive programmes
- Strengthened collections monitoring and recovery management frameworks
- Accelerated digital integration and online processing capabilities through LB CIM support





FUTURE OUTLOOK

LBF Auto Finance remains confident of maintaining growth momentum during 2025/26 supported by strong capitalisation, stable funding access, disciplined portfolio management and established market leadership.

- Implement internal transformation and process optimisation initiatives
- Achieve 10–15% growth in new business volumes
- Enhance digital processing and operational scalability
- Increase long-term market leadership within the Auto Finance sector
- Improve staff retention and operational efficiency

GOLD LOAN

Gold Loans continued to remain one of the strongest and most resilient lending segments within LBF during FY 2025/26, supported by increasing gold prices, strong customer demand and the product's accessibility as a short-term financing solution. The segment continued playing a significant role in supporting portfolio growth, liquidity generation and customer acquisition while reinforcing LBF's market presence across both urban and rural regions.

Supported by its extensive branch network, strong customer relationships, operational efficiency and trusted brand reputation, LBF continued strengthening its competitive position within Sri Lanka's highly competitive Gold Loan market.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for Gold Loans during FY 2025/26 was significantly influenced by the sharp increase in global and local gold prices, which stimulated strong customer demand and accelerated lending activity across the sector. The favourable market environment also intensified competition among banks, finance companies and other industry participants seeking to expand market share within the Gold Loan business.

In response to the evolving competitive landscape, LBF adopted a balanced strategy focused on maintaining market competitiveness while ensuring responsible lending and sustainable portfolio growth. The Company strengthened customer engagement, enhanced operational efficiency, maintained competitive pricing structures and executed targeted marketing campaigns emphasising financial stability, trust and long-term customer relationships.

Challenge/Opportunity	Strategic Response
Intensified competition within the Gold Loan market	Maintained competitive pricing and strengthened customer engagement initiatives
Increasing talent acquisition by competitors	Strengthened employee training, development and reward programmes
Growing customer demand driven by rising gold prices	Expanded operational capacity and strengthened branch level service delivery
Increasing customer expectations for convenience and speed	Enhanced digital integration and operational efficiency through LB CIM app

PERFORMANCE OVERVIEW

The Gold Loan segment recorded strong growth during FY 2025/26, supported by favourable market conditions, increasing customer demand and improved operational execution. Higher gold prices positively contributed to portfolio growth and lending activity throughout the year while strengthening customer acquisition and retention across multiple regions.

Total Gold Loan portfolio amounted to Rs. 120.39 billion during FY 2025/26 compared to Rs. 85.69 billion in FY2024/25, reflecting a strong year-on-year growth of 41%. Detailed financial information is disclosed on pages 409 to 412 of this Annual Report.

YoY growth in the Gold Loan portfolio

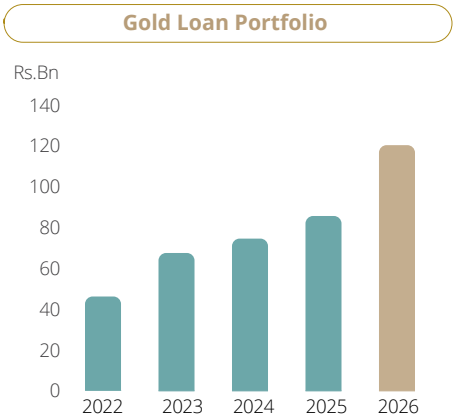
41%

(2024/25: 15%)

Gold Loan share of the total lending portfolio

38%

(2024/25: 42%)



Business Review

Enhancing customer convenience and service accessibility remained a key priority throughout the year. LBF continued strengthening customer centric service delivery through operational innovation, faster processing capabilities and digital integration.

Key customer focused initiatives included:

- Integration of AI and machine learning technologies to improve operational efficiency and decision making
- Digital top up facilities through the LB CIM app enabling customers to remotely increase advance values without visiting branches
- Continuous employee training programmes to strengthen customer service quality and operational capability
- Execution of the 'Ran Udana Season 03' campaign to strengthen customer engagement and brand visibility

CORE COMPETENCIES

LBF continues strengthening its leadership within the Gold Loan sector through several key capabilities such as:

- Strong branch network and regional accessibility
- Trusted brand reputation and long-standing customer relationships
- Fast processing and operational efficiency
- Competitive pricing supported by disciplined portfolio management
- Strong staff expertise and specialised operational knowledge
- Digital convenience through LB CIM integration
- Strong portfolio quality and proactive risk management practices

NPL MANAGEMENT AND PORTFOLIO QUALITY

The Gold Loan segment continued maintaining exceptionally strong portfolio quality during FY 2025/26, recording an NPL ratio of only 0.13%. This performance reflects the Company's proactive customer engagement model, disciplined operational controls and strong recovery management practices.

KEY INITIATIVES AND MARKET ACTIVATION

- Successfully conducted the "Ran Udana Season 3" customer engagement campaign
- Expanded digital top up functionality through the LB CIM app
- Strengthened AI and machine learning integration within Gold Loan operations
- Conducted continuous employee training and development programmes
- Enhanced operational efficiency and branch level service capabilities





FUTURE OUTLOOK

LBF remains focused on strengthening its Gold Loan leadership position through customer centric innovation, digital integration, operational efficiency and sustainable portfolio growth.

- Strengthen customer acquisition and retention initiatives
- Integrate advanced AI-driven operational and risk management tools
- Strengthen long-term market leadership and portfolio resilience
- Expand customer engagement campaigns and regional outreach
- Continue digital transformation and customer experience enhancement initiatives

MORTGAGE/ HOUSING LOANS

LBF continues to strengthen its presence within the Mortgage and Housing Loan segment by providing accessible, flexible and customer focused housing finance solutions tailored to underserved and emerging customer segments. Through specialised expertise, streamlined processing and prudent lending practices, the Company supports customers in achieving long-term financial stability and home ownership.

Challenge/Opportunity	Strategic Response
Strong competition from banks offering lower interest rates and higher financing structures	Focused on service differentiation, faster disbursement and underserved market segments
Difficulty converting leads into disbursements	Strengthened customer engagement and streamlined approval processes
Rate-sensitive customer base	Increased focus on niche segments including migrant workers and small-ticket housing loans
Limited availability of skilled personnel	Expanded training programmes and strengthened specialist teams
Growing demand for affordable housing finance	Strengthened market presence within the Rs. 5 Mn housing loan segment

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for Mortgage Loans during FY 2025/26 remained challenging amid intense competition within the housing finance market. This created pricing pressure and impacted lead conversion rates across the broader mortgage lending segment.

PERFORMANCE OVERVIEW

Despite challenging market conditions, the Mortgage Loan portfolio continued to demonstrate steady growth and operational stability during the year. Total portfolio reached LKR 5 billion during 2025/26, reflecting continued customer demand and portfolio expansion.

CORE COMPETENCIES

LBF continues to strengthen its competitive positioning within the housing finance sector through several key capabilities such as:

- Flexible lending criteria compared with traditional banks
- Specialised mortgage expertise supported by trained internal teams
- Strong legal due diligence supported by an expanded panel of property lawyer panel
- Faster turnaround times and streamlined approval processes
- Strong focus on affordable housing and underserved customer segments

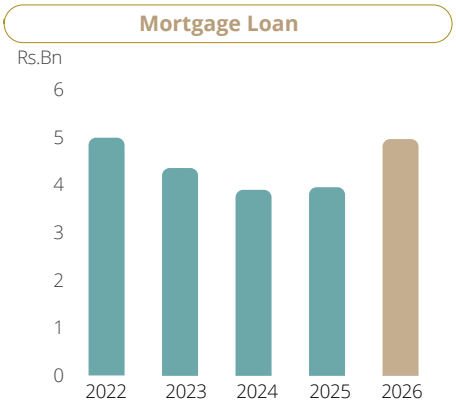
NON-PERFORMING LOAN MANAGEMENT

The Company maintained a proactive approach to credit risk management through the implementation of an early warning system designed to identify potential repayment concerns at an early stage. Timely restructuring strategies, focused recovery efforts and comprehensive client and property evaluations supported improved collection performance and portfolio stability during the year.

KEY INITIATIVES AND MARKET ACTIVATION

During the year, LBF strengthened brand visibility and customer outreach through:

- Extensive marketing campaigns and television advertising
- Digital and social media engagement campaigns
- Participation in 'Kedella' housing-related exhibitions and programmes
- Large-scale regional 'town storming' campaigns
- Focused promotion of affordable housing and 'Leasing-Like Housing Loan' concepts



FUTURE OUTLOOK

LBF remains focused on strengthening its Mortgage Loan portfolio through sustainable growth, customer-centric innovation and operational excellence.

- Develop specialised mortgage solutions for migrant workers, SME-linked borrowers and undeserved regional markets
- Promote green housing finance and environmentally sustainable construction
- Establish strategic partnerships with developers and real estate agencies
- Progressively digitise the end-to-end loan lifestyle and introduce flexible repayment structures

TERM LOANS

PENSION LOANS

Pension Loans continued to represent a strategically important lending segment within LBF's diversified portfolio, supporting retirees with accessible, reliable and customer-focused financial solutions tailored to their post-retirement needs.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The Pension Loan operating environment during FY 2025/26 reflected the broader transition taking place across Sri Lanka's financial services sector. Pensioners increasingly sought financial solutions that offered convenience, affordability, faster processing and personalised support.

PERFORMANCE OVERVIEW

The Pension Loan portfolio recorded a portfolio value of Rs. 7 billion during FY2025/26, reflecting a year-on-year growth of 5%, supported by stable repayment behaviour, strong customer retention and disciplined portfolio management.

CORE COMPETENCIES

LBF continues to strengthen its competitive positioning within the Pension Loan segment through several key capabilities such as:

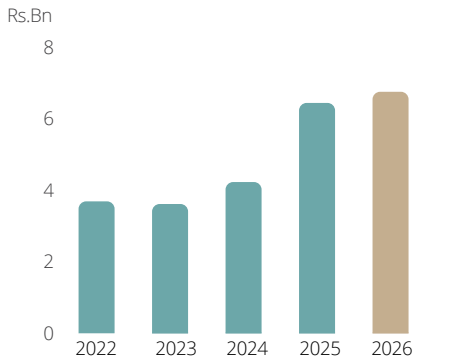
- Strong credit risk assessment supported by pension income and affordability analysis
- Long-standing customer trust and relationship-driven service delivery
- Extensive island-wide branch network supporting accessibility
- Efficient loan processing and streamlined approval procedures
- Continuous portfolio monitoring and proactive follow-up mechanisms
- Experienced staff with strong understanding of pensioner requirements

Challenge/Opportunity	Strategic Response
Intensified competition from banks and finance companies	Focused on personalised service, faster turnaround times and relationship-driven engagement
Restrictions on access to pensioner databases	Increased focus on branch-led marketing, referrals and regional outreach initiatives
Higher interest rates and economic uncertainty affecting borrower sentiment	Strengthened portfolio monitoring, pricing strategies and customer engagement
Operational inefficiencies and manual processing risks	Continued digitalisation initiatives and improved workflow
Growing preference for convenience and accessibility	Enhanced digital support capabilities and customer communication channels
Regulatory and compliance changes	Strengthened internal policies, governance and compliance frameworks

NON-PERFORMING LOAN MANAGEMENT

Maintaining portfolio quality and minimising credit risk remained a key strategic priority throughout the year. Supported by the stable nature of pension-based repayment structures, the segment continued demonstrating comparatively lower credit risk relative to several other lending categories.

Pension Loan Portfolio



KEY INITIATIVES AND MARKET ACTIVATION

During the year, LBF strengthened brand visibility and customer outreach through:

- Strengthened regional outreach initiatives and branch-level customer engagement programmes to improve market penetration and accessibility
- Enhanced relationship-driven marketing activities supported by referrals and personalised customer interactions
- Continued digitalisation initiatives to improve operational efficiency and customer convenience
- Conducted continuous staff training programmes to strengthen product knowledge, customer service and operational coordination across branches

FUTURE OUTLOOK

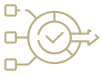
LBF remains focused on strengthening the Pension Loan segment through sustainable growth, enhanced customer accessibility, operational efficiency and continued digital integration.

- Enhance digital self-service capabilities and customer convenience
- Develop tailored retirement-focused financial solutions and value-added services
- Expand cross-selling opportunities across Deposits, Savings products and other financial services
- Deepen long-term customer relationships through personalised engagement initiatives
- Continue improving portfolio quality through enhanced analytics and monitoring capabilities

LB CIM DIGITAL PERSONAL LOANS

LBF continued to strengthen its digital lending capabilities during FY 2025/26 through the expansion of LB CIM Digital Personal Loans, a fully digital and AI-enabled lending solution designed to provide customers with fast, convenient and paperless access to credit. Integrated within the LB CIM app, the platform enables customers to seamlessly apply for, obtain and manage personal loans through an end-to-end digital process with minimal turnaround time and enhanced customer convenience.





Challenges/Opportunities	Strategic Response
Limited industry-level data availability for AI model training	Implemented continuous model training and progressive data expansion strategies
Dependence on AI-driven decision-making and model risk	Strengthened hybrid validation and ongoing model monitoring mechanisms
Operational and cybersecurity risks within a fully digital environment	Invested in secure digital infrastructure and cybersecurity controls
Absence of centralised external customer data repositories	Strengthened internal data integration and validation processes
Increasing competition from fintechs and app-based lenders	Enhanced customer experience, automation, and digital convenience
Need to balance rapid growth with portfolio quality	Strengthened AI-driven credit thresholds and portfolio monitoring frameworks

As customer expectations increasingly shifted towards instant, digitally enabled financial services, LB CIM Digital Personal Loans played a strategic role in accelerating LBF's digital transformation agenda while strengthening operational efficiency, customer accessibility and lending scalability. The segment also supported the Company's broader objective of positioning LBF as a leader in next-generation digital financial services.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for LB CIM Digital Personal Loans during FY 2025/26 was shaped by evolving macroeconomic conditions, including interest rate fluctuations, inflationary pressures, changing customer repayment capacities and increased regulatory focus on responsible lending and data privacy. At the same time, rapid growth in smartphone adoption and digital financial services accelerated customer demand for fast, convenient and fully digital credit solutions.

The competitive landscape also intensified with banks, fintech platforms and digital financial service providers expanding app-based lending solutions. In response, LBF strengthened its digital lending ecosystem through advanced AI-powered credit assessment models, automated loan approvals, real-time credit scoring and enhanced customer onboarding capabilities integrated within the LB CIM platform.

Business Review

PERFORMANCE OVERVIEW

LB CIM Digital Personal Loans continued recording strong growth during FY 2025/26, supported by increasing digital adoption, faster loan processing capabilities and expanded customer acquisition initiatives. The platform significantly improved operational efficiency while enhancing customer convenience through fully digital onboarding and automated credit decision-making.

The segment also strengthened LBF's lending penetration among digitally active customer segments, particularly salaried Gen Z and millennial customers, while supporting greater scalability with lower operational dependency compared to traditional lending models.

DIGITAL LENDING AND CUSTOMER EXPERIENCE

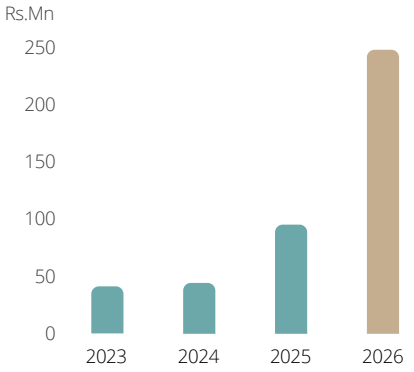
Customer convenience, speed and accessibility remained central to the LB CIM Digital Personal Loan proposition during FY 2025/26. The platform enabled customers to apply for loans anytime and from anywhere without branch visits, physical documentation, or manual processing delays.

Key customer experience enhancements included:

- Fully digital loan application and onboarding process
- Faster loan approvals and near-instant disbursement capabilities
- Automated repeat loans and top-up facilities
- Reduced documentation requirements through paperless processing
- Improved user experience within the LB CIM app

The platform significantly reduced turnaround times compared to conventional lending while improving customer accessibility and service consistency.

CIM Digital Personal Loan Portfolio



CORE COMPETENCIES

LBF continues strengthening its competitive positioning within digital lending through several key capabilities such as:

- Fully digital end-to-end lending ecosystem
- Advanced AI-powered credit assessment and decision-making
- Strong in-house technical expertise including developers and data science engineers
- Real-time loan approvals and automated processing capabilities
- Strong integration within the LB CIM digital ecosystem
- Agile product development and continuous platform optimisation
- Strong governance, cybersecurity and compliance frameworks

KEY INITIATIVES AND BUSINESS HIGHLIGHTS

- Introduced the AI-Powered LB CIM Personal Loan solution enabling near-instant loan approvals
- Strengthened AI-driven credit scoring and automated eligibility assessment capabilities
- Enhanced customer onboarding and fully digital loan processing within the LB CIM app
- Improved turnaround times and reduced manual intervention through automation
- Expanded digital customer acquisition and engagement initiatives
- Strengthened model monitoring, recalibration and portfolio risk management capabilities
- Continued optimisation of the customer journey and user experience within the LB CIM ecosystem



FUTURE OUTLOOK

LBF remains focused on positioning CIM Digital Personal Loans as a key growth engine within its digital financial services ecosystem.

- Enhance customer journey and user experience within the LB CIM app
- Develop advanced predictive and behavioural credit models
- Expand partnerships and ecosystem integration opportunities
- Continue strengthening portfolio quality and NPL management
- Strengthen AI-driven credit scoring accuracy and automation

LOANS AGAINST FIXED DEPOSITS

Loans Against Fixed Deposits (LAFD) continued to strengthen as an important value-added financial solution within LBF's deposit ecosystem during FY 2025/26. The product enables fixed deposit customers to access short-term liquidity without prematurely withdrawing their investments, thereby preserving deposit returns while meeting immediate financial requirements.

Challenge/Opportunity	Strategic Response
Increasing customer demand for faster liquidity solutions	Strengthened digital processing and simplified approval procedures
Need to improve digital adoption and operational efficiency	Expanded LB CIM integration and self-service capabilities
Competition from alternative short-term financing products	Positioned LAFD as a low-risk, customer-friendly liquidity solution
Maintaining customer retention within the deposit base	Strengthened cross-selling and relationship-led engagement initiatives
Growing customer preference for convenience and accessibility	Enhanced digital onboarding, processing speed and repayment flexibility

The segment continued recording steady growth during the year, supported by increasing customer awareness, simplified processing and enhanced digital accessibility through the LB CIM platform. The portfolio increased to approximately Rs. 4.5 billion compared to Rs. 3.5 billion in the previous financial year, reflecting growing customer preference for secured and convenient liquidity solutions.

OPERATING CONTEXT AND STRATEGIC RESPONSE

As customers increasingly sought faster and more flexible financing solutions, Loans against Fixed Deposits continued gaining relevance as a low-risk and customer-friendly lending product. The product also supported the Company's broader customer retention strategy by enabling customers to maintain their Fixed Deposits while accessing funding when required.

During the year, LBF strengthened the product proposition through increased digitalisation, simplified documentation, faster approvals and improved customer accessibility. Integration with the LB CIM app enabled customers to access facilities more conveniently while reducing operational turnaround times and manual processing requirements.

PERFORMANCE OVERVIEW

The Loans against Fixed Deposits portfolio recorded positive growth during FY 2025/26, supported by increasing customer utilisation and improved digital processing capabilities. Monthly grants continued to increase during the year while digital processing significantly improved operational efficiency and customer convenience.

CUSTOMER SERVICE AND DIGITAL ACCESSIBILITY

Customer convenience and rapid service delivery remained central to the product strategy during the year. Eligible customers were able to access funds with simplified documentation and significantly reduced turnaround times.

The LB CIM platform further enhanced customer experience by enabling:

- Digital loan processing and approvals
- Online account management
- Flexible repayment options
- Faster access to liquidity without branch dependency

Customers were also given flexibility to either settle facilities at maturity or continue their fixed deposits without disruption.

CORE COMPETENCIES

LBF continues strengthening its competitive positioning within the Loans against Fixed Deposits segment through several key capabilities such as:

- Strong Fixed Deposit customer base supporting cross-selling opportunities
- Rapid approval and disbursement capabilities
- Highly secured lending structure with low portfolio risk
- Strong digital processing capabilities through LB CIM app
- Simplified documentation and operational efficiency
- Relationship-driven customer engagement and retention model

Business Review

DEPOSITS



LBF continues to strengthen its Deposits segment through secure, accessible and customer-focused savings and investment solutions that support customers in managing and growing their funds while providing the Company with a stable and sustainable funding base for long-term business growth. The segment comprises Fixed Deposits and Savings through both branch and digital channels.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for Deposits during FY 2025/26 was shaped by renewed credit demand, increased competition for customer funds, interest rate movements and evolving regulatory requirements. As lending activity accelerated during the year, the Company experienced a stronger requirement for funding to support business expansion while maintaining liquidity and managing the overall cost of funds.

In response, LBF strengthened deposit mobilisation through branch-led campaigns, relationship-driven customer engagement, targeted institutional fund mobilisation and increased digital onboarding through the LB CIM app. The Company also focused on maintaining a diversified deposit portfolio across customer segments, tenures and ticket sizes to reduce concentration risk and strengthen long-term funding stability.

Challenge/Opportunity	Strategic Response
Increased funding requirements arising from lending growth	Strengthened branch-led mobilisation, institutional engagement and digital onboarding
Interest rate fluctuations and pricing pressures	Maintained disciplined pricing strategies and monitored renewal behaviour closely
Growing competition from banks and alternative investments	Differentiated through customer trust, personalised service and digital convenience
Increasing customer demand for digital self-service	Expanded digital onboarding and self-service functionality through LB CIM app
Regulatory and compliance requirements	Strengthened KYC, AML, due diligence and system-based monitoring processes
Concentration risk from institutional and large-ticket deposits	Maintained diversified funding mix across customer segments and deposit sizes

CORE COMPETENCIES

LBF continues to strengthen its competitive positioning within the Deposits segment through several key capabilities:

- Strong brand reputation and customer trust
- Extensive island-wide branch network
- Relationship-driven customer engagement model
- Flexible and competitive deposit products
- Strong digital banking capabilities through the LB CIM app
- Diversified funding base across customer segments and deposit types
- Strong operational controls and regulatory compliance frameworks

FIXED DEPOSITS

Fixed Deposits continued to represent the core component of the Company's funding base during FY2025/26, supported by strong customer trust, flexible tenure offerings and relationship-led customer retention strategies.

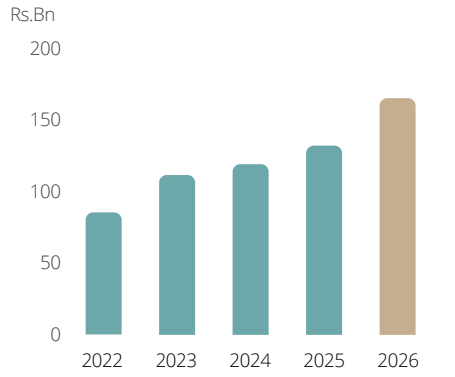
The Company strengthened portfolio diversification by mobilising both individual and institutional deposits while maintaining focus on smaller-ticket deposits through the branch network to improve portfolio stability and reduce concentration risk.

Flexible Deposit products, including customised tenure options such as 100-day, 200-day and 400-day deposits supported customer acquisition and enhanced investment flexibility. Digital enablement through the LB CIM app further improved customer convenience by enabling digital account opening, e-statements, balance confirmations and tax documentation access.

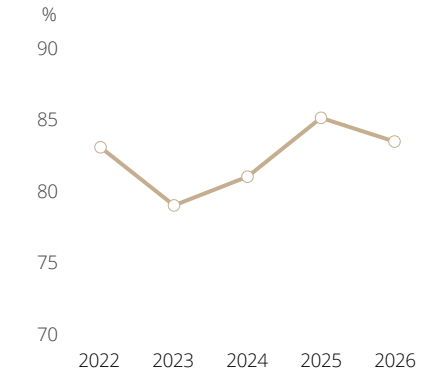
The Company maintained strong renewal performance through branch-level monitoring and relationship-led engagement while attracting Fixed Deposit customers during the year.



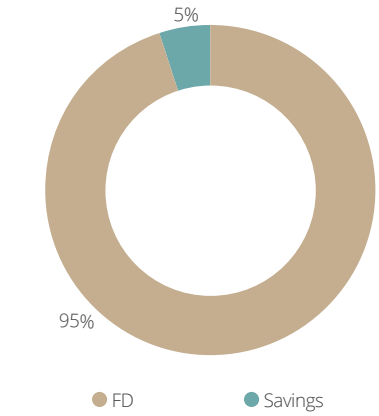
Fixed Deposits Base



Fixed Deposit Renewal Ratio



Deposits Base Mix



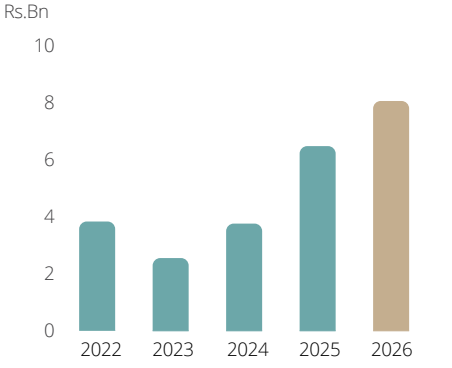
SAVINGS

Savings continued to strengthen as an important component of the Company's funding structure while supporting customer engagement and funding diversification. During the year, LBF strengthened savings mobilisation through Premier Savings, Minor Savings products, senior citizen savings solutions and digitally enabled account management capabilities.

The LB CIM app continued supporting savings growth by enabling customers to perform transfers, utility payments, account management and other transactions through a single integrated digital platform. The Company also continued promoting savings habits among families, senior citizens and children through targeted engagement initiatives and awareness campaigns.

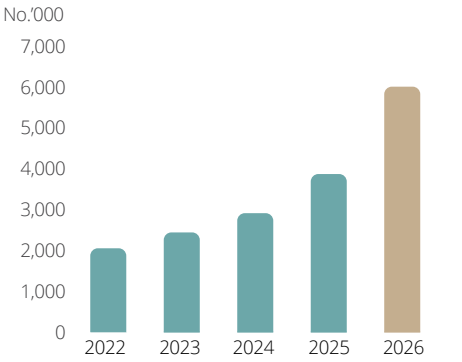
Over the medium to long-term, LBF aims to increase the contribution of savings towards the total deposit base to support a more stable and cost-effective funding mix.

Savings Base



Business Review

Number of CIM Wallet Transactions



LBF continued strengthening customer convenience, accessibility and service quality through a combination of personalised relationship management and digital enablement. Customers increasingly utilised digital services for account opening, document access, balance confirmations, statements and transaction management through the LB CIM platform.

At the same time, branch-level engagement and relationship management remained important differentiators, particularly for deposit renewals, investment decisions and personalised customer support.

KEY INITIATIVES AND CUSTOMER ENGAGEMENT

- Conducted branch-led deposit mobilisation campaigns and customer engagement initiatives
- Strengthened institutional customer engagement and diversified funding inflows
- Promoted digital onboarding and self-service account management through LB CIM app
- Conducted savings awareness campaigns targeting minor savings and senior citizen segments
- Strengthened relationship-led renewal monitoring and customer retention initiatives
- Expanded promotional campaigns, social media engagement and customer events to improve product awareness and loyalty

FUTURE OUTLOOK

LBF remains focused on strengthening the Deposits segment through sustainable funding growth, digital transformation, customer retention and operational resilience. Accordingly, the Company will:

- Build a diversified and resilient funding base across products and customer segments
- Strengthen branch-led mobilisation and digital onboarding
- Promote flexible and customer-centric deposit products
- Develop broader deposit-linked and Islamic finance-linked solutions
- Enhance customer loyalty and long-term relationship management

VALUE ADDED SERVICES



LBF continues to strengthen customer engagement and diversify fee-based income streams through a broad portfolio of Value-Added Services (VAS) integrated across both physical and digital channels. Through its extensive branch network and growing digital ecosystem, the Company facilitates Bill Payments, Remittances and Foreign Currency exchange services, enabling convenient, accessible and efficient financial services for customers' day-to-day financial needs.

As financial services continue evolving beyond traditional Lending and Deposit products, Value Added Services play an increasingly important role in strengthening customer acquisition, retention and engagement while supporting stable non-interest income generation for the Company.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for Value Added Services during FY 2025/26 remained highly competitive and rapidly evolving, driven by increasing digitalisation, fintech disruption and changing customer behaviour. Competition intensified across Remittances, Bill Payments and Foreign Exchange operations, driven by digital-first platforms, telecom-led payment ecosystems, fintech applications and informal market operators.

The Remittance market continued to shift towards digital transfers and direct-to-bank solutions, while Foreign Exchange operations faced pressure from unregulated grey-market activity. Similarly, the Bill Payment ecosystem became increasingly fragmented with the expansion of self-service kiosks, fintech platforms and banking applications.

Despite these challenges, LBF strengthened its position through a hybrid operating model combining branch accessibility with digital convenience. Faster transaction processing, extended operating hours and integration with the LB CIM platform enabled the Company to compete effectively while improving customer accessibility and service efficiency.

Challenge/Opportunity	Strategic Response
Growth of unregulated and grey market activity in foreign exchange	Maintained competitive pricing and strengthened customer awareness on regulated transactions
Increasing digital competition within remittances and payments	Accelerated LB CIM integration and planned onboarding of multiple remittance partners
Declining reliance on cash-based transactions	Expanded digital payment options while maintaining strong over-the-counter services
Highly competitive Bill Payment ecosystem	Introduced loyalty programmes and strengthened strategic partnerships
Talent constraints and staff turnover	Continued investment in staff training and performance incentive programmes
Need to increase awareness and transaction volumes	Implemented targeted marketing campaigns, SMS promotions and customer engagement initiatives

Business Review

SERVICE SEGMENT PERFORMANCE

Remittance Services

Remittance services remained the largest contributor to VAS income during the year, supported by stable inflows from overseas workers, particularly from Middle East markets. However, the segment continued experiencing increasing competition from digital remittance platforms and direct-to-bank transfer solutions.

In response, LBF plans to transition from an exclusive Western Union partnership model towards a multi-partner remittance ecosystem by onboarding global remittance providers such as MoneyGram, RIA and Express Money. This strategy is expected to improve competitiveness, increase customer flexibility and strengthen access to digital remittance flows.

Remittance services recorded transaction volume growth of 8% during FY 2025/26, supported by increasing customer activity, stable overseas inflows and improved service accessibility. Faster transaction processing, extended operating hours and strong branch accessibility continued to support customer convenience and operational performance throughout the year.

Bill Payments

Bill Payments continued to be a key driver of transaction volumes, supported by both over-the-counter services and the LB CIM digital platform. While digital adoption continued increasing, customers still demonstrated a strong preference for physical receipts, particularly for high-value utility payments such as electricity and water bills.

To accelerate digital migration, the Company implemented incentive-based LB CIM campaigns, loyalty programmes and customer awareness initiatives while also planning to introduce an agent-based service model in underserved Northern and Eastern regions during FY 2026/27.

Bill Payments recorded transaction growth of 40% and volume growth of 32% during FY 2025/26, reflecting increasing customer adoption across both over-the-counter and digital channels. Continued expansion of LB CIM integration, loyalty programmes and customer awareness initiatives further strengthened transaction activity and customer engagement during the year.

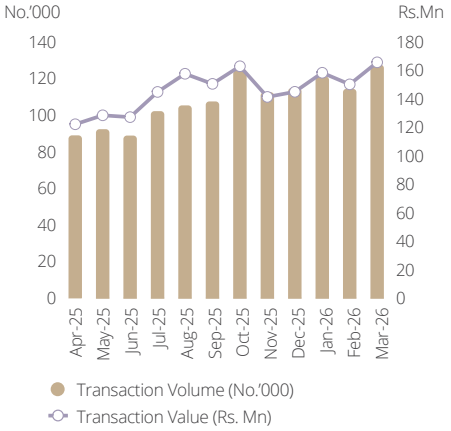
Foreign Currency Operations

The Foreign Exchange segment continued recording growth despite competition from informal exchange markets and increasing digitisation of travel-related payments. LBF maintained competitiveness through daily benchmarking of exchange rates, efficient transaction processing and strong market presence in tourism-driven and high-activity regions such as Colombo and Negombo.

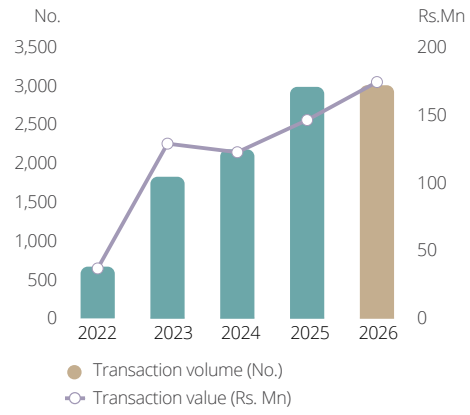
Foreign Currency Operations recorded transaction volume growth of 19% during FY 2025/26, supported by improving tourism activity, increased commercial transactions and efficient service delivery across key operational regions. Competitive exchange rate management and strong regional market presence continued to support business growth during the year.

Looking ahead, the Company plans to strengthen partnerships with travel agents, hotels and tourism operators to expand customer reach and support future segment growth.

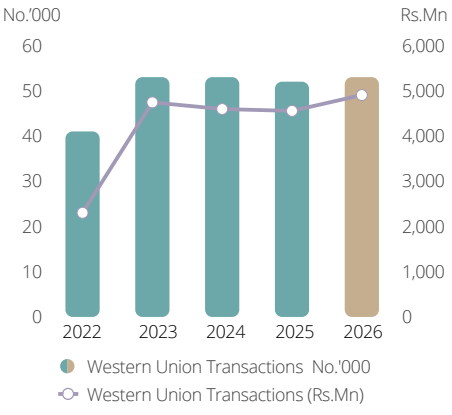
Bill Payment Transactions



Foreign Currency Exchange



Western Union Transactions



KEY INITIATIVES AND MARKET ACTIVATION

- Strengthened LB CIM integration to improve digital transaction accessibility and customer convenience
- Implemented targeted SMS campaigns and customer engagement programmes to improve service awareness and transaction volumes
- Introduced customer and staff loyalty programmes to encourage service adoption and retention
- Expanded strategic partnerships to strengthen accessibility and transaction capabilities
- Continued strengthening operational efficiency and transaction processing speed across branches and digital channels
- Strengthened in-branch visibility and regional marketing initiatives to improve customer reach and engagement

CORE COMPETENCIES

LBF continues to strengthen its competitive positioning within the VAS segment through several key capabilities such as:

- Strong brand reputation and regulatory credibility
- Integrated physical and digital service delivery model
- High transaction speed and operational efficiency
- Extensive branch network supported by digital channels
- Extended operating hours, including weekends, improving accessibility
- Strong customer relationships and regional market presence
- Growing LB CIM digital ecosystem supporting service integration

FUTURE OUTLOOK

- LBF remains focused on strengthening the VAS segment as a key contributor to fee-based income growth, customer engagement and digital ecosystem expansion. Accordingly, the Company will:
- Strengthen customer retention through improved service quality and competitive pricing
- Introducing and expanding sub-agent networks across underserved regions
- Expand transaction volumes through targeted campaigns and loyalty programme
- Develop strategic partnerships with travel operators, hotels, telecom providers and fintech platforms
- Continue improving operational efficiency and transaction processing speed

OTHER PRODUCTS



LBF continues to expand its Other Financial Services segment through innovative and inclusive solutions that address the evolving needs of diverse customer groups. By enhancing financial accessibility and supporting underserved segments, the Company promotes customer empowerment, greater economic participation, and sustainable value creation for individuals, businesses, and communities.

ALTERNATE FINANCIAL SERVICES (AFS)

LBF continued to strengthen its presence within the finance sector through AFS operated under LB Al-Salamah, the Company's dedicated Shariah-compliant financial services platform. With over 15 years of experience in finance, LB Al-Salamah continues to provide transparent, responsible, and customer-centric financial solutions while strengthening financial inclusion and supporting underserved customer segments across Sri Lanka.

AFS offers a diversified portfolio of Shari'ah-compliant financial products including Auto Finance, Working Capital Finance, Trade Finance, Savings, Deposits, and investment solutions tailored to meet customer needs while maintaining strict compliance with Islamic finance principles. Supported by a dedicated branch network, strong governance structures, and increasing digital integration, AFS continues strengthening its position as a trusted provider of ethical financial services.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for AFS during FY 2025/26 was shaped by improving economic conditions, renewed lending opportunities, and increasing customer demand and Shari'ah-compliant financial solutions. Growing awareness of responsible finance, combined with increasing preference for transparent and value-driven financial services, further strengthened demand across the sector.

The year also witnessed increasing competition within the Islamic financing space, with both banks and non-bank financial institutions expanding their Shari'ah-compliant product offerings. In response, LB Al-Salamah continued strengthening customer trust, operational efficiency, digital capability, and service accessibility while leveraging its long-standing market reputation and governance framework.

Challenge/Opportunity	Strategic Response
Increasing competition within Shari'ah-compliant finance	Strengthened customer trust, governance, and differentiated ethical finance offerings
Need for stronger digital and operational capabilities	Accelerated digitalisation, process automation, and fintech integration
Liquidity and mark-up pricing pressures	Strengthened deposit mobilisation and ALM monitoring practices
Regulatory and Shari'ah governance requirements	Maintained continuous oversight through the Shari'ah Supervisory Board
Growing demand for ESG-aligned financial solutions	Expanded Shari'ah-compliant products and customer outreach initiatives
Opportunity to penetrate underserved markets	Expanded regional accessibility and customer engagement across targeted communities

PERFORMANCE OVERVIEW

Alternate Financial Services (AFS) recorded steady growth during FY 2025/26, supported by increasing demand for Shari'ah-compliant financial solutions, improved operational efficiency, and strengthened customer engagement across Auto Finance, Working Capital Finance, Trade Finance, and Deposit products. The business continued expanding its market presence while maintaining disciplined governance, strong portfolio quality, and responsible financing practices

MARKET ENGAGEMENT AND CUSTOMER AWARENESS

During FY 2025/26, AFS conducted multiple awareness campaigns, customer engagement programmes, and educational initiatives aimed at strengthening public understanding of Shari'ah-compliant financial solutions.

Key initiatives included:

- SME forums and business community engagement programmes
- Financial literacy and Shari'ah awareness sessions
- Digital and social media outreach campaigns
- Seasonal promotional campaigns and customer loyalty initiatives
- Participation in trade exhibitions and community events
- Relationship-building programmes with dealers, suppliers, and business networks

FUTURE OUTLOOK

LB Al-Salamah remains focused on strengthening its position as a leading provider of ethical and Shari'ah-compliant financial services in Sri Lanka through innovation, financial inclusion, digital transformation, and sustainable growth. Accordingly, the Company will:

- Expand Shari'ah-compliant product portfolio and market penetration
- Strengthen leadership within ethical and ESG-aligned finance
- Enhance customer awareness and financial literacy programmes
- Develop fully integrated digital Shari'ah-compliant financial solutions
- Position LB Al-Salamah as the preferred ethical finance platform in Sri Lanka

LB SANMITHA LOAN

LBF continued to strengthen its MSME financing presence during FY 2025/26 through the LB Sanmitha Loan product, a specialised business financing solution designed to support small and medium-scale entrepreneurs with fast, flexible, and relationship-driven financial assistance. The product plays an important role in supporting business growth, expanding customer relationships, and strengthening LB Finance's position within the MSME sector.

LB Sanmitha was specifically developed to address the financing gap faced by many MSMEs that struggled to access fast and flexible funding through conventional lending channels. The product supports customers requiring working capital, stock purchases, business expansion financing, and day-to-day cash flow support while also strengthening long-term customer engagement through value-added business support services.

OPERATING CONTEXT AND STRATEGIC RESPONSE

The operating environment for Sanmitha Loans during FY 2025/26 was influenced by gradually improving economic conditions, elevated interest rates, and continued liquidity pressures faced by small and medium-sized enterprises. While many MSMEs continued experiencing cash flow challenges and business recovery pressures, demand for short-term business financing solutions remained strong across the market.



Business Review

At the same time, increased competition within the lending sector and the presence of informal money lending alternatives created pressure across the MSME financing landscape. In response, LBF strengthened its customer-centric and relationship-driven approach by offering flexible loan structures, faster approvals, and continuous customer engagement supported by its island-wide branch network.

Challenges/Opportunities	Strategic Response
Increasing competition and informal money lending alternatives	Enhanced customer service, turnaround times, and relationship management
Difficulty recruiting and training experienced staff	Strengthened staff development and operational training programmes
Portfolio quality risks associated with unsecured lending	Improved credit evaluation and monitoring frameworks
Need for sustainable growth within the MSME sector	Focused on targeted customer acquisition and responsible lending practices

PERFORMANCE OVERVIEW

LB Sanmitha Loan portfolio recorded strong growth during FY 2025/26, supported by increasing MSME demand, customer acquisition, and improved operational execution. The portfolio increased to approximately Rs. 1.6 billion during the last seven months of the financial year.

The segment also maintained exceptionally strong portfolio quality, recording an NPL ratio of approximately 0.04% during the year, reflecting disciplined credit assessment and close customer engagement practices.

CUSTOMER SERVICE AND RELATIONSHIP MANAGEMENT

Customer relationships and service accessibility remained central to the LB Sanmitha operating model during FY 2025/26. Supported by LBF's island-wide branch network of 225 branches, customers were able to access professional guidance, priority service, and continuous business support across all regions.

The Company continued strengthening customer experience through:

- Loan approvals within one day, subject to documentation and eligibility
- Loan disbursements within three working days
- Dedicated branch-level support and relationship management
- Flexible financing structures aligned with MSME cash flow requirements
- Continuous customer engagement throughout the business lifecycle
- Unlike conventional Business Loans, LB Sanmitha customers also receive additional value-added benefits, including:
  - Higher interest rates for savings products
  - Higher advance values for Gold Loans
  - Entrepreneur training programmes and business development support
  - Access to future financial solutions, including Vehicle Loans, Housing Loans, Savings, and Fixed Deposits

CORE COMPETENCIES

LBF continues strengthening its competitive positioning within MSME financing through several key capabilities such as:

- Over 13 years of experience in unsecured business lending
- Strong understanding of MSME customer needs and business cycles
- Fast decision-making and flexible loan structuring capabilities
- Experienced and relationship-driven business development teams
- Strong operational resilience demonstrated during challenging economic periods
- Extensive branch network and customer accessibility
- Strong portfolio quality and disciplined credit management practices

FUTURE OUTLOOK

LBF remains focused on positioning LB Sanmitha as a long-term growth platform supporting MSME development, customer relationships, and sustainable portfolio expansion. Accordingly, the Company will:

- Build LB Sanmitha as the preferred MSME growth partner in Sri Lanka
- Expand knowledge-based training and trade fair opportunities for customers
- Achieving long-term portfolio expansion targets and sustainable business growth
- Expand support for women entrepreneurs and agriculture-related businesses
- Promote digital transactions and modern financial practices among MSMEs

Subsidiary Information

LB MICROFINANCE MYANMAR

Building Financial Inclusion Through Resilience and Community-Centric Microfinance

LB Microfinance Myanmar (LBMM), a fully owned subsidiary of LBF, continues to strengthen its position within Myanmar's microfinance sector through a lean, agile and community-focused operating model. Despite operating within a highly volatile economic and regulatory environment, LBMM remains committed to delivering accessible financial solutions that support grassroots communities, small businesses and underserved customer segments across Myanmar.

OPERATING CONTEXT AND STRATEGIC RESPONSE

Myanmar continued to experience economic and operational challenges during the year amid ongoing internal conflict, infrastructure disruptions, fuel shortages and inflationary pressures. Despite these conditions, LBMM adopted a resilient and adaptive operating approach focused on maintaining operational efficiency, strengthening customer relationships and supporting sustainable business performance.

The Company continued to maintain positive engagement with administrative and regulatory authorities while actively participating in industry policy working groups aimed at strengthening the operating environment for the microfinance sector.

DIGITAL COLLECTION AND OPERATIONAL EFFICIENCY

LBMM continued expanding digital collection capabilities during FY25 through partnerships with existing digital payment providers, enabling the Company to improve collection efficiency without incurring significant digital infrastructure costs. Some branches reported digital collection penetration exceeding 90%, while overall digital collections accounted for approximately 36% of total collections.

LBMM's core offering remains its traditional Microfinance Loan product, designed to support low-income communities and grassroots entrepreneurs. The Company also provides Group-based Loans for traders and small business owners, individual Business Loans to support enterprise growth, dedicated Staff Loans for salaried employees and Savings Products aligned with regulatory requirements. This diversified product portfolio, supported by a highly trained and customer-focused workforce, has enabled LBMM to establish itself as a strong player within Myanmar's growing microfinance market.

Region	Branch	Staff Members
Magway	06	45
Bago	08	100
Ayeyarwady	05	34
Yangon	01	05

CORE STRENGTHS

LBMM's operational resilience and market positioning are supported by several key strengths:

- Strong digital collection partnerships that improve operational efficiency
- Voluntary deposit licence capability, positioning LBMM among a limited number of licensed MFIs in Myanmar
- Efficient credit evaluation systems supported by experienced field staff
- Strong customer service culture supported by locally recruited teams familiar with customer needs
- High staff retention and strong female workforce representation, with approximately 80% of employees being women, closely reflecting the predominantly female customer base

PRODUCT INNOVATION AND CUSTOMER SUPPORT

During the year, LBMM introduced a dedicated transport financing solution targeting Myanmar's bicycle and tricycle market segments. Supported by a strong credit evaluation framework and customer relationship management capabilities, the product gained rapid market acceptance and strengthened LBMM's position within the small vehicle financing market.

The Company also continued supporting underserved communities through customer-focused financial solutions, financial literacy programmes and social welfare initiatives designed to improve long-term financial stability and community resilience.

Subsidiary Information

ESG IMPACT AND SOCIAL RESPONSIBILITY

LBMM continued integrating environmental, social and governance considerations into its operations through digitalisation initiatives, social welfare programmes and responsible governance practices. The adoption of digital collection methods reduced paper-based processes while improving operational efficiency.



Following the March 2025 earthquake in the Sagaing Region, LBMM provided relief support through its Social Welfare Fund, staff donations and support received from LBF Sri Lanka. Assistance included essential goods, financial support and educational assistance for affected communities and customers.

The Company also continued to conduct targeted financial literacy programmes, particularly for women, while maintaining full compliance with regulatory and reporting requirements in both Myanmar and Sri Lanka.



PERFORMANCE HIGHLIGHTS

LBMM reported improved operational and financial performance during 2025/26 despite the challenging operating environment. Collection rates, disbursement levels, customer deposits and operational efficiency all improved during the year.

Voluntary deposits strengthened significantly following the introduction of licensed deposit products, contributing to the expansion of the funding base and supporting long-term sustainability. The company also reported improvements in customer retention, digital adoption, operational efficiency and profitability during the year.

Detailed financial performance, profitability, deposit growth, loan portfolio information, operational efficiency indicators and key financial ratios relating to LBMM are disclosed on page 153 of this Annual Report.

PEOPLE AND CULTURE

LBMM continues to prioritise staff development, retention and community-based recruitment. A significant portion of the workforce is recruited from agricultural communities similar to the customer base, enabling stronger customer understanding and more effective credit assessment capabilities.

The Company also conducted multiple staff training initiatives during the year aimed at strengthening operational capability, customer service and business performance.







FUTURE OUTLOOK

Despite continuing economic uncertainty, LBMM remains focused on strengthening its market position and expanding financial inclusion across Myanmar. The company aims to position itself among the top ten microfinance institutions in Myanmar by strengthening its existing product portfolio, expanding into underserved MSME segments and maintaining a strong and loyal customer base.

Looking ahead, LBMM plans to implement new IT and HR systems to improve operational efficiency, introduce digital disbursement capabilities subject to regulatory approval and expand its branch network with the addition of three new branches. These initiatives will further strengthen operational scalability, customer accessibility and long-term sustainability.

ASSOCIATED MOTOR FINANCE COMPANY PLC (AMF)

Expanding Market Reach Through Strategic Integration and Specialised Mobility Financing

In October 2025, LB Finance PLC acquired a controlling stake of 65.60% in Associated Motor Finance Company PLC (AMF), which increased to 73.11% following the completion of the mandatory offer in November 2025. This strategic acquisition strengthened LBF's portfolio diversification while enabling AMF to expand its business potential within a significantly enhanced operational and financial environment.

AMF operates as a specialised financing company focused primarily on registered motorbike leasing, serving a niche, but high-demand market segment. The business has built strong market recognition through its deep understanding of the motorbike leasing sector, rapid approval processes, strong dealer relationships and highly specialised operating models.

OPERATING CONTEXT AND STRATEGIC POSITIONING

Before the acquisition, AMF operated within a constrained environment as a relatively small, but specialised player within the motorbike leasing industry. Limited operational scale and resources restricted the company's ability to fully capitalise on market opportunities despite maintaining a strong niche presence and customer base.

The Company primarily focuses on financing registered motorbikes, a segment that generates comparatively higher interest yields than traditional four-wheel vehicle leasing portfolios. Sharia-compliant Islamic financing facilities are also offered to support specific customer requirements and strengthen portfolio diversification.



Detailed financial information relating to AMF is disclosed on page 153 of this Annual Report

Challenges/Opportunities	Strategic Response
High-risk customer segment and elevated NPL exposure	Strengthened internal controls, closer monitoring and improved collections support
Limited operational scale before acquisition	LBF operational infrastructure and funding support
Need for stronger customer accessibility and service reach	Expanded branch integration and customer engagement capabilities
Growing demand for brand-new motorbikes	Increased focus on lower-risk brand-new motorbike financing
Emerging demand for Islamic financing solutions	Expanded Sharia-compliant financing offerings
Increasing digital customer behaviour	Exploring a fully digital leasing and servicing ecosystem



CUSTOMER SERVICE AND OPERATIONAL MODEL

AMF operates a highly responsive and relationship-driven service model designed specifically for the motorbike leasing market. Strong relationships with motorbike dealers remain a key competitive advantage, enabling faster customer access and efficient service delivery across the value chain.

Subsidiary Information

CULTURE, PEOPLE AND SUSTAINABILITY

AMF maintains a strong organisational culture centred around trust, loyalty, teamwork and long-term relationship building. The organisation also demonstrates strong employee retention, with many employees progressing from junior operational roles into leadership positions over time. Team-based accountability and shared responsibility remain central cultural strengths within the business.



NPL MANAGEMENT AND CREDIT RISK

AMF operates within a relatively high-risk customer segment largely consisting of self-employed and daily-income-earning customers such as technicians, carpenters and small-scale business operators. Due to the nature of this customer base, the company maintains a comparatively longer collections timeline relative to other lending products within LBF.



As a result, the AMF portfolio reported an NPL ratio of approximately 15.8% during FY2025/26. However, the company continues to manage this through strong internal controls, close portfolio monitoring and disciplined collection practices.

Following the acquisition, additional opportunities have emerged to further strengthen collections and customer monitoring through:

- Wider branch network access through LBF
- Dedicated call centre support
- Enhanced customer relationship management
- Exploration of digital collection and monitoring solutions

These initiatives are expected to strengthen portfolio quality and improve future collection performance.

FUTURE OUTLOOK

AMF remains focused on strengthening market leadership within specialised mobility financing while leveraging the operational capabilities and strategic support of LBF. The company will:

- Develop a fully digital leasing ecosystem
- Strengthen collections and customer monitoring capabilities
- Strengthen long-term portfolio quality and sustainability
- Expand market leadership within specialised motorbike financing

Corporate Governance

Control Systems That Ensure Stability

Movement that Safeguards, Movement that Steers

At LB Finance PLC, stewardship is exercised through discipline, oversight and responsibility. Like a system of cogs built to respond under pressure, every decision is guided with care to ensure stability, control and long-term trust. This is how governance, risk and accountability work together to steer the organisation through changing conditions.

Aerospace actuators use specialised gears to move aircraft control surfaces under extreme pressure and wind resistance, ensuring safe, responsive and controlled flight.



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Corporate Governance

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CHAIRMAN'S MESSAGE



Effective governance extends beyond compliance, serving as the foundation for strategic decision making, responsible risk taking and sustainable value creation, while reinforcing stakeholder confidence and supporting the Company's long term success and resilience

Sound Corporate Governance Framework remains a cornerstone of LB Finance's long-term success and sustainability. Amidst a rapidly evolving environment shaped by digital innovation and increasing regulatory expectations, the Company remains committed to upholding the highest standards of integrity, accountability, transparency and ethical business conduct while strengthening its governance, risk management, compliance and sustainability frameworks.

The year also marked several key leadership appointments that strengthened the Board's strategic oversight and collective expertise. Mr. Niroshan Udage was appointed as the Managing Director, Mr. Ravindra Tissera assumed the role of Executive Director and Independent Non-Executive Director Prof. T. N. K. De Zoysa brought valuable expertise in information security, digital forensics and technology risk, further strengthening the Board's capabilities in overseeing emerging technology-related risks and opportunities.

A key focus during the year was the continued strengthening of the Company's governance architecture. The Board reviewed and enhanced several governance frameworks including policies and Terms of Reference relating to governance, compliance, sustainability, risk management, information security and business continuity management. New and revised policies on anti-bribery and anti-corruption, whistleblowing, AI security, data protection and operational risk management further strengthened the Company's governance culture and internal control environment.

The Board strengthened strategic oversight during the year through the approval of the Company's Strategic Plan for 2025/26 to 2027/28, aligning long-term growth objectives. LB Finance also expanded its strategic footprint through the acquisition of a 73.11% stake in Associated Motor Finance Company PLC and continued regional expansion initiatives in Myanmar and the Philippines, broadening growth opportunities while maintaining prudent governance oversight.

Risk governance remained a key focus area, with the Company further strengthening its integrated risk management framework through enhanced operational risk governance, strengthened RCSAs, stress testing mechanisms and liquidity risk monitoring. The Board also reviewed and approved the RAS while enhancing oversight of operational resilience and emerging risks.

The Company continued to strengthen its compliance culture through enhanced compliance monitoring frameworks, strengthened AML/CFT controls, goAML integration and regular awareness programmes across the organisation. Formalised compliance self-assessment processes and regular Board reporting further enhanced accountability and regulatory oversight.

Digital transformation and information security governance continued to receive significant Board attention. LB Finance successfully achieved re-certification of ISO 27001:2022 for the eleventh consecutive year. The Company also strengthened its digital governance capabilities through AI-powered credit scoring, automated loan decisioning, enhanced cybersecurity monitoring, establishment of a Security Operations Centre and implementation of an AI Governance Framework.

Sustainability remained integral to the Company's governance and strategic agenda. During the year, LB Finance became a member of the Partnership for Carbon Accounting Financials and emerged as the first company in Sri Lanka's banking and finance sector to commit to the Science-Based Targets initiative. The Company also strengthened sustainability governance through alignment with SLFRS S1 and SLFRS S2 and implementation of ESG Roadmap 2.0, further embedding sustainability considerations into decision-making and long-term value creation.

The Board is pleased to note that the Company's commitment to governance excellence was recognised through LB Finance receiving the Overall Bronze Award in Corporate Governance disclosures from CA Sri Lanka, reflecting the strength of its governance culture and commitment to responsible business practices.

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders, customers, regulators and employees for their continued trust, confidence and support as we continue to create sustainable long-term value for all stakeholders.



G A R D Prasanna
Chairman

29 May 2026

REPORT OF THE SENIOR INDEPENDENT DIRECTOR



The Independent Directors continued to provide objective oversight on matters relating to strategy, risk management, governance, compliance and organisational performance, thereby contributing to the long-term sustainability of the Company

The Board has a strong representation of Independent Directors that helps to maintain objectivity in Board deliberations and decision making 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, all the Independent Directors of the Company are compliant with the independent criteria set by Finance Business Act Direction No. 5 of 2021, Listing Rules of the Colombo Stock Exchange and Code of Best Practice of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The strong presence of Independent Non-Executive Directors on the Board enhances constructive challenge, independent judgement and balanced decision making, while bringing diverse professional expertise and perspectives to Board discussions and strategic decision making. They continued to provide objective oversight on matters relating to strategy, risk management, governance, compliance and organisational performance, thereby contributing to the long-term sustainability of the Company.

During the year under review, the Senior Independent Director met with the Non Executive Directors without the presence of Executive Directors to discuss matters relating to the Company and the operations of the Board. Focus was particularly given to succession planning, talent development and retention in order to ensure that the Company remains well-positioned to execute its strategic priorities in an evolving business landscape. The discussions also encompassed Board effectiveness, leadership development and organisational resilience, recognising the importance of maintaining a strong leadership pipeline to support the Company's future growth objectives.

The Independent Directors maintained regular engagement with the Chairman, Managing Director and Senior Management, enabling open dialogue on strategic priorities, emerging risks, governance matters and business performance. The views and recommendations of the Independent Directors were carefully considered by the Board, reinforcing effective governance and sound decision making.

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

29 May 2026

Senior Independent Director

The appointment of the Senior Independent Director was made in accordance with the requirements stipulated in the Finance Business Act Direction No. 5 of 2021 on Corporate Governance and Section 9 of the Listing Rules of the Colombo Stock Exchange.

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. To facilitate the effective discharge of the responsibilities of the Senior Independent Director, a Board-approved Terms of Reference is in place, clearly defining the roles, responsibilities and authority of the position.

Corporate Governance

1. GOVERNANCE AT A GLANCE

Our governance framework is structured to protect the interests of all stakeholders, promote integrity and transparency and drive sustainable value creation through robust oversight of strategy, risk, performance and conduct.

1.1. Aim of our Corporate Governance



Committed to delivering long-term, enduring benefits for our shareholders while balancing the diverse interests of all stakeholders.

Ensuring every strategic choice and organisational decision remains strictly aligned with our core mission and ethical principles.

Prioritising the generation of sustainable value for investors while maintaining a holistic focus on our wider community and stakeholder groups.

Maintaining high standards of transparency and responsibility to ensure the organisation's long-term sustainability.

Fostering a culture of oversight and accountability encourages collaborative, informed, and responsible decision-making at every level.

1.2. Navigation to the Corporate Governance Report

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2. GOVERNANCE PHILOSOPHY

2.1 Approach to Governance

At LB Finance PLC, corporate governance is a fundamental pillar that underpins the Board's stewardship in safeguarding stakeholder interests and ensuring the long-term sustainability of the institution. The Company operates within a robust governance framework that complies with applicable regulatory requirements while aligning with international best practices.

This framework extends beyond compliance and serves as a strategic foundation for maintaining institutional integrity, strengthening risk oversight and supporting prudent and informed decision-making. The Board remains committed to continuously enhancing governance structures and internal control systems to uphold stakeholder confidence and reinforce resilience of the organisation.

Our governance philosophy is anchored in accountability, transparency, ethical leadership and inclusivity, which guides the Board and management in the discharge of their responsibilities. However, we believe corporate governance is not merely a system of creating checks and balances; but is a driver of organisational excellence leading to increasing employee and customer satisfaction and shareholder value without compromising on our ethics and values.

The Company is committed to upholding the highest standards of corporate governance recognising that effective governance extends beyond regulatory compliance. Our corporate structure, business operations and disclosure practices are firmly aligned with our well-defined corporate governance philosophy that promotes integrity, accountability and sustainable value creation.

Central to this approach is a commitment to system-driven performance ensuring transparency, efficiency and accountability.

The Board provides leadership with integrity, independence and professionalism, guiding the Company through responsible, fair and transparent governance practices. Through effective oversight and strategic direction, the Board ensures that management actions are aligned with the long-term interests of the Company and its stakeholders. In upholding these principles, the Company places particular importance on safeguarding the rights and interests of all shareholders, especially minority shareholders. Our governance practices are designed to foster trust, support the achievement of strategic objectives, deliver sustained positive outcomes and create long-term, sustainable value for all stakeholders.

2.2 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 of LBF which is underpinned by both external mandates and internal practices which ensures that the Company operates with transparency, accountability and integrity.

2.2.1 Disclosures on Corporate Governance Directions/ Requirements

Direction/ Standard	Requirement	Status	Page Reference
Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka	Mandatory	Complied	508-529
Colombo Stock Exchange Listing Rule No. 7.6 - Contents of the Annual Report	Mandatory	Complied	530
Colombo Stock Exchange Listing Rule No. 9 – Corporate Governance	Mandatory	Complied	531-537
The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka	Voluntary	Complied	538-554

Corporate Governance

2.2.2 Governance Framework

External Benchmarks		Internal Benchmarks	Assurance
Mandated	Volunteered		
Stakeholder Protection ⊛ Companies Act No. 07 of 2007 and its amendments ⊛ The Anti-Money Laundering laws and regulations and Financial Transaction Reporting Act No. 6 of 2006 and its amendments **Financial Service Regulations** ⊛ Finance Business Act No. 42 of 2011 ⊛ All Directions issued to NBFIs by the CBSL particularly Finance Business Act Direction No. 05 of 2021 on Corporate Governance	**Corporate Governance** ⊛ The Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka **Sustainability** ⊛ ISO 14001 Environmental Management Systems ⊛ UN SDGs ⊛ Global Reporting Initiative	**Governance Charters** ⊛ Articles of Association ⊛ Governance Framework ⊛ Terms of Reference for the Board, Sub Committees and Management Committees **Policies and Risk Framework** ⊛ All Board-approved Policies and procedures on operational areas	**Internal Assurance** ⊛ Directors' Statement on Internal Control on pages 327-328 ⊛ Sub Committee Reports on pages 305-325 **External Assurance** ⊛ M/s KPMG Sri Lanka provided its Assurance Statement to the CBSL following a review of the Company's compliance with Direction No. 5 of 2021, Corporate Governance
Investor Protection ⊛ The Listing Rules of the CSE ⊛ Directions and Circulars issued by SEC of Sri Lanka **Employment Legislations** ⊛ The Shop and Office Employees Act No. 19 of 1954 and its amendments **Taxation and Financial Reporting** ⊛ The Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 ⊛ The Inland Revenue Act No. 24 of 2017 and its amendments **Sustainability and Data Protection** ⊛ CBSL Roadmap for Sustainable Finance in Sri Lanka 2.0 ⊛ Personal Data Protection Act No 09 of 2022 (as amended) ⊛ SLFRS Sustainability Disclosure Standards	**IT Governance** ⊛ ISO/IEC 27001:2022 Information Security Management System Standard **Guidance for Directors** ⊛ Guidance for Directors of Banks on the Directors' Statement on Internal Control, issued by CA Sri Lanka	⊛ Integrated Risk Management Framework ⊛ Organisational structure **Ethical Conduct** ⊛ Code of Ethics and Conduct ⊛ Anti-corruption and Bribery Policy ⊛ Whistleblowing Policy ⊛ AML/CFT Policies ⊛ RPT Policy **Sustainability Practices** ⊛ ESG Policy	⊛ Independent Assurance on Internal Control over Financial Reporting is obtained from M/s KPMG Sri Lanka. ⊛ Independent Assurance is obtained on GRI, SLFRS S1 and S2, SASB Standards and IR Framework related disclosures ⊛ Carbon footprint calculations were independently verified by Control Union in accordance with ISO 14064-1:2006 ⊛ ESG Rating was obtained from IdealRatings Inc.

2.3 Approach towards Global Standards / Governance of Sustainability Matters

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.

3. EMERGING TRENDS IN CORPORATE GOVERNANCE

Corporate Governance is entering one of its most transformative eras. As organisations navigate an increasingly complex landscape characterised by economic volatility, geopolitical realignment, accelerated technological disruption and heightened stakeholder expectations, the role of the Board has never been more central. The most effective Boards are shifting from passive oversight to active, data-driven governance where disciplined human judgment works alongside emerging technologies to enhance strategic decision-making and risk management.

3.1 ESG Integration: From Disclosure to Strategic Imperative

ESG considerations have evolved from a compliance exercise to a strategic boardroom priority. Investors and regulators now demand greater transparency in climate disclosures, social equity and ethical leadership. Leading organisations are embedding ESG metrics into risk management frameworks and aligning sustainability performance with long-term value creation. Boards that embrace ESG as a core governance pillar are better positioned to build stakeholder trust and drive sustainable outcomes. The Company's ESG initiatives and commitments are detailed in the Integrated Sustainability Report on page 88, with governance-related disclosures presented on page 299 of the Corporate Governance Report.

3.2 Artificial Intelligence (AI) Governance/ Cybersecurity and Digital Resilience

AI has become a fundamental operational reality, making AI governance a critical area of Board oversight. Boards are increasingly expected to ensure that AI systems are explainable, fair and compliant with evolving ethical and regulatory standards. The rising frequency and sophistication of cyber threats have elevated cybersecurity from an IT concern to a governance priority. Boards are expected to ensure that organisations maintain robust cyber resilience frameworks, data governance standards and incident response capabilities to safeguard information assets and digital infrastructure. The Company's policies on AI Governance, Cybersecurity and Digital Resilience and implementation of same are discussed in the Intellectual Capital Report on page 180, the Report of the BISC on page 320 and pages 295 and 296 of the Corporate Governance Report.

3.3 Model Governance and Risk Management

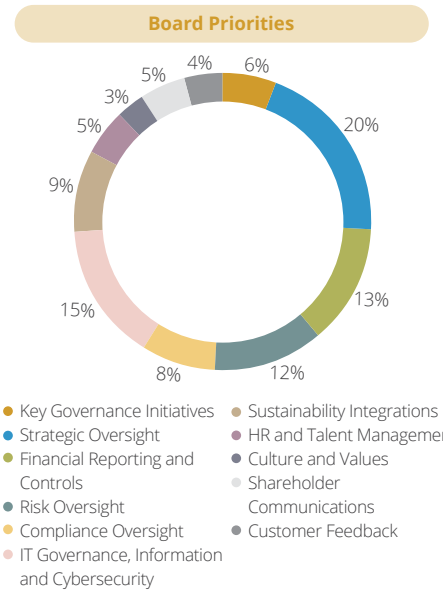
The governance of financial and predictive models has gained significant prominence. Institutions are adopting rigorous model validation frameworks, stress testing protocols and continuous monitoring to mitigate systemic and operational risks. Regulatory bodies, including the Basel Committee and the IASB, continue to emphasise model governance as essential for financial stability and stakeholder trust. Further details on LBF's Model Governance and Risk Management framework can be found in the Corporate Governance Report on page 295, the Integrated Risk Management Report of page 331 and the Report of the BIRMC on page 310.

3.4 Board Composition and Shareholder Engagement

Shareholder activism continues to rise, requiring Boards to be more agile and transparent in engaging with institutional and retail investors alike. Details of changes to the Board composition are detailed in the Annual Report of the Board of Directors on the Affairs of the Company on page 297. Other significant disclosures to shareholders during the year are presented below:

Topic	Date
Final Dividend announcement	27.05.2025
Annual Report 2024/25	05.06.2025
Annual General Meeting	30.06.2025
Q1 Performance	16.07.2025
Shares acquisition of AMF	26.09.2025
Q2 Performance	15.10.2025
Q3 Performance	22.01.2026
Interim Dividend announcement	09.02.2026
Q4 Performance	21.05.2026
Final Dividend announcement	27.05.2026

4. BOARD'S PRIORITIES AND KEY AGENDA FOR 2025/26



Corporate Governance

Board's Key Agenda for 2025/26

Key Governance Initiatives

Board oversight Responsibilities

- Monitoring the continuous evolution of governance frameworks to align with emerging risks, regulatory changes and strategic priorities
- Ensuring resilience through proactive oversight of technology, cybersecurity and business continuity capabilities
- Driving long-term sustainability by integrating risk management, capital planning and innovation into strategic decision-making

Key Highlights for 2025/26

- Mr. Niroshan Udage was appointed as Managing Director to provide strategic leadership and drive long-term value creation
- Appointment of an Independent Non-Executive Director and Executive Director to bring enhanced diversity of skills, experience and perspectives
- Reviewed and updated 62 Board-approved policies, procedures and Terms of Reference (TORs), including the Governance Framework

Strategic Oversight

Board oversight Responsibilities

- Setting the Company's strategic direction including short, medium and long-term objectives aligned with sustainable growth
- Reviewing strategic initiatives, capital investments and funding decisions vis-a-vis the Company's risk appetite and regulatory requirements
- Safeguarding the Company's reputation and governance standards by ensuring operations are conducted in line with Board-approved policies and ethical principles
- Driving continuous enhancement of governance structures and digital capabilities including scalable IT strategy to support future growth and competitiveness

Key Highlights for 2025/26

- Board approved the Strategic Plan for 2025/26 to 2027/28
- Strategic expansion was strengthened through a new investment in the Philippines and the continued expansion of operations in Myanmar
- A 73.11% stake was acquired in AMF to diversify into strategically aligned business segments
- Strengthened alignment between business and IT strategy, with key digital initiatives disclosed in Integrated Intellectual Capital Report on page 180
- Continuous enhancement of products through AI-powered solutions including customer scoring models and process automation initiatives are disclosed in Integrated Intellectual Capital Report on page 180

Financial Reporting and Controls

Board oversight Responsibilities

- Reviewing the integrity of financial reporting and compliance with Board approved policies
- Overseeing the effectiveness of internal controls, accounting systems and disclosure processes
- Obtaining independent assurance through internal and external audits to validate financial statements
- Maintaining strong governance to safeguard the Company's financial soundness and transparency

Key Highlights for 2025/26

- Reviewed and approved interim and annual financial statements for the period ended 31 March 2026
- Independent validation was obtained for the ECL model to ensure its effectiveness and robustness
- Independent assurance was obtained on financial statements from Internal and External Auditors
- Financial reporting processes were strengthened to align with enhanced regulatory requirements issued by SLAASMB, CBSL and CSE, as detailed in Integrated Financial Capital Report on page 142

Board's Key Agenda for 2025/26

Risk Oversight

Board oversight Responsibilities

- Approving and periodically reviewing the Company's risk appetite, ensuring alignment with strategic objectives and external conditions
- Reviewing the effectiveness and adequacy of the enterprise-wide risk management framework and monitoring systems
- Ensuring independent assurance over risk management through internal audit and other assurance functions
- Promoting a strong risk culture across the organisation, reinforcing accountability and prudent risk-taking

Key Highlights for 2025/26

- Risk management related policy frameworks were reviewed and strengthened
- Risk Appetite Statement was reviewed and approved by the Board
- Liquidity risk management practices were further strengthened through enhanced early warning indicators, strengthened Treasury Middle Office oversight and ongoing stress testing
- Operational Risk Management was further strengthened through enhanced Risk and Control Self-Assessments (RCSAs), scenario analysis and the implementation of a structured incident reporting mechanism
- Regular reviews of KRIs and risk exposures across the Company and its subsidiary
- A strong risk awareness culture was reinforced through regular training and awareness programmes
- Further detailed in Integrated Risk Management Report on page 331

Compliance Oversight

Board oversight Responsibilities

- Ensuring effective systems and controls to comply with all applicable statutory, regulatory and internal requirements
- Overseeing the accuracy and timeliness of regulatory and statutory reporting obligations
- Ensuring robust compliance monitoring frameworks including periodic reviews and escalation of compliance breaches
- Promoting a culture of compliance and ethical conduct, driving adherence to best practices across the organisation

Key Highlights for 2025/26

- Established robust compliance frameworks with clear policies, procedures and internal controls aligned with evolving regulatory requirements
- A strong compliance culture was reinforced through regular training, awareness programmes and accountability across all levels
- Implemented a comprehensive AML/CFT framework, strengthening controls over risk assessment, CDD, transaction monitoring and suspicious transaction reporting through goAML
- Implemented a formalised process for HOD self-declarations on compliance with statutory and regulatory requirements
- The Compliance Officer continued to provide monthly reports to the Board on compliance status, including regulatory reporting and identified breaches

HR Management

Board oversight Responsibilities

- Overseeing human capital development to support the Company's strategic growth objectives
- Setting and reinforcing a culture of ethics, integrity and accountability across the organisation
- Monitoring talent management, succession planning and leadership development frameworks

Key Highlights for 2025/26

- Succession Plan for Key Management Personnel was reviewed by the Board
- Implemented a new HRIS to improve operational efficiency and employee data management
- TOR of BHRRC was reviewed and approved by the Board
- Various employee engagement programmes were conducted as detailed in Integrated Human Capital Report on page 161

Corporate Governance

Board's Key Agenda for 2025/26

IT Governance, Information and Cybersecurity

Board oversight Responsibilities

- Overseeing the resilience, availability and security of critical IT infrastructure, including core systems, networks and digital service channels
- Strengthening technology risk governance and regulatory compliance including alignment with CBSL and other regulatory requirements
- Enhancing cybersecurity capabilities through proactive threat monitoring and vulnerability management
- Ensuring robust data protection and access governance through continuous monitoring of privileged access, vendor risks and data loss prevention controls

Key Highlights for 2025/26

- Re-certification of ISO 27001:2022 for the 11th consecutive year
- Advanced AI adoption across core operations through automated loan decisioning, credit scoring and predictive risk models
- Conducted comprehensive Board-level training programmes to enhance awareness of information and cybersecurity risks
- Established a structured AI and cybersecurity governance framework, including the adoption of a dedicated AI Security Policy
- Established a Security Operations Center (SOC) with SIEM capabilities to enhance real-time threat monitoring and incident response
- Conducted advanced red teaming and adversary simulation exercises to strengthen control effectiveness and cyber resilience
- Detailed in Integrated Intellectual Capital Report on page 180

Sustainability Integrations

Board oversight Responsibilities

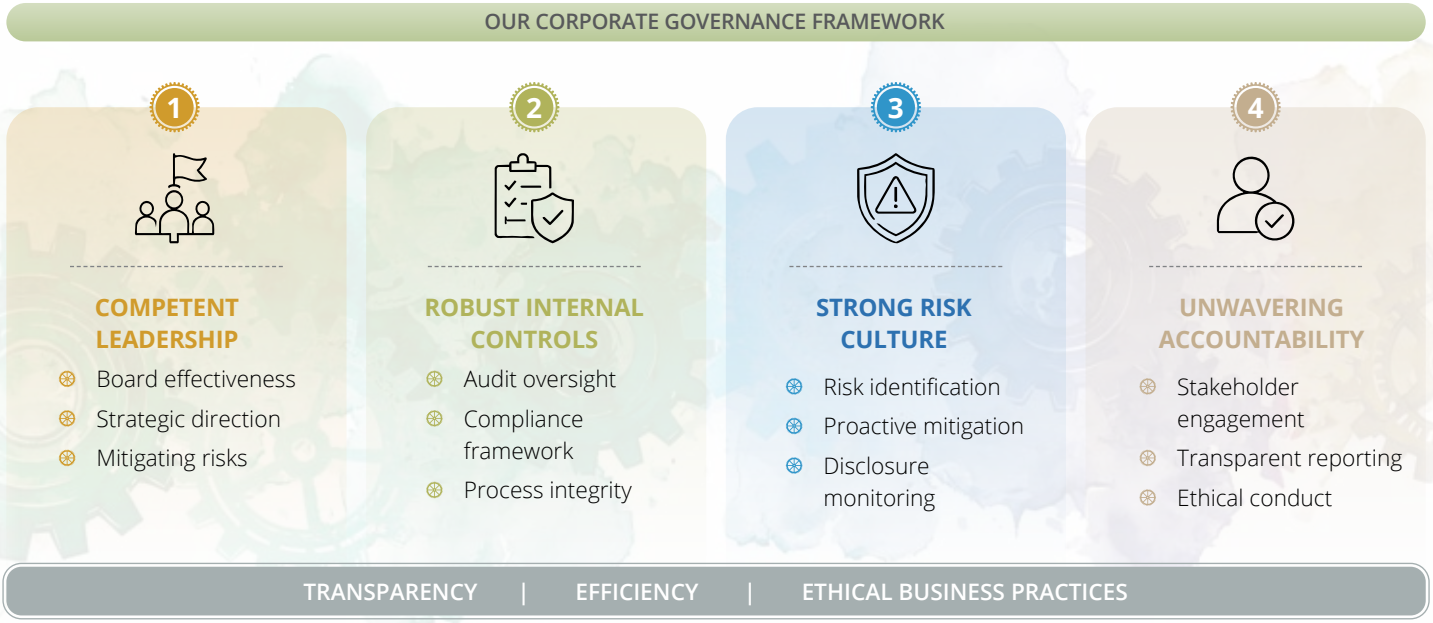
- Overseeing sustainability-related risks and opportunities, integrating them into strategy and risk management frameworks
- Ensuring robust governance, controls and oversight of ESG impacts, risks and performance
- Approving and monitoring sustainability targets, metrics and performance aligned with long-term value creation
- Ensuring transparent and consistent sustainability-related disclosures in line with SLFRS S1/S2 and GRI standards

Key Highlights for 2025/26

- Revised ESG Policy to align with evolving global standards and best practices
- Advanced ESG integration through implementation of ESG Roadmap 2.0 across strategy and operations
- ISO 14001:2015 EMS certification was obtained to strengthen environmental governance
- Enhanced climate reporting through independently verified GHG inventory (ISO 14064-1:2018) and adoption of PCAF methodology, aligned with SLFRS S1/S2
- Progressed integration of the ESMS framework to reinforce environmental and social risk management
- Detailed in Integrated Sustainability Report on page 88

5. FRAMEWORK FOR GOVERNANCE

LBF's 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.

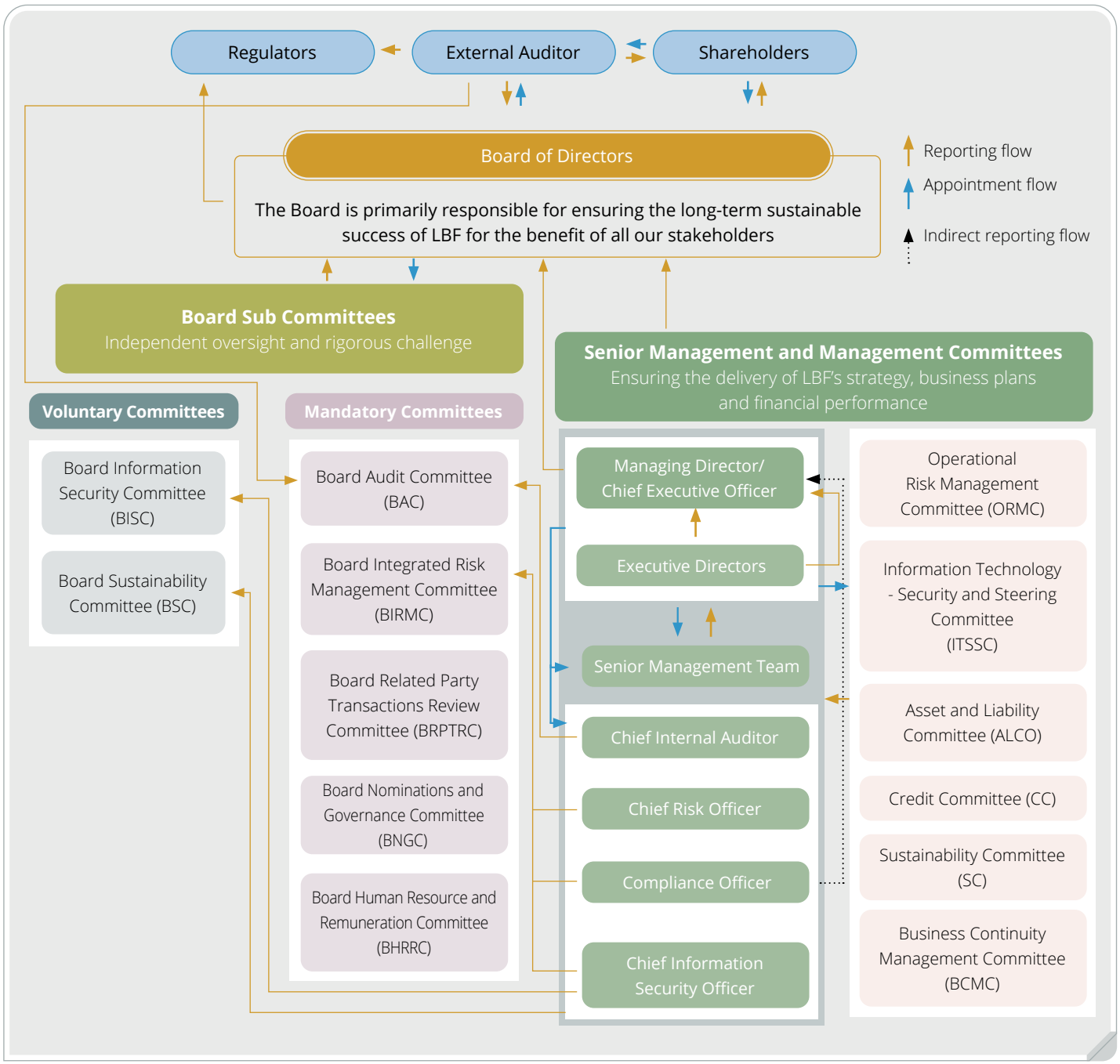
Our leadership model is designed to promote an effective distribution of power, ensuring that decision-making is not only accountable but also independent. This balance of authority fosters a governance environment where transparency and responsibility are prioritised and where every decision is made with the long-term interests of our stakeholders in mind.

5.1 Governance Structure

LBF's unwavering commitment to corporate governance is reflected in a clearly articulated governance structure and a framework that together form the foundation of the Group's strategic and operational decision-making processes. Designed to promote discipline, consistency and accountability across the organisation, this framework ensures that governance serves as a strategic enabler rather than a mere regulatory obligation. It supports business continuity through proactive risk management and robust internal controls, while driving sustainable growth through informed and responsible decision-making. By aligning governance practices with the Group's long-term strategic objectives, LBF remains steadfast in its pursuit of stakeholder value creation ensuring that the interests of shareholders, employees, customers and the wider community are safeguarded at all times.

Corporate Governance

Governance Structure of LBF



5.2 Value Creation through Governance Framework

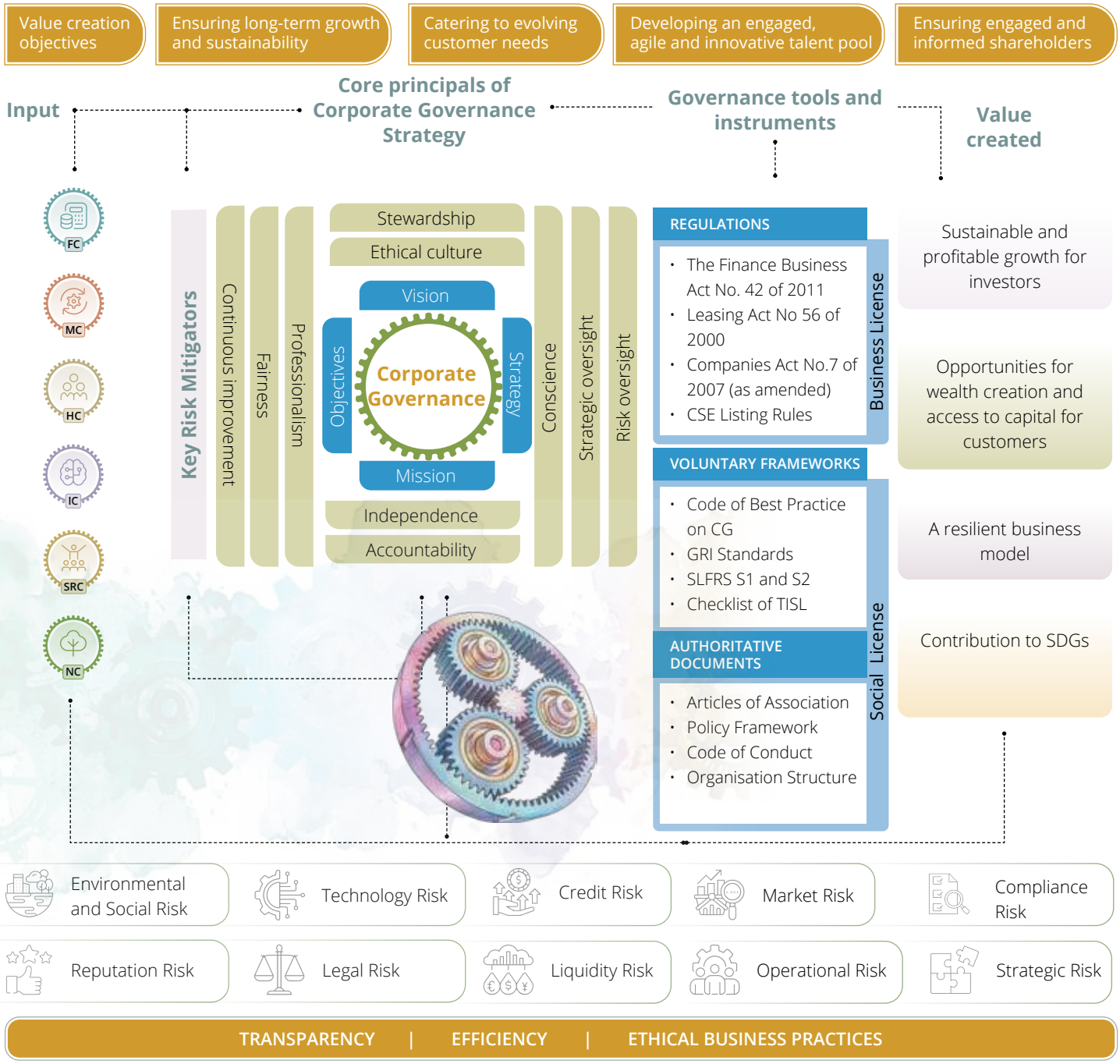
Sound governance is fundamental to maintaining public confidence and upholding the safety and soundness of any financial institution. As a licensed finance company regulated by the Monetary Board of the Central Bank of Sri Lanka, the Company operates within a robust regulatory framework that defines the legal parameters of its business.

Beyond regulatory compliance, however, the Company recognises the critical importance of its social license to operate the implicit trust placed in the Company by its depositors, borrowers, shareholders and the broader community. This trust is built upon the Company's ability to act as a responsible custodian of public deposits and a fair provider of financial services. As the Basel Committee on Banking Supervision emphasises, sound corporate governance of banks and financial institutions promotes public confidence and underpins the stability of the financial system as a whole.

The Company's Governance Framework is structured to ensure the preservation of both its business license and its social license, recognising that these two dimensions are interdependent and equally essential for long-term sustainability. While statutory and regulatory requirements form the foundation of the business license, the social license is sustained through a combination of voluntary governance frameworks, robust internal controls, ethical business practices, transparent stakeholder communication and a deeply embedded culture of accountability.

The Board and Senior Management are keenly aware that the social license, though intangible, is arguably more fragile than the business license. Accordingly, its protection remains a governance priority ensuring that every action, decision and disclosure reinforces the trust that stakeholders place in the Company.

VALUE CREATION THROUGH CORPORATE GOVERNANCE



Corporate Governance

5.3 Policy Framework

LBF has a comprehensive policy framework that continues to be updated to reflect changes to regulatory requirements, best practices and internal findings. The policies that were updated during the year are set out below:

Policies relating to Board Matters and communication (18)

- Dividend Policy
- Succession Plan for Key Responsible Persons
- Delegation of Authority
- Policy on Corporate Disclosures
- Policy on Relations with Shareholders and Investors
- Qualifications, Experience and Key Attributes for the Appointment of MD/CEO and Senior Management Personnel New
- Procedure to select and appoint New Directors and Senior Management Personnel
- Policy on Managing Conflicts of Interest
- Governance Framework
- TOR of BNGC
- TOR of BHRRC

Products and Services (19)

- Revision to Gold Loan Procedure Manual
- Foreign Exchange Risk Management Policy for Foreign Currency Borrowings
- Policy on Outsourcing of Business Operations

Financial Reporting and Asset Management (11)

- Impairment Policy Manual
- Finance Manual
- Tax Procedure Manual
- Policy for Writing Off Non-Performing Accommodations & Other Losses
- Review of Branch Teller Operations Manual
- Capital Assets Manual

Risk Management (15)

- TOR of BIRMC
- TOR for ORMC
- Integrated Risk Management Framework
- Operational Risk Management Framework and Policy
- Risk Appetite Statement
- BCM Policy
- Business Continuity Manager's TOR
- TOR - Business Continuity Steering Committee
- Business Continuity Coordinator's TOR
- Business Continuity Incident Management Plan
- Business Continuity Crisis Communication Plan
- Approval of the Security and Surveillance Policy New

Governance, Audit and Compliance (14)

- Board Audit Committee Charter
- AML/CFT and KYC Policy
- Accessibility Policy
- Financial Consumer Protection Policy
- Policy for Engaging External Auditors for Non Audit Services
- Procedure Manual of Internal Audit
- Tipping Off Policy New
- Anti-Bribery and Anti-Corruption Policy
- Whistleblowing Policy

Human Resources (8)

- Mandatory Leave Policy
- Harassment, Gender-Based Violence and Harassment Policy New
- Code of Conduct
- Remuneration Policy

Liquidity and Capital Management (5)

- Asset and Liability Management and Liquidity Management Policy
- Investment Policy
- ALCO Charter
- Treasury Operations Manual

IT and Information Security (7)

- Information Security Policy
- Information Classification Policy
- Information and Cybersecurity Strategy
- CISO Function TOR
- AI Security Policy New

Sustainability (4)

- ESG Policy Update
- ESG Roadmap Update
- TOR of Sustainability Management Committee
- TOR of Board Sustainability Committee

(18) No. of Board approved policies during the year

6. COMPETENT LEADERSHIP

6.1 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. The Board serves as the highest governing authority directing, leading and controlling the Company within a framework of prudent and effective controls that enable risks to be assessed and managed responsibly.

The Board provides entrepreneurial leadership and ensures that management and operational frameworks remain aligned with the Company's mission and long-term strategic goals. It exercises close oversight across all functions with particular focus on effective risk management, regulatory compliance, internal controls, cybersecurity resilience and the integration of ESG considerations into corporate strategy and decision-making.

The Board meets regularly, no less than once every month and receives structured, timely information including financial and operational performance against pre-agreed KPIs, risk assessments, compliance updates and cybersecurity and ESG-related reports to support informed and effective decision-making. Key responsibilities include ensuring the formulation and implementation of a sound business strategy, approving budgets and major capital expenditure, overseeing succession planning, ensuring strategic alignment between ICT capabilities and business objectives and safeguarding the interests of all stakeholders.

Beyond its oversight functions, the Board is committed to upholding the highest ethical standards, transparency and accountability throughout the organisation. It continuously reviews the governance framework to reflect global best practices and evolving expectations fostering stakeholder trust, securing long-term resilience and delivering sustainable value to all stakeholders.

6.2 Governance Structure and Composition

CASL code principle (A.10) Shareholders should be kept advised of relevant details in respect of Directors

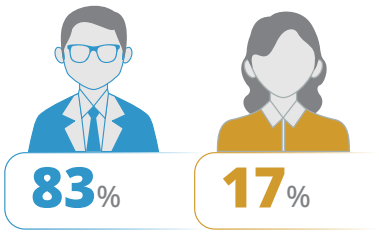
The size and composition of the Board are considered appropriate and effective, considering the scale, complexity and geographic spread of the Company's operations. The Board structure is regularly reviewed to ensure it continues to support effective governance and strategic oversight.

The Board comprises a balanced mix of Executive Directors, Non-Executive Directors and Independent Non Executive Directors, enabling the provision of objective judgment and ensuring a clear separation between executive management and independent oversight. This composition strengthens the Board's ability to provide effective leadership, strategic direction and sound decision making across all areas of the Company's business. The views of Non-Executive and Independent Non-Executive Directors carry significant weight in Board deliberations, contributing to robust challenge, constructive debate and independent assessment of management proposals. Directors appointed to the Board are highly respected professionals, academics and business leaders who have held senior leadership positions within their respective fields and bring an appropriate mix of skills, experience and industry expertise that align with the Company's strategic and regulatory requirements. Key leadership appointments during the year strengthened Board capability, with Mr. Niroshan Udage appointed as Managing Director, Mr. Ravindra Tissera assuming the role of Executive Director and Independent Non-Executive Director Prof. T. N. K. De Zoysa bringing enhanced expertise in information security, digital forensics and technology risk.

The Board also benefits from age and gender diversity which enhances the breadth of perspectives, promotes inclusive decision making and supports the long-term sustainability and resilience of the business.

To further strengthen governance practices, Non-Executive Directors meet periodically without the presence of Executive Directors to review management effectiveness and key governance matters. The SID plays a key role in facilitating these discussion and, where appropriate, convenes such meetings. In addition, Independent Non Executive Directors hold separate sessions at least annually to discuss governance, Board effectiveness and independence related matters. These practices reinforce the Board's ability to discharge its fiduciary responsibilities effectively and ensure the best interests of both the Company and the Group are safeguarded.

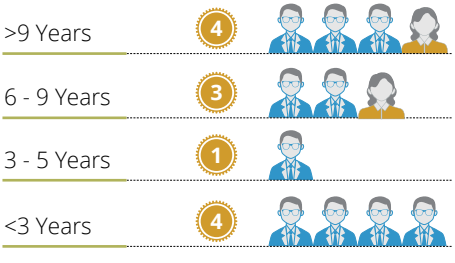
Gender Representation



A Balanced Board



Tenure of Services



Corporate Governance

BOARD OF DIRECTORS



Left to right

Mr. Dharmadasa Rangalle - Non-Executive Director, **Mr. Ravindra Tissera** - Executive Director,
Mr. Ashane Jayasekara - Independent Non-Executive Director/Senior Independent Director, **Mr. Niroshan Udage** - Managing Director,
Mr. Piyal Hennayake - Independent Non-Executive Director, **Ms. Dinusha Bhaskaran** - Non-Executive Director



Left to right

Ms. Ashwini Natesan - Independent Non-Executive Director, **Mr. Priyantha Talwatte** - Non-Executive Director,
Mr. G A R D Prasanna - Chairman/Non-Executive Director, **Mr. B D A Perera** - Executive Director,
Mr. Ravindra Yatawara - Executive Director, **Prof. T N K De Zoysa** - Independent Non-Executive Director

Corporate Governance

BOARD OF DIRECTORS

Mr. G A R D Prasanna

Designation

Chairman/Non-Executive Director

Skills and Experience

Mr. G. A. R. D. Prasanna is a proven business leader with extensive experience across multiple industries including, Manufacturing, Banking and Finance, Leisure, Plantations and Hydropower Generation. Over the years, he has established himself as a strategist in business management and as a trusted voice in corporate governance, having led both quoted and unquoted companies as Chairman, Managing Director and Independent Director.

A strong advocate of Integrated Thinking, Mr. Prasanna champions the alignment of strategy, governance, sustainability and performance. He emphasises breaking down organisational silos and fostering cross functional collaboration to ensure that financial, human, social, intellectual and natural capitals are integrated into decision-making. Through this approach, he has consistently promoted holistic value creation, stakeholder inclusiveness and future-oriented strategy, enabling organisations to build resilience, strengthen investor and community trust and achieve sustainable long-term growth.

During his tenure as Chairman of Pan Asia Banking Corporation (July 2017 – May 2021), he steered the bank to significant business growth and exceptional performance. Currently, as Chairman of LB Finance PLC, he is spearheading its digital transformation journey, positioning LB as a leader in delivering intuitive products, services and platforms that respond to evolving customer and business needs.

Current Appointments

In addition, Mr. Prasanna serves on the Boards of several leading corporates, including Chairman - Associated Motor Finance Company PLC, Non-Executive Director - Royal Ceramics Lanka PLC and Director of Laugfs Holdings Ltd, La Forteresse (Private) Limited, Alternate Power Systems (Pvt) Ltd, Vallibel Holdings (Pvt) Ltd, Vallibel Investment (Pvt) Ltd, Vallibel Lanka (Pvt) Ltd, Vallibel Leisure (Pvt) Ltd, Vallibel X (Pvt) Ltd, Vallibel Three (Pvt) Ltd, Delmege Insurance Brokers (Private) Limited, DHT Cement (Private) Limited, Wise Property Solutions (Pvt) Ltd, Wise Homes (Pvt) Ltd, Grand Mark (Pvt) Ltd, Summer Seasons Ltd, Greener Water Ltd and Anuradha Traders (Pvt) Ltd.

Former Appointments

His previous appointments include Chairman of Pan Asian Banking Corporation PLC, Non-Executive Director of listed and private limited companies within the Rocell and Delmege Group of Companies.

Mr. Ashane Jayasekara

Designation

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 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 22 years of experience in the fields of internal audit, cybersecurity, 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

His current appointments include Deputy Managing Partner of BDO Partners Sri Lanka, Executive Director of BDO Partners (Pvt) Ltd, Independent Non- Executive Director of National Savings Bank, Member of the Global Advisory Council of the Association of Certified Fraud Examiners USA and Council Member of the Institute of Chartered Accountants Sri Lanka. He also chairs the Sustainability Reporting and ESG Leadership Faculty and the Forensic Accounting & Investigations Faculty at CA Sri Lanka.

Former Appointments

Mr. Jayasekara was formerly the Managing Partner of BDO Maldives, Director of BDO Prime Consultants (Pvt) Ltd, President of the Institute of Internal Auditors Sri Lanka

(affiliated to IIA Global USA) in 2012/13, Chairman of the Integrated Reporting Council of Sri Lanka, Council Member of University of Colombo and President of ISACA Sri Lanka Chapter (affiliated to ISACA Global USA) 2025/26.

Mr. Niroshan Udage

Designation

Managing Director

Skills and Experience

Effective 01 July 2025, Mr. Niroshan Udage assumed the role of Managing Director of LB Finance PLC, succeeding Mr. Sumith Adhihetty. This leadership transition marked a significant milestone for LB Finance as it continues its journey toward innovation and sustainable growth.

Mr. Udage's association with LB Finance began in 2004, when he joined as General Manager – Asset Finance. His dedication and strategic vision led to his appointment to the Board on 01 January 2007 and subsequently as Deputy Managing Director on 08 March 2021. Over the past two decades, he has played a pivotal role in transforming LB Finance into a dynamic and resilient leader in Sri Lanka's financial services sector.

With 35 years of experience in the finance industry, Mr. Udage's career includes a decade at Lanka ORIX Leasing Company PLC and three years at Mercantile Investments Limited before joining LB Finance PLC.

He has extensive exposure and experience in Credit, Finance, Risk Management, Strategy and Transformation - areas that have significantly contributed to the Company's continued profitability and strength.

Mr. Udage holds a Bachelor's Degree in Science from the University of Colombo. He has further enhanced his leadership capabilities through advanced training in Strategy and Management in Banking conducted by International Development Ireland Ltd in Dublin and London. In 2012, he successfully completed the High Potentials Leadership Program at Harvard Business School, Boston, USA.

Current Appointments

Mr. Udage also serves as the Deputy Chairman of Associated Motor Finance Company PLC, Non-Executive Director of LB Microfinance Myanmar Company Limited and is a Council Member of the Finance Houses Association of Sri Lanka (FHA).

Former Appointments

His previous appointments include serving as a Director of Hayleys Fibre PLC and the Credit Information Bureau of Sri Lanka (CRIB), Chairman of the Finance House Association and Member of the Financial System Stability Consultative Committee established by the Central Bank of Sri Lanka.

Mr. B D A Perera

Designation

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 28 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

Mr. Perera currently serves as the Deputy Chairman/Senior Independent Non-Executive Director of Pan Asia Banking Corporation PLC, Non-Independent Non-Executive Director of Associated Motor Finance Company PLC and Non-Executive Director of LB Microfinance Myanmar Company Limited.

Former Appointments

He previously served as a Non-Executive Director of Multi Finance PLC and Independent Non-Executive Director of Hayleys Fibre PLC.

Mr. Ravindra Yatawara

Designation

Executive Director

Skills and Experience

Mr. Yatawara holds a Bachelor of Science Degree in Business Administration from Oklahoma State University, USA. He possesses over 31 years of extensive 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. He has significant expertise in leasing, asset finance, corporate management, and financial services leadership.

Current Appointments

He currently serves as a Non-Executive Director of LB Microfinance Myanmar Company Limited and Council Member of The Finance Houses Association of Sri Lanka (FHA)

Former Appointments

His former appointments include serving as 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), Non-Executive Director of Multi Finance PLC and a Former Director at Credit Information Bureau of Sri Lanka (CRIB).

Corporate Governance

BOARD OF DIRECTORS

Ms. Dinusha Bhaskaran

Designation

Non-Executive Director

Skills and Experience

Ms. Dinusha Bhaskaran has over 28 years of experience in finance, operations and corporate governance, with a strong track record in strategic leadership, business transformation and driving sustainable growth across banking, retail, manufacturing and investment sectors.

She is a Fellow Member of the Chartered Institute of Management Accountants, UK (FCMA), Fellow Member of the CPA Australia (FCPA) and Associate Member, Institute of Bankers, Sri Lanka.

Ms. Bhaskaran was awarded Best Corporate Leader 2023 at the WIM Top 50 Global Professional and Career Women Awards, Global CEO Award (Corporate Category) at the Global CEO Forum 2025, Managing Director of the Year at the Asia Business Leaders Forum, Singapore (August 2025) and Iconic Woman 2025, awarded by the Sri Lanka Broadcasting Corporation in collaboration with Top C Magazine of Action Media Solutions.

Current Appointments

Ms. Bhaskaran currently serves as the Managing Director of Vallibel One PLC, Managing Director/Executive Director of Delmege Limited and Hiru Rice Products (Private) Limited, Managing Director/ Director, Greener Water Ltd and Non-Executive Director of Vallibel Power Erathna PLC, Lanka Walltiles PLC and Country Energy (Pvt) Ltd.

Former Appointments

She previously served as a Non-Executive Director of Vcashe Fintech (Private) Limited, Chief Executive Officer of Vallibel One PLC, Alternate Director at Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC, Chief Financial Officer – Clenergy, Australia and Assistant General Manager (Finance & Planning) – Pan Asia Banking Corporation PLC.

Ms. Ashwini Natesan

Designation

Independent Non-Executive Director

Skills and Experience

She is a legal consultant and research fellow specialising in Technology, Media and Telecommunications (TMT) Law. She is a consultant for TMT law at Julius and Creasy. She also engages in research projects on data protection, privacy, the right to information and AI Governance both independently and collaboratively with other organisations. Additionally, she is a Research Fellow at LIRNEasia, a think tank based in Sri Lanka. She is also a part of Digital Trust Alliance, an industry-led initiative to foster a secure, resilient and ethical digital ecosystem in Sri Lanka.

She holds an LL.M. (Master of Laws) from the National University of Singapore and has completed various certifications and programmes in data protection and AI policy, including AI governance and safety. She has diplomas in International Business Management (Loyola Institute of Business Administration, India), Commercial Arbitration (ICLP, Sri Lanka), AI Policy (Center for AI and Digital Policy) and AI Governance (BlueDot Impact, University of Cambridge). She was selected to the Media Policy Institute at the University of Oxford and is a former Fellow of the Internet Law and Policy Foundry. She has authored multiple publications and has presented at conferences regionally and globally.

Current Appointments

She currently serves as an Independent Non-Executive Director of Associated Motor Finance Company PLC.

Former Appointments

Independent Non-Executive Director of Multi Finance PLC

Mr. Dharmadasa Rangalle

Designation

Non-Executive Director

Skills and Experience

Mr. Rangalle is a retired Senior Commissioner of the Department of Inland Revenue (Special Grade) with over 35 years of experience in the Government (Public) Sector. His career includes 32 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 Chartered Institute of Taxation - Sri Lanka

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 currently serves as a Non-Executive Director of Hayleys Aventura (Pvt) Ltd, Hayleys Advantis Limited, DHS Holdings (Pvt) Ltd and Flying Angel's Flight Academy (Pvt) Ltd.

Former Appointments

He previously served as a Non-Executive Director of Multi Finance PLC and Hayleys Fenton's Limited. He has served as a member of the Executive Council of the Chartered Institute of Taxation - Sri Lanka.

Mr. Piyal Hennayake

Designation

Independent Non-Executive Director

Skills and Experience

An accomplished professional with over 43 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. He is recognised for capacity building in project finance and sustainable development with over 23 years of teaching at postgraduate level.

Current Appointments

Senior Independent Non-Executive Director of Associated Motor Finance Company PLC and Deputy Chairman of the Public Utilities Commission of Sri Lanka.

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 (REEP).

He served as the National Finance Expert at the United Nations Industrial Development Organisation (UNIDO) – Accelerating Industrial Climate Response Project.

Mr. Priyantha Talwatte

Designation

Non-Executive Director

Designation

Priyantha Talwatte is an experienced professional leader with over 33 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 1 April 2025.

He was also appointed as a Director of Vallibel Plantation Management Ltd, LW Plantation Investments Ltd, LC Plantation Projects Ltd, LC Development (Pvt) Ltd, Uni-Dil Packaging Ltd, Uni-Dil Packaging Solutions Ltd, LWL Development (Pvt) Ltd, LTL Development Ltd, Beyond Paradise Collection Ltd and Lanka Tiles USA Inc.

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.

Mr. Ravindra Tissera

Designation

Executive Director

Skills and Experience

Mr. Ravindra Dhammika Tissera is an inclusive finance, impact investing & green finance and MSME Sector specialist. He was the founder CEO of LOLC Microcredit Ltd in 2008, which was later merged with and acquired by LOLC Finance PLC in 2018. He continued as Executive Deputy Chairman / CEO of the merged entity until February 2020. Mr. Tissera played a vital role in expanding microfinance entities outside Sri Lanka for the LOLC group, to Myanmar, Cambodia, Pakistan and Zambia.

After holding many senior positions within the LOLC Group, Mr. Tissera resigned in February 2020 to take up office as CEO at Early Dawn Microfinance Myanmar Ltd. As the CEO of Early Dawn Microfinance Ltd, he was able to uplift the Company up to Myanmar's top 4 Microfinance institutions.

Corporate Governance

BOARD OF DIRECTORS

During his term, it was also the first MFI in Myanmar to complete long-term debt restructuring.

Mr. Tissera has strong competencies in Corporate Finance and lead the first USD syndicate debt finance to the Non-Bank Financial Institutions sector in Sri Lanka. He is professionally qualified as a marketer and has received executive education training at HBS. He is also a panellist and resource person in the inclusive finance, impact investing and green finance space.

He counts for over 15 years' experience as a CEO in the Non-Bank Financial Institutions sector, both in Sri Lanka and Myanmar.

Former Appointments

Mr. Tissera was the Founding Chief Executive Officer of LOLC Microcredit Ltd, Executive Deputy Chairman / Chief Executive Officer of LOLC Finance PLC, Chief Executive Officer of Early Dawn Microfinance Myanmar Ltd, Chief Transformation Officer of 1st Valley Bank Philippines, Independent Non-Executive Director of HNB Finance PLC and Alternate Director at Seylan Bank PLC.

Prof. T N K De Zoysa

Role

Independent Non-Executive Director

Skills and Experience

Prof. Thirimadura Nandika Kasun De Zoysa is the Deputy Director and Coordinator of the Digital Forensic Center at the University of Colombo School of Computing. He holds a Ph.D. in Computer Science from Stockholm University, Sweden and possesses over twenty-five years of experience spanning academia, industry and national cybersecurity initiatives. Prof. De Zoysa has provided advisory and consultancy services to leading financial institutions and government agencies in the areas of information security, digital forensics and technology risk management. He has played a pivotal role in developing cybersecurity frameworks and capacity building programs for the banking and finance sector.

A widely published researcher with over 1,500 academic citations, an h-index of 18 and an i10-index of 33, Prof. De Zoysa is recognised for his expertise in cybersecurity and national digital infrastructure resilience.

He serves on several expert committees and advisory boards guiding the digital transformation and information security strategies of key public and private sector entities.

Current Appointments

Independent Non-Executive Director of Associated Motor Finance Company PLC, Deputy Director of the University of Colombo School of Computing, Director of the Sri Lanka Computer Emergency Readiness Team, Acting Director of the Network Operation Center, University of Colombo, Department Head of Communication and Media Technologies, University of Colombo School of Computing and Coordinator for the Center for Digital Forensic, University of Colombo School of Computing.

Former Appointments

Principal Investigator, CYCLE: Cybersecurity Learning Project, EU Funded Collaboration between Sri Lanka, Norway, Thailand and Vietnam, Head, Computer Security and Forensics Special Interest Group, the Computer Society of Sri Lanka, President, Welfare Society, University of Colombo School of Computing.

SENIOR MANAGEMENT



Mr. Marlon Perera
Senior Deputy General Manager - Deposits



Mr. Chethana Kahandugoda
Chief Information Officer



Mr. Ainsley Motha
Senior Deputy General Manager
- Credit and Branch Operations



Mr. Malith Hewage
Chief Financial Officer



Mr. Roshan Jayawardena
Senior Assistant General Manager - Micro Leasing



Mr. Kalpa Sanjeewa
Senior Assistant General Manager
- Credit and Branch Operations



Mr. Prasanna Kalinga
Assistant General Manager - Human Resources



Mr. Suneth Dabarera
Chief Internal Auditor



Mr. Suraj Karunanayaka
Assistant General Manager - Gold Loan



Ms. Deshika Yatawara
Assistant General Manager - Treasury



Ms. Thisari Gunasekera
Chief Risk Officer



Mr. Gihan De Silva
Assistant General Manager - Recoveries

Corporate Governance

SENIOR MANAGEMENT



Mr. Kenneth Daniel
Assistant General Manager
- Credit and Branch Operations



Mr. Surain Silva
Chief Information Security Officer



Mr. Varuna Perera
Compliance Officer



Mr. Prasad Surendra
Senior Chief Manager - Credit and Branch Operations



Mr. Gayan Ayuwardane
Chief Manager - Central Region



Mr. Shanaka Perera
Chief Manager - Administration



Mr. Shane Ahamat
Chief Manager - Deposits



Mr. Hirantha Jayasinghe
Chief Manager - Credit and Branch Operations



Mr. Sameera Wanninayaka
Chief Manager
- Business Strategy and Transformation



Mr. Sampath Kumara
Chief Solution Architect



Mr. Janaka Ekanayake
Head of Digital Business



Mr. Hemal Ekanayake
Chief Manager - Delivery and Business Analysis



Mr. Waruna Perera
Country Manager - Myanmar



Mr. Chanaka Alexander
Senior Manager - Credit and Branch Operations



Mr. Chaminda Perera
Senior Manager - Credit Operations



Mr. Stephan Fonseka
Senior Manager - Insurance



Mr. Thusitha Wickrama
Senior Manager - Corporate Strategy, Sustainability and Market Dynamics



Mr. Jagath Hettiarachchi
Senior Manager - Credit and Branch Operations - Southern Region



Mr. Chanaka Pemruwan
Senior Manager - Credit and Branch Operations - North Central Region



Mr. Panduka Wijekoon
Senior Manager - Security Surveillance and Transport



Mr. Pamudra Jayatissa
Senior Manager - Credit and Branch Operations



Mr. Nayan Priyanka
Senior Manager - Deposits



Mr. Pathmasiri Rajapaksha
Senior Manager - Recoveries



Mr. Thushara Manoj
Senior Manager
- Network Infrastructure, Security and Operations

Corporate Governance

SENIOR MANAGEMENT



Mr. Vimukthi Senavirathne
Senior Manager
- Digital Transformation and Innovation



Mr. Yohan Hettiarachchi
Senior Manager - Recovery Operations



Mr. Pradinal Perera
Senior Manager - Credit and Branch Operations



Mr. Sujith Nasarenu
Senior Manager - Credit and Branch Operations



Mr. Sachin Kottearachchi
Chief Data Officer



Mr. Sudeep Perera
Senior Manager - Deposits

6.3 Roles, Responsibilities and Board Balance

a. Board Balance (A.5/A.5.1)

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

The Board consists of 12 Directors, with 8 serving as Non-Executive Directors. Of these, 4 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 266 to 272. 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.

The Board has appointed Mr. Ashane Jayasekara as Senior Independent Director (SID) and he provides guidance to the Chairman on governance matters, meets regularly with Non Executive and Executive Directors, facilitates confidential discussions where required, participates in shareholder engagements and submits a report included in this Annual Report on page 253. The Chairman also meets Non Executive Directors without the presence of Executive Directors at least annually and any unresolved Director concerns are duly recorded in the Board minutes.

Financial Acumen (A.4)
The Board comprises Directors with appropriate financial acumen and expertise to provide effective guidance and oversight on financial matters, as detailed in the Directors' profiles on pages 266 to 272 of this Annual Report.

Determining Independence (A.5.3 – A.5.5)
Each Non-Executive Director submits an annual signed and dated declaration confirming the independence in conformity with the criteria set out by regulators and the code of best practice on corporate governance.

Alternate Directors (A.6)
During the year, no circumstances arose necessitating the appointment of Alternate Directors.

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 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. All stakeholder interests are considered in all corporate decisions.
- 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.

Corporate Governance

Matters Reserved for Board Approval

In discharging their duties, the Board also reserved the exclusive right to review and approve the following:

- Evaluating and approving of the Strategic Plan
- Evaluating and approving of LBF's Annual Budget
- Appointing of the MD/CEO of LBF, its Key Responsible Personnel and the CEOs of all its Subsidiaries
- Approving of the succession plan for the Senior Management including MD/CEO
- Determining and approving the organisation structure
- Evaluating and approving any type of strategic decision
- Appointing of Board Sub Committees and defining their scope of work and the extent of delegated powers and authority for them
- Assessing the fitness and propriety of Directors
- Reviewing and approving of interim and annual financial statements and appointments of external auditors
- Overseeing risk appetites, cybersecurity concerns and business continuity management.

c. Differentiating the Role of the Chairman and the Managing Director (A.2/A.3)

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

At the highest level of a public company, the Board governs the business while executive management is responsible for its day to day management. 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. Niroshan Udage, Managing Director, oversees LBF's day-to-day business operations as per the authority delegated to him by the Board.

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.

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 regulatory requirements and best practice on Corporate Governance Direction No. 5 of 2021.

Details of the roles and responsibilities of the Chairman, Managing Director and Senior Independent Director are set out on page 279.

d. Role and Responsibilities of the Chairman (A.2/A 5.9/A.3)

- Ensure that the Board exercises effective oversight and control over the affairs of the Company and remains fully cognizant of its responsibilities and obligations to all shareholders and other stakeholders
- Ensure the Board meets regularly to discuss relevant matters
- Maintain the appropriate balance of power between EDs and NEDs
- Secure the effective participation of both EDs and NEDs in all Board matters and encourage them to make an effective contribution within their respective capabilities
- Implement decisions/directions of the regulator
- Prepare the agenda in consultation with MD for each Board Meeting and delegate certain functions such as maintaining 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 of the performance and contribution of the Board and the MD/CEO during the past 12 months

e. Role and Responsibilities of the Managing Director (A.2)

- Implement business and risk strategies to achieve LBF's strategic objectives
- Establish an appropriate management structure that promotes accountability and transparency
- Preserve effectiveness and independence of control functions throughout LBF's operations
- 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 professional time entirely to the service of LBF and shall not carry on any other business except functions related to subsidiary companies

f. Role and Responsibilities of Senior Director (A.5.7/A.5.8)

- Provide guidance to the Chairman on matters relating to corporate governance, Board effectiveness and independent oversight
- Act as a sounding board for the Chairman and serve as an intermediary for other Directors where required
- Be available for confidential discussions with Directors who have concerns that have not been adequately addressed by the Board as a whole
- Facilitate meetings of Non Executive Directors including sessions held without Executive Directors to strengthen independent judgment
- Engage with Executive Directors periodically to support effective governance dialogue
- Participate in meetings with majority, significant and minority shareholders and ensure their concerns are appropriately communicated to the Board
- Remain informed of shareholder feedback through the Company Secretary

Corporate Governance

g. Role and Responsibilities of Non-Executive Director (A.5)

- Provide independent judgement and unbiased perspectives on key Board matters, safeguarding shareholder and stakeholder interests
- Enhance Board decision making by leveraging professional skills, experience and diverse backgrounds to strengthen overall Board effectiveness
- Constructively challenge and support the Board and Management ensuring rigorous deliberation, accountability and high quality decisions
- Contribute strategic insight to the formulation and refinement of the Company's strategy ensuring alignment with long-term objectives sustainability considerations and sound governance principles
- Strengthen governance oversight through active participation in Board Sub Committees, particularly in areas relating to audit, risk management, compliance and internal control

h. 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
- Continuous review of new developments in corporate governance and promote adherence to corporate governance best practices and regulatory compliance frameworks.

i. 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
- Board retains overall responsibility on all Committee decisions
- Minutes and key matters arising from Committee meetings are regularly tabled at Board meetings to facilitate informed decision making
- Roles and responsibilities of each Sub-Committee are disclosed in Committee Reports on pages 305-325.

The following table depicts the composition as at 31 March 2026 and the area of oversight of each Sub Committee.

Composition	Area of Oversight	Committee Focus 2025/26	Link to Capital/ Strategy
Board Nominations and Governance Committee (BNGC) (A.7)			
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 of the overall Governance Framework of the Company	Page 313	HC SRC [ST 3]
Board Audit Committee (BAC) (D.3)			
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	Page 305	FC MC IC [ST 1] [ST 2] [ST 3]
Board Human Resource and Remuneration Committee (BHRRC) (B.2)			
Mr. Ashane Jayasekara Chairperson Mr. G A R D Prasanna Mr. Piyal Hennayake	⊛ Oversight of the Remuneration Policy ⊛ Remuneration and compensations of Directors, Senior Management and staff salaries in general ⊛ Structure for staff performance evaluation	Page 316	FC HC [ST 1]
Board Integrated Risk Management Committee (BIRMC) (D.4)			
Ms. Ashwini Natesan Chairperson Ms. Yogadinusha Bhaskaran Mr. Ashane Jayasekara	⊛ Oversight of the Risk Management Framework ⊛ Carry out Risk measurement, monitoring and management ⊛ Compliance with regulatory and internal prudential requirements ⊛ Reviewing the business continuity planning	Page 310	FC MC HC IC SRC NC [ST 3]
Board Related Party Transactions Review Committee (BRPTRC) (D.5)			
Ms. Ashwini Natesan Chairperson Mr. Dharmadasa Rangalle Mr. Piyal Hennayake	⊛ Oversight of the Related party transaction policy ⊛ Providing independent review, approval and oversight of RPT ⊛ Ensuring relevant market disclosures	Page 318	FC HC [ST 2]
Board Information Security Committee (BISC) (G.1 - G.5)			
Ms. Ashwini Natesan Chairperson Prof. T N K De Zoysa 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	Page 320	FC MC HC IC SRC [ST 1] [ST 2] [ST 3]
Board Sustainability Committee (BSC) (H.1 - H.5)			
Mr. Piyal Hennayake Chairperson Ms. Ashwini Natesan Mr. Niroshan Udage Mr. Ravindra Tissera	⊛ 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	Page 323	FC MC HC IC SRC NC [ST 1] [ST 2] [ST 3]

Corporate Governance

The Board and Board Sub Committees are supported by Executive Management Committees which are listed below:

Executive Management Committee	Tasks	Members	Reporting Line	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 identity and align business solutions that may leverage technology. ITSSC also looks into information security-related matters on a regular basis	⊛ Managing Director ⊛ Executive Director - Asset Management ⊛ Chief Financial Officer ⊛ Chief Information Officer ⊛ Chief Information Security Officer ⊛ Chief Risk Officer ⊛ Representatives from relevant departments	BIRMC BISC	Every other month
Asset and Liability Committee (ALCO)	To monitor and manage the assets and liabilities of the Company and overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements	⊛ Managing Director ⊛ Executive Directors ⊛ AGM - Treasury ⊛ Senior DGM - Deposits ⊛ Chief Financial Officer ⊛ Chief Risk Officer	BIRMC	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 ⊛ Executive Directors ⊛ Senior DGM - Credit ⊛ Chief Financial Officer ⊛ Chief Risk Officer ⊛ Chief Manager - Business Strategy and Transformation	BIRMC	Quarterly
Sustainability Committee (SC)	The formulation and 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 is aimed at uplifting communities we work with and preserving the environment	⊛ Executive Director ⊛ Chief Financial Officer ⊛ AGM - Treasury ⊛ AGM - HR ⊛ Senior Manager - Digital Strategy and Sustainability ⊛ Chief Risk Offer ⊛ Chief Internal Auditor ⊛ Compliance Officer ⊛ Chief Manager - Business Strategy and Transformation ⊛ Representatives from relevant departments	BSC	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	⊛ Managing Director ⊛ Senior Manager - BPD ⊛ Representatives from the relevant departments ⊛ Chief Manager - Business Strategy and Transformation	BIRMC BAC	When required
Operational Risk Management Committee (ORMC)	Identify, assess, manage and report risk relating to operations of the Company	⊛ Managing Director ⊛ Executive Directors ⊛ Chief Risk Officer ⊛ Chief Financial Officer ⊛ Chief Internal Auditor ⊛ Compliance Officer	BIRMC BAC	Quarterly

6.4 Board Meetings and Supply of Information (A 1.1 / A.6)

CASL Code Principle (A.6) - The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties

The Board meets monthly while Board Committees meet at varying frequencies as set out below in the Attendance Matrix. Minutes are circulated within 14 days of the meeting and are approved 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 for BAC and BIRMC where the Chief Internal Auditor and Chief Risk Officer are responsible for the preparation and maintainance of minutes respectively. Directors have access to historical minutes 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	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	4	Male	55	14/14	12	2	-	-	4/4	4/4	-	-	1/1 (2)
Mr. Ashane Jayasekara	Independent Non-Executive Director/ Senior Director	8	Male	47	11/14	8	3	12/12 ★	6/6	4/4 ★	4/4 ★	-	2/2	-
Mr. Niroshan Udage	Managing Director	19	Male	55	14/14	14	-	(11)	(6)	(3)	(3)	(1)	(4)	4/4
Mr. B D A Perera	Executive Director	19	Male	58	14/14	14	-	(12)	(6)	(2)	(2)	(3)	4/4	-
Mr. Ravindra Yatawara	Executive Director	10	Male	55	13/14	13	-	(1)	(3)	(2)	(2)	-	-	-
Ms. Yogadinusha Bhaskaran	Non-Executive Director	10	Female	51	14/14	13	1	12/12	6/6	-	-	-	-	-
Ms. Ashwini Natesan	Independent Non-Executive Director	7	Female	38	14/14	12	2	12/12	6/6 ★	4/4	(1)	6/6 ★	4/4 ★	4/4
Mr. Dharmadasa Rangalle	Non-Executive Director	6	Male	67	14/14	13	1	-	-	-	-	6/6	-	-
Mr. Piyal Hennayake	Independent Non-Executive Director	1	Male	65	12/14	12	-	-	-	-	3/3	6/6	-	4/4 ★
Mr. Priyantha Talwatte	Non-Executive Director	1	Male	59	13/14	13	-	-	-	-	1/1	-	-	-
Mr. Ravindra Tissera	Executive Director	6 months	Male	54	06/06	6	-	-	-	-	-	-	-	2/3
Prof. T N K De Zoysa	Independent Non-Executive Director	5 months	Male	54	05/05	4	1	-	-	-	(1)	-	2/2	-
Mr. Sumith Adhihetty	Managing Director (former)	Retired w.e.f. 03/07/2025	Male	75	04/04	4	-	(3)	(1)	-	-	-	-	-
Ms. Yanika Amarasekera	Independent Non-Executive Director	Resigned w.e.f. 24/09/2025	Female	31	08/08	8	-	-	-	-	2/2	-	-	1/1

(◯) Attended by invitation

★ Chairman of the Committee

Corporate Governance

Before each meeting

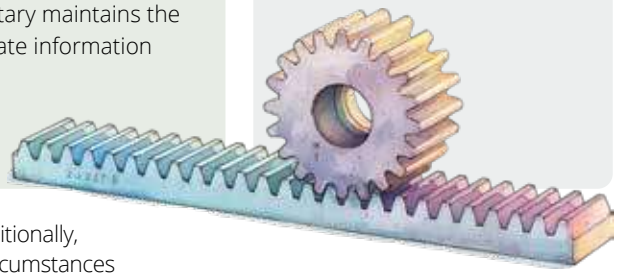
- The meeting calendar is prepared annually in advance by the Company Secretary and communicated to all Board members
- The Company Secretary consults with the Chairman and the MD/CEO to set the agenda
- Routine matters on the agenda include: discussions on strategy, the Company's performance, industry performance, financial results, treasury updates, status of human resources, internal control, risk management and compliance, progress on Company's digital initiatives, status on information security/cybersecurity 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 provide Directors with 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 are called upon to provide an update on significant matters discussed at their respective Board Sub-Committee meetings
- The MD/CEO provides a comprehensive update on the Company's business and operations and overview of the context in which these outcomes were achieved
- The CFO 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 from voting on such matters
- 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 MD/CEO keeps the Board updated on LBF's performance and prospects in light of the prevailing economic and regulatory climate
- Special Board meetings are also convened on occasion as and when the need arises



6.5 Directors' Independence (A.5.3, A.5.4, A.5.5)

In accordance with the regulatory requirements and best practice on corporate governance, a Director is considered independent where he or she is independent of management and free from any business or other relationship that could materially interfere, or be reasonably perceived to interfere, with the exercise of unfettered and independent judgement.

Each Non Executive Director submits a signed and dated declaration annually, confirming his or her independence or non independence against the specified criteria. Additionally, Directors disclose any facts or circumstances that could impair their independence, ensuring the declared status of each Director is reviewed and confirmed on an ongoing basis. Based on such annual declaration, together with any other relevant information available, the Board conducts an annual review to determine the independence or non independence of each Non Executive Director, unless a change in circumstances arises during the year. In making this determination, the Board assesses whether each Director is independent in character and judgement and whether any relationships or circumstances exist that could affect, or be perceived to affect, such independence.

Where the Board determines that a Director is independent notwithstanding the existence of any relationships or circumstances that may indicate otherwise, the criteria not met and the basis for the Board's determination are clearly disclosed in the Annual Report. No such circumstance arose during the year.

6.6 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 is responsible for 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.

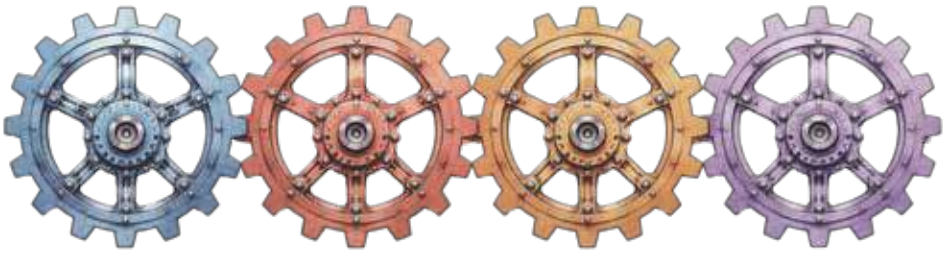
Non-Executive Directors who are appointed during the year are subject to re-election at the Annual General Meeting (AGM), following a brief review of each Director's participation, contribution and engagement in discharging their duties. The appointment of Executive Directors by the Board follows a similarly structured process and such Directors typically serve for the duration of their employment contracts.

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 of CBSL. However, the number of Directors serving more than nine years must not exceed one fourth of the Board. Non-Executive Director, Ms. Yogadinusha Bhaskaran represents the parent company, which holds more than 10% of the Company's shares and her appointment is in compliance with the applicable requirements.

The Board is also authorised to fill any casual vacancies arising during the year. In such cases, the Board Nominations and Governance Committee will recommend a candidate subject to fit and propriety assessment, whose appointment must be 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 of 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. Refer Report of the Board of Directors on the Affairs of the Company on page 297 for new appointments and re-elections.

Director Nomination and Appointment Process



1 Selection

Formal and Transparent Process for the selection of candidates

2 Assessment

Regulatory Assessments on

- Fit and Proper
- Independence

3 Approval

Appointment of Directors subject to approvals from

- CBSL
- Shareholders at AGM

4 Communication

- CSE Announcement with brief resume
- LBF Internal communication

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 for 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 (9) 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 297.

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 by the Board and approval by the Director, Department of Supervision of Non-Bank Financial Institutions of CBSL. The Colombo Stock Exchange 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.

6.7 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

The Board regularly evaluates its competencies and skill requirements, addressing identified gaps through targeted appointments and knowledge enhancement programmes to strengthen effectiveness.

Competence Matrix

Competences	 Mr. G A R D Prasanna	 Mr. Ashane Jayasekara	 Mr. Niroshan Udage	 Mr. B D A Perera	 Mr. Ravindra Yatawara	 Ms. Yogadinusha Bhaskaran
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. Ashwini Natesan	 Mr. Dharmadasa Rangalle	 Mr. Piyal Hennayake	 Mr. Priyantha Talwatte	 Mr. Ravindra Tissera	 Prof. T.N.K. De Zoysa
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)

The Company recognises continuous training and development as a critical component in ensuring that Directors are fully equipped to discharge their fiduciary duties and make sound, well-informed decisions in line with the highest standards of corporate governance expected in the financial services sector.

Directors are provided with ongoing access to structured training programmes, both internal and external, throughout their tenure. These programmes are designed to enhance knowledge and competencies across key areas such as emerging industry trends, risk management, regulatory compliance, corporate governance best practices and evolving legal and prudential requirements applicable to non-bank financial institutions. Continuous learning opportunities also ensure that Directors remain informed of changes in applicable laws, Central Bank directives and broader market dynamics.

Directors attend Director Forums organised by the Central Bank of Sri Lanka ensuring that Directors remain abreast of regulatory developments, strategic priorities and industry-wide initiatives, thereby supporting informed participation in Board deliberations. Each Director undertakes adequate training annually, with participation monitored to ensure ongoing professional development and effective contribution to the Board.

Newly appointed Directors are provided with a comprehensive induction programme covering key internal and external aspects of the business, including governance frameworks, regulatory requirements and strategic priorities. They are also encouraged to engage actively with the Board and Key Responsible Persons (KRPs) to develop a strong understanding of the Company's operations and operating environment.

During the year, in addition to the regular presentations and updates provided to the Board by Senior Management on economic, business, legal, regulatory and technological developments, the following training sessions were conducted:

Board Knowledge Enhancement

- Training in Cybersecurity Governance and Risk Management
- Evolving Sustainability Reporting Standards
- Training on AML/ CFT/ CPF Regulations
- Presentation on Companies (Amendment) Act No. 12 of 2025

6.8 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 the Company's commitment to responsible and ethical business practices.

b. Delegation of Responsibility

The Board retains ultimate accountability for the stewardship and performance of the Company. In discharging its responsibilities effectively, the Board has established a structured framework for the delegation of authority across the organisation, ensuring clear lines of accountability, robust oversight and efficient execution of strategic objectives.

Defined responsibilities are entrusted to Board Sub-Committees and Senior Management, each operating within approved mandates and reporting frameworks. Senior Management is responsible for implementing Board-approved strategies, policies and risk management practices while ensuring adherence to all applicable regulatory and compliance requirements.

Functional heads are accountable for the operational execution within their respective domains, supported by cross-functional collaboration to enhance coordination, monitoring and timely escalation of key matters. This integrated approach facilitates informed decision-making at both management and Board levels.

The framework is underpinned by a Board-approved Delegation of Authority, which clearly delineates decision-making thresholds and responsibilities across all organisational levels. This policy promotes transparency, accountability and disciplined governance, while fostering a strong culture of responsibility and sustainable value creation throughout 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 whistleblowing 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 Board.

6.9 Managing Conflicts

a. Conflicts of Interest

The Policy on Managing Conflicts of Interest is in place, supported by robust processes to identify, manage and mitigate conflicts of interest, thereby safeguarding the integrity and independence of the Board and its decision-making processes. The Policy provides clear guidance to the Board of Directors, Senior Management and all employees on the appropriate actions required to prevent, disclose and manage conflicts of interest.

Directors are expected to uphold the highest standards of good faith, honesty and integrity in all dealings concerning the Company and to act at all times in the best interests of the Company.

All Directors are required to transparently disclose actual or potential conflicts of interest. Such disclosures are made upon appointment and thereafter on a periodic basis, including annual declarations and prior to any Board or Committee meeting where a conflict may arise. Directors are required to declare their direct, indirect, beneficial and non-beneficial interests in any existing or proposed contracts or arrangements involving the Company, ensuring ongoing monitoring of potential conflicts.

Where a conflict of interest exists, or may reasonably be perceived to exist, the relevant Director recuses themselves from deliberations and abstains from participating in related discussions or decision-making processes.

All declarations are recorded and maintained by the Company Secretary in the Register of Directors' Interests, which is updated on a continuous basis. In line with the requirements of Section 119(1)(d) of the Companies Act No. 07 of 2007 and amendments thereto, this Register is made available for inspection by shareholders or their authorised representatives, ensuring transparency and accountability.

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

The Board has established a comprehensive Related Party Transactions Policy that sets out robust procedures for the identification, review, approval and monitoring of transactions with related parties. The Policy applies to Directors, Key Responsible Persons, their close family members, related entities and entities in which Directors hold Board positions, ensuring that all such transactions are conducted with transparency and integrity.

All related party transactions are undertaken in strict compliance with the rules and regulations of the CBSL and are carried out on arm's length terms and conditions, comparable to those applicable to independent third parties, thereby safeguarding the interests of the Company and its stakeholders.

All RPTs are subject to prior review by the Board Related Party Transactions Review Committee (BRPTRC) typically by circulation, to ensure timely oversight. Such transactions are subsequently tabled at the next BRPTRC meeting for formal ratification, ensuring appropriate governance and documentation.

The BRPTRC evaluates each transaction to ensure that it is fair, reasonable and in the best interests of the Company and that there is no undue influence arising from related party relationships. Where applicable, interested Directors abstain from the review and approval process, maintaining the independence of decision-making.

Transactions requiring disclosure under the CSE Listing Rules are identified and promptly disclosed in accordance with regulatory requirements, ensuring transparency to shareholders and the market. These disclosures are detailed in Note 3.1 of the financial statements on page 452.

6.10 Evaluating Performance of the Board and its Committees

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 Board performance evaluation to assess the effectiveness of the Board, its Committees and individual Directors against established criteria and governance benchmarks.

The evaluation process incorporates structured feedback from Directors, which is systematically reviewed by the BNGC and discussed with the Chairman of the Board to ensure constructive engagement and continuous improvement.

Based on the outcomes of the evaluation, the BNGC is responsible for developing and overseeing the implementation of targeted action plans to address identified gaps and enhance Board performance. Progress against these actions is periodically monitored, reinforcing accountability and the Board's commitment to high standards of corporate governance.

b. Evaluating the Effectiveness of the Board Sub Committees (A.9.2)

The Board undertakes an annual evaluation of the performance and effectiveness of its Sub-Committees, with each Committee conducting a structured self-assessment to ensure the efficient discharge of its responsibilities and continued alignment with its mandate.

The evaluation process covers key aspects including mandate adequacy, composition and skills, meeting effectiveness and alignment with strategic objectives. The results of these evaluations are formally submitted to the Board, enabling a comprehensive review of Committee performance and facilitating continuous improvement.

The findings confirm that all Sub-Committees operate effectively and provide robust oversight within their respective areas of responsibility. Where relevant, enhancement actions are identified and monitored, reinforcing accountability and ensuring ongoing alignment with evolving regulatory requirements and governance best practices.

c. Evaluating the Effectiveness of the Chairman

The Chairman's performance is evaluated annually by the Senior Independent Director together with the Non-Executive Directors, in line with governance best practices, to ensure an objective and independent assessment.

The evaluation focuses on the Chairman's effectiveness in providing leadership to the Board, promoting constructive engagement, ensuring effective Board dynamics and facilitating high-quality decision-making and governance oversight.

The outcomes of the evaluation are discussed in confidence and any areas for enhancement are identified and addressed to support the continued effectiveness of the Board.

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 the MD/CEO



Establish Expectations

Set expectations

Expectations for the MD performance are agreed by MD and Board

Define Performance Goals

Align with Company's strategic priorities and key performance matrix



Guide

Monitoring Guidance

Ongoing advice, particularly from the Chairman

PERFORMANCE



Assess

Annual Performance Assessment

The Board undertakes a detailed review using:

- Financial goals
- Non-financial goals

Feedback, Development and Review

Performance assessment process formally reviewed at Board meeting

e. Evaluating the Performance of Directors

All Directors undertake an annual self evaluation to assess the effectiveness of the Board, its Sub Committees and governance processes across key areas including strategy, risk management, internal controls and Board oversight. The performance of Executive Directors is assessed by the Chairman and the Board Human Resources and Remuneration Committee (BHRRC) against predetermined objectives and performance targets. The performance of Non-Executive Directors is evaluated by the Chairman together with the Executive Directors, with due consideration given to their effectiveness, independence, engagement and contributions to the Board and its Sub Committees. The outcomes of these evaluations are reviewed by the BNGC and the Board Chairman to identify development opportunities, training needs and succession considerations. The results

support continuous Board improvement, strengthen Board composition and effectiveness, and contribute to Board succession planning and Board refreshment.

6.11 Remuneration

CASL Code Principle (B.1)
Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. To avoid potential conflicts of interest, no Director should be involved in deciding his/her own remuneration

a. Remuneration Policy

The Company's Remuneration Policy is structured to align employee rewards with its strategic goals and long-term sustainability by providing a transparent, balanced and performance-oriented framework for rewarding employees. 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.

The 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.

b. Process to Determine 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

c. Disclosure of Remuneration

CASL Code Principle (B.3)
The Company's annual report should contain a statement of remuneration policy and details of remuneration of the Board as a whole.

In line with the regulatory requirements and Code of Best Practice on Corporate Governance, the Company provides a clear statement of its Remuneration Policy in the Annual Report.

The report sets out the key principles governing remuneration and discloses the aggregate remuneration of the Board on page no 528, ensuring transparency, accountability and alignment with shareholder interests.

6.12 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 67 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, oversee 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 in material issues and providing regular, coherent and transparent feedback

Attendance at the Annual General Meeting -2024/25

Mode of participation	No. of shareholders	No. of shares represented	% of shareholding
In person	27	42,926	0.008
By proxy	9	412,692,618	74.48
Total Represented	36	412,735,544	74.49

Through this structured approach, the Board reaffirms its commitment to inclusive, meaningful engagement, aiming to build collaborative, long-term relationships with all stakeholders

7. FRAMEWORK OF SUSTAINABILITY

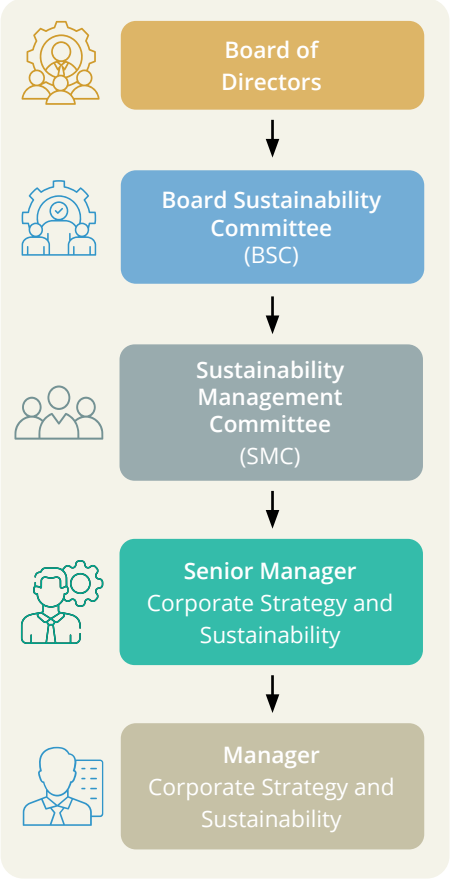
7.1 Strengthening Sustainability Management

CASL Code Principle (H.3)
The Company should establish a governance framework and structure which includes conformance, performance and sustainability/ESG factors.

LBF has established a structured governance framework to oversee sustainability-related risks and opportunities (SRROs) and climate-related risks and opportunities (CRROs) across the organisation. The Board of Directors provides overall oversight and ensures that sustainability and climate-related considerations are integrated into strategic decision-making, governance and risk management processes.

The Board Sustainability Committee supports the Board in overseeing ESG-related matters including identifying, assessing, monitoring and integrating SRROs and CRROs into the Company's strategic direction and operations. The Committee also reviews sustainability-related disclosures, material matters, targets and strategic priorities while ensuring alignment with the Company's long-term objectives.

Corporate Governance



The Sustainability Management Committee (SMC), chaired by an Executive Director together with Heads of selected Departments, supports the implementation of the Company's sustainability strategy and ESG initiatives across operational functions. The SMC works closely with the BSC to monitor sustainability performance and ensure effective execution of sustainability-related priorities.

Operational coordination is further strengthened through the Head of Sustainability who is responsible for monitoring ESG performance, coordinating sustainability initiatives and facilitating sustainability-related reporting across the organisation. Sustainability Champions appointed across departments support the implementation of sustainability programmes and strengthen cross-functional collaboration and accountability.

Further details on sustainability and climate-related governance are disclosed in the SLFRS S1 and SLFRS S2 sections on pages 109 to 140.

7.2 Role and Responsibilities

The BSC is responsible for overseeing the Company's sustainability governance framework and ensuring effective management of sustainability-related and climate-related risks and opportunities. The Committee reviews material matters, ESG disclosures, sustainability targets and strategic priorities while escalating significant matters to the Board when required.

The Board also annually reviews and approves the Risk Management Framework based on recommendations from the BIRMC ensuring that sustainability and climate-related risks are managed in alignment with the Company's risk appetite and strategic objectives.

The SMC is responsible for implementing sustainability-related strategies, monitoring ESG performance, managing operational sustainability initiatives and supporting the achievement of sustainability goals and targets across the organisation.

The Head of Sustainability is responsible for coordinating sustainability activities, preparing ESG dashboards and reports, monitoring sustainability performance and providing recommendations to the SMC and BSC to support continuous improvement and informed decision-making.

Through this integrated governance structure, LB Finance continues to strengthen accountability, transparency and effective sustainability management across all levels of the organisation.

7.3 Board Empowerment and Capacity Building

As part of its commitment to informed and effective governance, the Board of Directors continuously strengthens its knowledge and awareness of sustainability-related and climate-related matters through structured learning and capacity-building initiatives.

The Board participated in educational and awareness sessions conducted by academics, industry specialists and subject matter experts covering emerging ESG trends, sustainability-related risks and opportunities, climate-related risks and opportunities, regulatory developments and evolving market expectations impacting the financial services sector.

These initiatives enhance the Board's ability to provide informed oversight, strengthen strategic decision-making and effectively guide the Company's sustainability, climate and long-term value creation priorities.

7.4 Board Sub Committees Focus on ESG Impact

LBF continues to strengthen sustainability governance through the active involvement of Board Sub-Committees in overseeing ESG integration, climate-related risk management, regulatory alignment and sustainability performance across the organisation.

a. Board Sustainability Committee (BSC)

The BSC oversees the implementation of the Company's ESG Policy and monitors progress towards sustainability commitments, climate targets and strategic ESG priorities. The Committee also reviews sustainability-related developments across business sectors and evaluates progress against the Company's sustainability goals and commitments.

During the year, the Committee supported several key initiatives, including:

- Approval of the ESG Policy 2.0
- Approval of the ESG Road Map 2.0 and supporting environmental certifications and policies
- Review and refinement of sustainability-related KPIs and metrics, including climate-related considerations within the ESG framework
- Review and refinement of ESMS framework

b. Board Audit Committee

The BAC examines management's progress in implementing SLFRS S1 and SLFRS S2 disclosure requirements while supporting the strengthening of sustainability-related reporting processes and controls.

The Committee also reviews methodologies and systems used to assess financed emissions and monitors the Company's progress in strengthening sustainability-related measurement and disclosure capabilities.

c. Board Integrated Risk Management Committee

The Board Integrated Risk Management Committee oversees the integration of sustainability-related and climate-related risks into the Company's overall risk management framework.

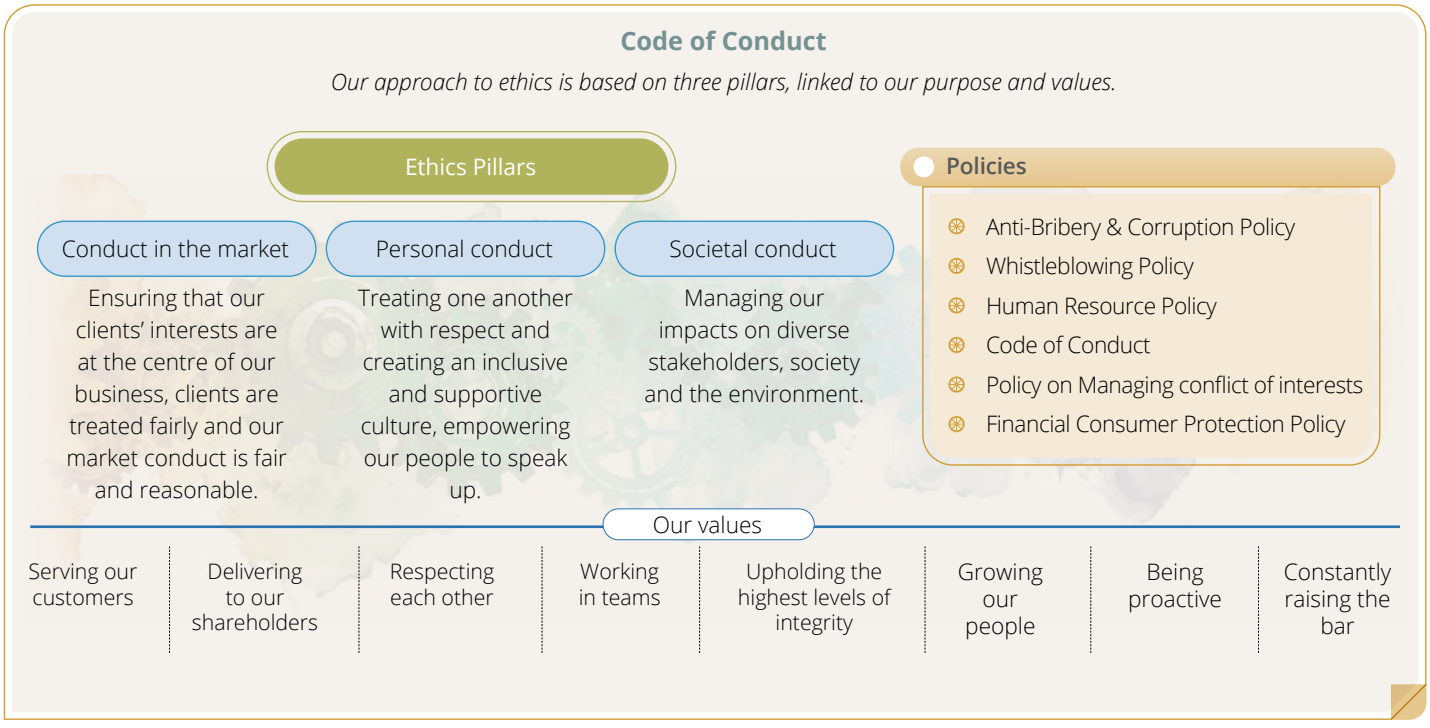
The Committee reviews sustainability risk management practices, monitors alignment with business risk management processes and supports the integration of ESG-related risk considerations into enterprise-wide risk oversight and decision-making processes.

8. OPERATIONAL EXCELLENCE IN ETHICAL GOVERNANCE

8.1 Ethical Practices and 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

In line with the best practice on corporate governance, LBF has established a comprehensive policy on Code of Conduct applicable to Directors, Key Management Personnel and all employees, reinforcing a culture of integrity and ethical responsibility across the organisation.



With a legacy spanning over five decades, the Company has cultivated a value driven corporate culture rooted in service excellence, professionalism and mentorship. This culture supports the effective transfer of institutional knowledge while promoting consistent standards of conduct aligned with the Company's long-term vision and sustainability objectives.

The Code of Conduct sets out clear expectations for ethical behaviour, including guidance on managing conflicts of interest, maintaining professional standards and upholding accountability in all business dealings. The Code is periodically reviewed and updated to ensure continued relevance with evolving regulatory requirements and governance best practices.

The Company's ethical framework is strengthened by supporting policies, including the Anti-Bribery and Corruption Policy and the Whistleblowing Policy, which provide mechanisms for the prevention, detection and reporting of unethical conduct. These measures collectively promote transparency,

accountability and a speak-up culture ensuring the highest standards of ethical governance are maintained across the organisation.

a. Whistleblowing Policy

LBF has established a robust Whistleblowing Policy as a key component of its ethical governance framework, providing a secure and reliable mechanism for the reporting of unethical, unlawful or improper conduct.

The policy encourages employees to confidentially report any unfair, unethical, illegal, fraudulent or otherwise irregular activities directly to the Compliance Officer. All disclosures are handled with strict confidentiality and are subject to established procedures for independent review and investigation.

Reported concerns are overseen by the Board Audit Committee (BAC), which ensures appropriate oversight of investigations and the timely implementation of necessary corrective actions. The framework is supported by strong safeguards against retaliation, thereby fostering a culture of openness, accountability and "speak-up" behaviour across the organisation.

During the year under review, no whistleblowing incidents were reported and addressed in accordance with the established procedures.

b. Anti-Bribery and Anti-Corruption Policy

The Company has adopted a comprehensive Anti-Bribery and Anti-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 and 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 21 January 2026.

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 (as amended) 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.

8.2 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 risk-based 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 pages 327 to 328 and the Report of Board Audit Committee on pages 305 to 309.

8.3 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 310 to 312.

8.4 Accountability 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.

8.5 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 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. Refer Integrated Intellectual Capital Report on page 180 for details.

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:

- Technology Risk Governance & Regulatory Alignment
- Industry Threat Intelligence & Strategic Board Engagement
- Ensuring ongoing alignment with ISO/27001:2022 certification requirements
- Security Operations Center (SOC) Enablement
- Security Architecture & Infrastructure Modernisation

- Advanced Red Teaming & Adversary Simulation
- Attack Surface Management & Proactive Threat Hunting
- External Attack Surface Hardening
- Enhanced Vulnerability Assessment & Penetration Testing (VAPT)
- Data Loss Prevention (DLP) Optimisation

This governance structure enables focused oversight of cybersecurity risks and reinforces organisational resilience in an ever-evolving threat landscape. Refer BISC Report on page 320.

9. GROUP GOVERNANCE

The Board provides overall stewardship and oversight of the Group, ensuring that a consistent and robust governance framework is maintained across all subsidiaries. In discharging its responsibilities, the Board is supported by its Sub-Committees, which oversee key areas including risk management, audit, compliance and human capital.

Each subsidiary operates with its own governance structures, tailored to its operational requirements, while remaining aligned with the Group's overarching policies, standards and strategic objectives. This ensures both local accountability and Group-wide consistency in governance practices.

The Group adopts a centralised policy framework, whereby key policies relating to risk management, compliance, internal controls, ethics and sustainability are formulated at the parent level and cascaded across all entities. This approach promotes a unified governance culture and consistent application of best practices throughout the Group.

The Board maintains effective oversight through structured reporting and regular performance reviews, enabling continuous monitoring of subsidiary performance, risk exposures and compliance with Group policies and regulatory requirements. This integrated approach strengthens transparency, accountability and resilience across the Group.

10. PRIORITIES FOR 2026/27

The Board have noted the following matters for attention in the year that has commenced:

- Embed Advanced Sustainability and Climate Governance

  Strengthen governance frameworks to align with SLFRS Sustainability Disclosure Standards and emerging global frameworks (ISSB/TCFD), with enhanced Board oversight on climate risk, transition strategies and sustainability integration.

- Enhance Data Governance, Privacy and Digital Trust

  Establish a holistic data governance framework addressing data protection, privacy (PDPA compliance), data ethics and responsible data usage, reinforcing stakeholder trust in an increasingly digital environment.

- Strengthening Digital Resilience

  The Company will strengthen cybersecurity, data privacy and incident response capabilities to support secure, resilient and sustainable growth

- Advance Responsible AI and Emerging Technology Governance

  Implement governance frameworks for the ethical adoption of AI and advanced analytics, ensuring transparency, accountability, fairness and regulatory compliance.

DOC **20**

Scan the QR code to understand AI Governance concept

Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of LB Finance PLC are pleased to present 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 subsidiaries for the year ended 31 March 2026 and the Independent Auditors Report on those Financial Statements, in conformity with the relevant statutory requirements.

This Report includes information as required by the Companies Act No. 7 of 2007 and amendments thereto, Finance Business Act Directions No. 5 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange. It is also guided by the recommended Code of Best Practices on Corporate Governance 2023 issued by CA Sri Lanka.

1. GENERAL

LB 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 Ordinary Shares issued by the Company are listed on the Main Board of the Colombo Stock Exchange. The Company was re-registered as per the Companies Act No. 7 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 Company's national long-term rating of BBB+ (lka) was upgraded to A-(lka) with a stable outlook by Fitch Ratings Lanka Limited. A Long-term Rating of A+ with a stable outlook has been issued to the Company by Lanka Rating Agency Limited.

Both the Registered Office of the Company and its Head Office are situated at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07.

2. INFORMATION REQUIRED TO BE DISCLOSED AS PER THE COMPANIES ACT NO. 7 OF 2007

As per the requirements set out in Section 168 of the Companies Act No. 7 of 2007 and amendments thereto (Companies Act), the following information is disclosed in this Report for the year under review.

	Reference to the Companies Act	Level of Compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Pages 297-298
Signed Group Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Pages 367-483
Auditor's Report on Group Financial Statements of the Company	Section 168 (1) (c)	Pages 363-365
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 377
Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	Page 300
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 452
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 303
Information on Directorate of the Company at the end of the accounting period and changes during the period	Section 168 (1) (h)	Page 299
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 303
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 303
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 304
Information as per Section 168 (i)(b) to (j) in relation to the subsidiaries	Section 168 (2)	Pages 297-304

Annual Report of the Board of Directors on the Affairs of the Company

3. VISION, MISSION AND VALUES

The vision, mission and values of the Company are given on page 23 of this Report.

The Company's dedication to creating long-term value remains unwavering. By integrating principled management with a culture of continuous innovation, the Company ensures sustainable growth that benefits our investors, our people and the communities we serve.

4. PRINCIPAL ACTIVITIES

The Company provides a comprehensive range of financial services encompassing acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases, Mortgage Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value Added Services. The Company's subsidiaries, LB Microfinance Myanmar Company Limited, carried on Micro Finance business in Myanmar.

The Company acquired controlling interest, constituting 73.11%, in Associated Motor Finance Company PLC, a Company engaged in the provision of a range of financial services including Finance Leasing, Term Loans and Mobilisation of Public Deposits during the period under review. Further, the Board approved the establishment of a new subsidiary in the Philippines for provision of financial services as a part of its strategic expansion.

There were no significant changes in the nature of the principal activities of the Company during the year under review other than those specified above. It is further declared that the Company has not engaged in any activity which contravenes laws and regulations.

5. REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiaries 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 48 to 52 which forms an integral part of this Report.

6. DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Statement on pages 44 to 47, Managing Director's Statement on pages 48 to 52 and the Management Discussion and Analysis on pages 44-246.

7. FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiaries have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising of the 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, 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.

Following the Board Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 29 May 2026. The Consolidated Financial Statements of the Company and its subsidiaries duly signed by the Chief Financial Officer and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

7.1 Directors' Responsibility for Financial Reporting

In terms of Section 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act, 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 subsidiaries as at the reporting date and the profit or loss or income and expenditure of the Company and its subsidiaries 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 367 to 483. 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, 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 326 and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

7.2 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 Directions No. 5 of 2021 Corporate Governance. 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 327 to 328.

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 329 to 330.

7.3 Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on pages 363 to 365.

7.4 Accounting Policies and Changes during the Year

The accounting policies adopted in the preparation of the Financial Statements are given on pages 367 to 483. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

7.5 Income

The income of the Company for the year ended 31 March 2026 was Rs. 60,035 million (2024/25 - Rs.46,731 million).Group Income during the year under review was Rs. 62,896 million (2024/25 – Rs.47,156 million).

An analysis of the Income is given in Note 2.1 to the Financial Statements.

7.6 Financial Results and Appropriations

The Profit Before Tax increased by 21.64% whilst the Company recorded a growth of 26.53% 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 26.72%.

Details of appropriation of profit of the Company and the Group are given below:

	2025/26 Rs. '000	2024/25 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, gold loan auction losses and tax on financial services	19,877,377	16,341,673
Less: Income Tax Expense	6,204,527	5,536,039
Profit After Tax	13,672,850	10,805,634
Unappropriated Balance Brought Forward from Previous Year	40,906,355	33,815,357
Actuarial Gains/(losses) on Defined Benefit Plans	(16,911)	11,475
Profit Available for Appropriation	54,562,294	44,632,466
Less: Appropriations		
Dividend Paid for Previous Financial Year	2,354,743	1,939,200
Interim Dividend Payable/Paid for Current Financial Year	1,246,629	1,246,629
Transfers During the Year	683,643	540,282
Total Appropriation	4,285,015	3,726,111
Unappropriated Balance Carried Forward	50,277,279	40,906,355
Proposed Final Dividend per Share (Rs.)	5.95	4.25

7.7 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 450.

7.8 Taxation

The Income Tax rate applicable to the Company's operations is 30% (2025/24 – 30%). The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2024/25 – 18%) and Social Security Contribution Levy at 2.5% (2024/25 – 2.5%)

8. THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31 March 2026 consisted of Twelve (12) Directors with a balance of skills, wide knowledge and experience in Entrepreneurship, Banking, Finance, Audit & Assurance, Legal, Marketing, Information Technology and Cybersecurity which is appropriate for the business carried out by the Company.

8.1 Composition Of The Board

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 268 to 272 which also includes other directorships held by Directors.

Executive Directors

Mr. Niroshan Udage - Managing Director
Mr. B D A Perera
Mr. R S Yatawara
Mr. R D Tissera

Non-Executive Directors

Mr. G A R D Prasanna - Chairman
Ms. Yogadinusha Bhaskaran
Mr. Dharmadasa Rangalle
Mr. L P B Talwatte

Independent Directors

Mr. M A J W Jayasekara - Senior Director
Ms. Ashwini Natesan
Mr. P D Hennayake
Prof. T N K De Zoysa

Annual Report of the Board of Directors on the Affairs of the Company

8.2 Changes in the Board During the Year

Appointments

- Mr. Niroshan Udage was appointed as the Managing Director of the Company with effect from 01 July 2025.
- Mr. Ravindra Dhammika Tissera was appointed as an Executive Director with effect from 29 September 2025.
- Prof. Thirimadura Nandika Kasun De Zoysa was appointed as an Independent Non-Executive Director with effect from 29 October 2025.

Retirement and Resignation

- Mr. J A S S Adhihetty resigned from his position as the Managing Director of the Company on 30 June 2025 and continued to hold office as an Executive Director until his retirement on 3 July 2025 under the provisions of the Finance Business Act Directions No. 05 of 2021.
- Ms. Yanika Amarasekara, Independent Non-Executive Director, resigned with effect from 24 September 2025.

The aforesaid changes to the Board were made following the receipt of requisite regulatory approvals.

8.3 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 confirming 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.

Further, Section 3.3 of the Finance Business Act Directions No.6 of 2021 states that the fitness and propriety of the continuing Board of 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.

Accordingly, all Directors are subject to Annual Assessment of their fitness and propriety to continue as Directors.

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 Directors is subject to receiving the requisite Regulatory approval.

8.4 Retirement by Rotation and Re-Election of Directors

Name of Director	Applicable Article of the Articles of Association
Mr. M A J W Jayasekara and Ms. Yogadinusha Bhaskaran	Articles 86 and 87 specify that at each Annual General Meeting one-third (1/3rd) of the Directors or if their number is not a multiple of three (03), the number nearest to (but not greater than) one-third (1/3rd) shall retire from office. 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. In calculating the said number, a Director appointed to the office of Chairman and Executive Director are to be excluded. Accordingly, Mr. M A J W Jayasekara and Ms. Yogadinusha Bhaskaran who have been longest in office, since their last re-election, retire and offer themselves for re-election at the forthcoming AGM.
Mr. R D Tissera and Prof. T N K De Zoysa	According to Article 93 any Director appointed by the Board to fill a casual vacancy shall hold office only until the next Annual General Meeting and shall then be eligible for re-election. Accordingly, Mr. R D Tissera and Prof. T N K De Zoysa who were appointed as Directors of LB Finance PLC on 29 September 2025 and 29 October 2025, respectively, are subject to re-election at the forthcoming 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-elections.

Resolutions 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

8.5 Directors' Interests Register and Directors' Interests in Contracts or Proposed Contracts.

The Company maintains the Directors' Interests Register in terms of the Companies Act.

Directors of the Company have made necessary declarations of their interests in Contracts and proposed Contracts in terms of Section 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 pages 452 to 455 and form an integral part of this Annual Report.

The relevant interests of Directors in the Shares of the Company as at 31 March 2026 as recorded in the Interests Register are given under Relevant Interests of Directors' in Shares.

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.

8.6 Director's Remuneration

The remuneration of Directors of the Company and its subsidiaries is disclosed under Key Management Personnel compensation in Note 3.1.1 to the Financial Statements on page 452.

8.7 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 2026 and 31 March 2025.

Director's Name	31 March 2026	31 March 2025
Mr. G A R D Prasanna		
Mr. M A J W Jayasekara		
Mr. Niroshan Udage	2,861,235	2,861,235
Mr. B D A Perera	1,000,000*	1,000,000*
Mr. R S Yatawara	8,593	8,593
Ms. Yogadinusha Bhaskaran		
Ms. Ashwini Natesan		
Mr. Dharmadasa Rangalle		
Mr. P D Hennayake	25,000	25,000
Mr. L P B Talwatte		
Mr. R D Tissera	150,000	-
Prof. T N K De Zoysa		

*Shares held by the spouse, Mrs. M C P Perera (nee Gunaratne)

Vallibel One PLC, holds 286,729,600 Ordinary Shares constituting 51.75% of the shares representing the Stated Capital of the Company. Vallibel One PLC is also the holding company of Royal Ceramics Lanka PLC which holds 144,492,928 shares constituting 26.08% of the shares representing the stated capital of the Company.

Ms. Yogadinusha Bhaskaran serves as the Managing Director of Vallibel One PLC.

Mr. G A R D Prasanna serves as a Non Executive Director of Royal Ceramics Lanka PLC

8.8 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, 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 held in the month of May 2026.

8.9 Directors' of Subsidiaries

The Directors of the subsidiaries, as at 31 March 2026 consisted of the following:

LB Microfinance Myanmar Company Limited

Mr. Niroshan Udage
Mr. B D A Perera
Mr. R S Yatawara
Ms. D K Than Win
Mr. U Kyaw Kyaw

Changes during the year:

Mr. J A S S Adhihetty retired with effect from 30 June 2025.

Associated Motor Finance Company PLC

Mr. G A R D Prasanna
Mr. Niroshan Udage
Mr. T M A Sallay
Mr. P D Hennayake
Mr. B D A Perera
Ms. Ashwini Natesan
Prof. T N K De Zoysa

Changes during the year:

- Messrs J P I N Dayawansa, J P I S Dayawansa and Mrs. A S Dayawansa resigned from the Board with effect from 29 October 2025.
- Messrs. P S Goonewardena, N M Pieirs, T G Kandamby and Ranil Wijegunawardene resigned from the Board with effect 17 November 2025
- Messrs. G A R D Prasanna, Niroshan Udage, B D A Perera, P D Hennayake, Ms. A Natesan and Prof. T N K De Zoysa were appointed to the Board with effect 17 November 2025.

Annual Report of the Board of Directors on the Affairs of the Company

9. 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.

All proposed non-recurrent RPTs have been placed before the Related Party Transactions Review Committee in accordance with Listing Rules of the 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 pages 452 to 455.

The Board confirms that the Company is in compliance with the applicable provisions of the Listing Rules pertaining to Related Party Transactions during the Financial Year ended 31 March 2026.

10. BOARD SUBCOMMITTEES

The Board of Directors of the Company has formed seven (07) Committees in compliance with the Finance Business Act Directions No.5 of 2021, Finance Business Act Directions No.1 of 2022 on Technology Risk Management and Resilience, Listing Rules of the Colombo Stock Exchange, 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 Nominations and Governance Committee, Board Related Party Transactions Review Committee, Board Information Security Committee and Board Sustainability Committee.

Details on the composition as at 31 March 2026 and the area of oversight of each Sub Committee are given on page 281 of the Corporate Governance report.

11. STATED CAPITAL

The Stated Capital of the Company as of 31 March 2026 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.

12. SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDINGS

12.1 Shareholders

There were 7,605 shareholders registered as of 31 March 2026 (5,348 shareholders as of 31 March 2025).

12.2 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 485 to 488 under Investor Information.

13. 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. 5.95 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 the 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 2026 to those shareholders who have provided accurate dividend disposal instructions, by way of direct credit to their respective Bank Accounts, through SLIPS and on 20 July 2026 to those shareholders whose payments are to be made by way of cheques.

14. 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 31 March 2026 as per valuations conducted by Mr. H V Manjula Basnayake an Independent Valuer. The said information is set out in Note 2.23.9 to the Financial Statements on pages 432 to 433.

15. 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 31 March 2026, the Company had 4,665 employees (4,407 employees as at 31 March 2025).

15.1 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.

15.2 Employee Share Option Schemes/ Employee Share Purchase Schemes

The Company has not implemented any Share Option/Share Purchase Schemes for its employees.

16. DONATIONS

The Company made donations to the value of Rs. 14,582,146.95 during the year under review.

The subsidiaries LB Microfinance Myanmar Company Ltd and Associated Motor Finance Company PLC did not make any donations during the year under review.

17. 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 services.

The Auditor of the subsidiary company, LB Microfinance Myanmar Company Ltd is UTW (Myanmar) Limited, a Member of Ernst & Young Global Limited and the Auditor of Associated Motor Finance Company PLC is Messrs KPMG, Chartered Accountants.

A sum of Rs. 13,109,808/- is payable by the Company to the Auditors for the year under review comprising Rs. 6,161,109/- as Audit Fees, and Rs. 1,559,467/- as audit related fees and expenses and Rs. 5,389,232/- for non-audit services. The amounts payable to the Auditors of the subsidiary companies for the year under review are Subsidiary in Myanmar – Rs. 2,886,447/- as Audit Fees – Statutory and Associated Motor Finance Company PLC – Rs. 3,250,000/- as Audit Fees and Rs. 3,382,000/- as audit related fees and expenses.

The Board adopted a policy of rotation of Auditors in keeping with the principles of good Corporate Governance and to ensure compliance with Finance Business Act Directions No.5 of 2021 on Corporate Governance.

The Auditors of the Company have expressed their willingness to continue in office. The Board Audit Committee at its meeting held on 13 May 2026 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

18. RISK MANAGEMENT AND INTERNAL CONTROLS

The Company maintains a structured process for identifying and managing operational risks associated with the Company's business.

Through the Board Audit Committee and Board Integrated Risk Management Committees, the Board maintains oversight of the internal controls covering financial, operational, compliance controls and risk management and has obtained reasonable assurance of their effectiveness and adherence. Detailed steps taken by the Company to manage these risks can be found in the Integrated Risk Management Report on pages 331 to 357.

The Directors' Statement on Internal Control is on page 327 to 328.

18.1 Material Foreseeable Risk Factors

Material Foreseeable Risk Factors as applicable to the business operations of the Company and subsidiaries are set out in Notes 4.1 to 4.6 to the Financial Statements.

19. CORPORATE GOVERNANCE

The Board of Directors remain committed to upholding high standards of governance, prioritising the governance frameworks and processes that safeguard operational integrity and transparency.

The Board's oversight of governance is designed to drive optimal performance and deliver high-quality profits, ensuring the Company is positioned for sustainable wealth creation.

The Report on Corporate Governance which is on pages 252 to 296 describes the application of the Corporate Governance practices within the Company during the year under review.

19.1 Declarations in terms of Rule 9.17 of the Listing Rules of the Colombo Stock Exchange and Section 16.1(viii) of the Finance Business Act Directions No. 5 of 2021 on Corporate Governance:

- Based on the individual declarations obtained from the Directors, it is confirmed that none of the Directors or their close family members have any business relationships with other Directors of the Company.
- The Company has made all endeavours to ensure fair treatment for all stakeholders including Shareholders and Depositors.
- The Directors have declared all material interests in contracts involving the Company and the Group and refrained from voting on matters in which they were materially interested.
- 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.

Annual Report of the Board of Directors on the Affairs of the Company

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- The Company has not engaged in any activity that is harmful or hazardous to the environment.

20. CORPORATE SUSTAINABILITY

Guided by the Board Sustainability Committee, the Sustainability Management Committee oversees the execution of the ESG Policy as well as a structured and flexible sustainability roadmap. The key achievements and recent awards demonstrate a steadfast commitment to aligning the Company's operations with global best practices that drive long-term growth. Further details regarding the Company's sustainability initiatives can be found in the Integrated Sustainability Report.

21. 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.

22. 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.

23. ENVIRONMENTAL PROTECTION

Measures taken by the Company on environmental protection are given in the report on Integrated Natural Capital on pages 211 to 227.

24. 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.

25. CONTINGENT LIABILITIES

Except as disclosed in Note 3.5 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

26. 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.

27. PROPOSED AMALGAMATION OF ASSOCIATED MOTOR FINANCE COMPANY PLC WITH THE COMPANY

In furtherance of the approval granted by the Central Bank of Sri Lanka, the Board of Directors of Associated Motor Finance Company PLC and the Company resolved, to amalgamate Associated Motor Finance Company PLC with the Company under Section 239 of the Companies Act, whereby LB Finance PLC will be the Amalgamated Company, subject however to the approval of the shareholders of both Associated Motor Finance Company PLC and the Company, by way of Special Resolutions at Extraordinary General Meetings of the respective companies.

An Extraordinary General Meeting of the Company will be held on 30 June 2026 following the Annual General Meeting for the purpose of considering and if thought fit, to pass the requisite Special Resolution approving the amalgamation.

28. 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.

29. ANNUAL GENERAL MEETING

The Notice of the Fifty Third (53) Annual General Meeting appears on page 562.

30. 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 29 May 2026 pursuant to having acknowledged the contents of this Annual Report.

Signed on behalf of the Board by



G A R D Prasanna
Chairman



Niroshan Udage
Managing Director



Deborah Corera
Senior Company Secretary

29 May 2026

Board Audit Committee Report



"Through rigorous oversight, independent assurance and continuous enhancement of control frameworks, the Board Audit Committee ensures that the Company's financial reporting and risk governance practices remain resilient, transparent and aligned with regulatory and best practice expectations"

Ashane Jayasekara
Chairman - Board Audit Committee

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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 at 31 March 2026, the Board Audit Committee comprised three (3) Non-Executive Directors, the majority of whom are Independent. The Committee is chaired by an Independent Non-Executive Director. Its composition is in conformity with all applicable regulatory requirements, including Section 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 possess the requisite expertise in finance and technology-related matters and have recent and relevant experience, enabling them to effectively discharge their oversight responsibilities.

Member Name	Committee Membership	Member Profile	Date of Appointment
Mr. Ashane Jayasekara	Chairman/Independent Non-Executive Director	Page 268	31 October 2017
Ms. Yogadinusha Bhaskaran	Non-Executive Director	Page 270	01 November 2017
Ms. Ashwini Natesan	Independent Non-Executive Director	Page 270	01 March 2022

REGULATORY FRAMEWORK

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

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 standard

Internal Governance Framework

The Board approved Terms of Reference of the Board Audit Committee is in place and it clearly defines the roles and responsibilities of the Committee. The Board Audit Committee TOR is reviewed annually to ensure that all new developments related to BAC are duly incorporated. The BAC TOR was last reviewed and approved by the Board in June 2025. The Committee's TOR 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 BAC 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.

COMMITTEE RESPONSIBILITIES

The key responsibilities of the BAC as mandated by the Board are as follows;

- Assist the Board in providing independent oversight over the integrity of financial reporting, effectiveness of risk management and internal control systems and compliance with Company policies and applicable regulatory requirements, including those of the CBSL, CSE and other authorities, thereby safeguarding the interests of stakeholders
- 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

Board Audit Committee Report

- The Committee reviews the appropriateness and reasonableness of key assumptions underpinning estimates and judgments applied in the preparation of the financial statements to ensure their accuracy and reliability
- The Committee exercises independent oversight over internal and external assurance processes to ensure auditor independence, objectivity and audit effectiveness, while considering applicable local and international 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, while implementing appropriate measures to mitigate emerging risks
- 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 MEETINGS IN 2025/26

The Committee held Twelve (12) meetings during the financial year 2025/26. Details regarding the attendance of the Committee Members are presented below.

Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Mr. Ashane Jayasekara	12	12/12	100%	N/A
Ms. Yogadinusha Bhaskaran	12	12/12	100%	N/A
Ms. Ashwini Natesan	12	12/12	100%	N/A

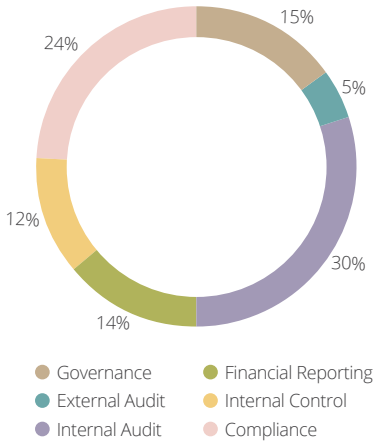
The Chief Internal Auditor serves as the Secretary to the Committee and the proceedings of each meeting are regularly reported to the Board.

The Managing Director, Executive Directors and the senior members of the management team including Chief Financial Officer, Chief Risk Officer and Compliance Officer 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.

COMMITTEE FOCUS IN 2025/26

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 BAC continued its oversight of the adequacy of Expected Credit Loss provisions recognised in the Financial Statements including review of models refined with updated assumptions and methodologies. The Committee evaluated post-model adjustments applied to exposures with heightened uncertainty and reviewed revisions to key macroeconomic inputs to ensure alignment with prevailing and forward-looking economic conditions. The BAC further considered the robustness of model governance frameworks including the application of management overlays and independent model validation processes. The Committee was satisfied that the ECL provisions recognised are prudent, appropriately governed and reflective of current and anticipated credit risk conditions.

The BAC 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 of the Group and the Company have been reviewed and recommended for the approval of the Board.

External Assurance

- The Committee assists 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
- The Committee reviewed the independence, objectivity and the effectiveness of the external 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. The Committee evaluated the External Auditor's performance during the year and was satisfied with the status of the independence, objectivity and overall effectiveness
- 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 2025/26. The Committee reiterated the necessity of reviewing the compliance status on statutory/regulatory 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 by the Board in December 2025.

Internal Assurance

- The Chief Internal Auditor reports directly to the BAC 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 August 2025
- 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 statutory/regulatory requirements, and also the Company's accounting and operational policies through the Internal Audit function

Board Audit Committee Report

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 BAC 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 team 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 process related risks and internal controls are regularly reviewed by the Internal Audit department and are 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 BAC meetings
- Committee periodically reviewed key 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 control 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 compliance is prioritised across the organisation with established mechanisms in place to ensure the timely and effective implementation of all mandatory requirements and alignment with global best practices. 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 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 amend the existing, to facilitate new statutory/ regulatory requirements that 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 Finance Business Act Directions No. 03 of 2025 - Liquidity Risk Management, Directions No. 02 of 2026 - Assessment of Beneficial Owners of Finance Companies. 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 Listing Rules of the CSE, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.

Committee's Contribution towards ESG

The Committee reviewed and followed up the adopting of SLFRS Sustainability related disclosures. 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 33 charters/policies/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. 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 March 2026 and the results were presented to the Board. The Board has concluded that BAC's performance was highly effective.

ACTION PLAN FOR 2026/27

The BAC will further strengthen its oversight of emerging financial, operational and cybersecurity risks through enhanced collaboration with the Risk Management and Internal Audit functions. Key priorities include refining the Internal Audit Plan to ensure comprehensive, risk-based coverage aligned with strategic objectives and deepening oversight of areas such as digital risk, data governance and resilience. The Committee will also focus on the integrity and transparency of financial and sustainability-related reporting, including readiness for evolving regulatory requirements and disclosure frameworks. Continued emphasis will be placed on robust internal controls, proactive risk identification and strengthening stakeholder communication, thereby supporting sustainable value creation and safeguarding stakeholder interests.



Ashane Jayasekara
Chairman
Board Audit Committee

29 May 2026

Board Integrated Risk Management Committee Report



"The Committee remained focused on strengthening the Company's risk management and resilience across all key risk areas amidst an evolving operating environment. Through continuous oversight, structured risk assessments and targeted mitigation initiatives, the Committee supported the proactive management of emerging risks while enhancing the overall effectiveness of the Company's risk management framework."

Ashwini Natesan
Chairperson - Board Integrated Risk Management Committee

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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. The Committee's membership as at 31 March 2026 is presented below.

Member Name	Committee Membership	Member Profile	Date of Appointment
Ms. Ashwini Natesan	Chairperson - Independent Non-Executive Director	Page 270	9 October 2018
Mr. Ashane Jayasekara	Independent Non-Executive Director	Page 268	2 November 2017
Ms. Yogadinusha Bhaskaran	Non-Executive Director	Page 270	23 February 2022

COMMITTEE MEETINGS IN 2025/26

The Committee convened six meetings throughout the reviewed year complying with the regulatory requirement. The Managing Director, Executive Directors and the Senior Management of LBF including Chief Risk Officer, Compliance Officer, Chief Internal Auditor and Chief Financial Officer attended the meetings by invitation. Chief Risk Officer 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 Eligible to Attend/Attended	Attendance Percentage	Note
Ms. Ashwini Natesan	06	06/06	100%	N/A
Mr. Ashane Jayasekara	06	06/06	100%	N/A
Ms. Yogadinusha Bhaskaran	06	06/06	100%	N/A

COMMITTEE CHARTER AND RESPONSIBILITIES

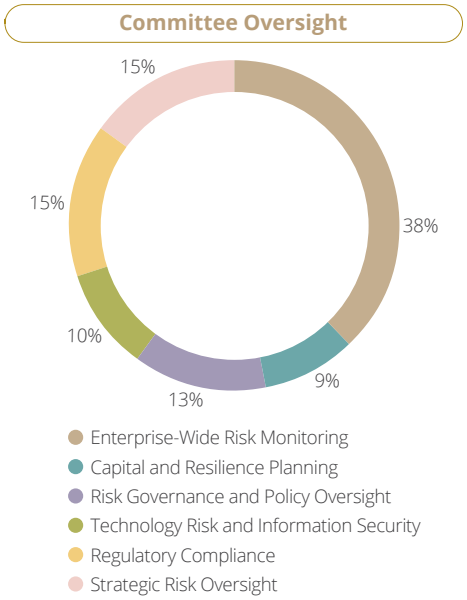
A Board approved Charter is in place with clearly defined terms of reference that set out the mandate of the BIRMC in accordance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance. The Charter is reviewed annually to reflect regulatory and other developments. The BIRMC Charter was last reviewed and approved by the Board of Directors in July 2025. 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 331 to 357.

COMMITTEE FOCUS IN 2025/26

The Committee assisted the Board of Directors in discharging its responsibility on overseeing the risk management functions. The Committee maintained continuous oversight of enterprise-wide top and emerging risks, the adequacy and effectiveness of internal controls, and the Company's adherence to the Board approved risk appetite, while closely monitoring timely compliance with applicable regulatory requirements. During the six meetings conducted, the Committee allocated sufficient time to focus on key aspects as follows;



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
- Reviewed the newly adopted AI based credit scoring models and the related validation outcomes to assess their alignment with the Company's credit risk management standards and the continued robustness and effectiveness of the models

Board Integrated Risk Management Committee Report

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
- Conducted regular reviews of overall operational risk exposure using appropriate risk indicators
- Reviewed outsourcing risk assessments to ensure adequacy of controls and regulatory compliance

Information Technology Risk

- Reviewed critical system availability reports to assess the adequacy of IT service continuity and operational resilience measures.
- Reviewed the outcomes of Disaster Recovery (DR) testing to evaluate the Company's preparedness and effectiveness of recovery capabilities in supporting business continuity.
- Reviewed the adequacy of controls, security standards, and regulatory compliance relating to the mobile banking application to ensure alignment with the Company's risk and governance expectations.

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

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 enterprise wide risk assessment on Money Laundering and Terrorist Financing (ML and TF)
- Monitored progress and recommended actions to strengthen controls in preparation for compliance with the proposed Personal Data Protection Act

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

ACTION PLAN FOR 2026/27

During 2026/27, the BIRMC will continue to strengthen oversight of the Company's evolving risk landscape, with particular focus on enhancing operational resilience, liquidity risk monitoring, sustainability-related risk integration, data protection governance and model risk management practices. Greater emphasis will also be placed on strengthening risk analytics, scenario analysis and early warning mechanisms to support proactive risk management and informed decision-making.

The Committee will continue to strengthen risk governance and promote a strong risk culture across the organisation, while ensuring that risk management practices remain aligned with the Company's strategic priorities and evolving regulatory expectations. As the operating environment continues to evolve, the Committee remains committed to supporting resilient and sustainable long-term growth through effective risk oversight.



Ashwini Natesan
Chairperson
Board Integrated Risk Management Committee

29 May 2026

Board Nominations and Governance Committee Report



"The Committee's unwavering dedication to transparency, integrity and strategic foresight empowers governance that builds trust among all stakeholders. By adhering to ethical standards, the Committee ensures accountability in every decision, reinforcing confidence in the Company's governance framework."

Ashane Jayasekara
Chairman - Board Nominations and Governance Committee

PLAY **23** Scan this QR code for a brief audio message from the Chairman

PURPOSE OF THE COMMITTEE

The Board Nominations and Governance Committee (BNGC) is 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. The Committee is governed by a documented Terms of Reference (ToR) which is aligned with the provisions of the Listing Rules of the Colombo Stock Exchange and sets out the duties and responsibilities of the BNGC.

COMPOSITION OF THE COMMITTEE

The BNGC, during the year under review, comprised the following Directors, in compliance with Section 9.11.4 of the Listing Rules of the Colombo Stock Exchange, the Finance Business Act Directions No. 05 of 2021 and Section A.7.1 of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

Member Name	Committee Membership	Member Profile	Date of Appointment
Mr. Ashane Jayasekara	Chairman - Independent Non-Executive Director	Page 268	01 February 2019
Mr. G A R D Prasanna	Non-Executive Director	Page 268	16 March 2022
Ms. Ashwini Natesan	Independent Non-Executive Director	Page 270	16 March 2022

COMMITTEE RESPONSIBILITIES

- Selecting and recommending the appointment of Directors and Senior Management Personnel in line with the documented procedure to select/ appoint new Directors and Senior Management Personnel
- Ensuring that candidates selected for appointments as Directors and Senior Management are fit and proper persons to hold office as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No. 06 of 2021
- Ensuring that candidates selected for appointments as Directors possess the skills, knowledge, experience, expertise, diversity and levels of independence necessary that will best complement the effectiveness of the Board
- Setting out the qualifications, experience and key attributes for appointment of the Managing Director/ CEO and Senior Management Personnel taking into consideration the nature of the business and industry specific requirements
- Regular review of the Board and Board Sub Committee structures, size and composition and to make recommendations to the Board on any adjustments that are deemed necessary
- To oversee and review the Board's succession plan including the succession of Chairman of the Board and Managing Director, Executive Directors and other Key Management Personnel
- To ensure that annual evaluation of the performance of the Board of Directors has been conducted
- To assess the Independence of the Directors annually
- To periodically review and update the Company's Corporate Governance policies and framework to ensure alignment with relevant regulatory and legal developments
- To ensure that all Directors stand for re-election at regular intervals in accordance with the Articles of Association of the Company and at least once every three years

Board Nominations and Governance Committee Report

COMMITTEE MEETINGS IN 2025/26

The Committee met four (04) times during the year. Attendance of the members was as follows:

Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Mr. Ashane Jayasekara	04	04/04	100%	N/A
Mr. G A R D Prasanna	04	04/04	100%	N/A
Ms. Ashwini Natesan	04	04/04	100%	N/A

The Company Secretary acts as the Secretary to the Committee.

RE-ELECTION OF DIRECTORS

The Committee has recommended the following re-elections :

Article Reference	Name of Director	
Re-elections in terms of Articles 86 and 87 of the Articles of Association.	Mr. Ashane Jayasekara was first appointed to the Board on 30 October 2017 and last re-elected by the shareholders on 30 June 2023. Mr. Jayasekara currently serves as the Chairman of the Board Audit Committee, Board Nominations and Governance Committee and the Board Human Resource and Remuneration Committee. Other Directorships held by Mr. Jayasekara are given in his profile on page 268.	Ms. Yogadinusha Bhaskaran was first appointed to the Board on 15 March 2016 and last re-elected by the shareholders on 30 June 2022 Ms. Bhaskaran currently serves as a Member of the Board Audit Committee and Board Integrated Risk Management Committee. Other Directorships held by Ms. Bhaskaran are given in her profile on page 270.
Re-elections in terms of Article 93 of the Articles of Association.	Mr. R D Tissera was appointed to the Board on 29 September 2025 and serves as a Member of the Board Sustainability Committee. Other Directorships held by Mr. Tissera are given in his profile on page 271.	Prof. T N K De Zoysa was appointed to the Board on 29 October 2025 and serves as a Member of the Board Information Security Committee. Other Directorships held by Prof. De Zoysa are given in his profile on page 272.

Based on the declarations submitted by the Directors, the Committee notes that except for Ms. Bhaskaran who serves as the Managing Director of Vallibel One PLC, which holds 51.75% of the Shareholding of the Company, none of the other Directors coming up for re-election or their family members have any relationship with the other directors, or with the Company or with shareholders holding more than 10% of the shares of the Company.

The members of the BNGC did not participate in the decisions relating to their own re-appointments.

COMMITTEE FOCUS IN 2025/26

- Assessed the compositional diversity of the Board including skills, expertise, age and gender to enhance Board performance and improve decision-making
- Implemented a formal Policy on the Qualifications, Experience and Key Attributes for the appointment of the Managing Director/CEO and Senior Management Personnel
- Implemented a formal procedure to select and appoint new Directors and Senior Management Personnel
- Reviewed and recommended the appointment of Mr. Niroshan Udage as the Managing Director following the retirement of Mr. J A S S Adhihetty
- Reviewed and evaluated the profiles of Directors to be appointed to the Board and ensured that their appointments were made according to the procedure to select/appoint new Directors and Senior Management Personnel
- Provided guidance on succession planning, particularly for Key Senior Management positions
- Reviewed the structure and composition of the Board Sub-Committees and recommended necessary changes to same
- Conducted the Annual Board and its Sub Committee performance evaluations, using a combination of self-assessments and peer reviews
- Obtained declarations from all Directors confirming their status of independence and absence of conflicts of interest and based on such declarations the Committee determined that four out of twelve Directors were Independent as per the criteria set out on the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance

- Conducted performance reviews for Directors seeking re-election, ensuring their ongoing effectiveness and commitment to the Board's collective responsibilities before recommending their re-election
- Reviewed the Corporate Governance Framework and Terms of Reference of the Committee to ensure alignment with current regulations and best practices
- Monitored compliance with applicable governance regulations, including Best Practices on Corporate Governance 2023, Finance Business Act Direction No.5 of 2021, Companies Act No 7 of 2007 (as amended) and the Listing Rules of Colombo Stock Exchange
- Updated existing Directors and newly appointed Directors on Corporate Governance, Listing Rules, securities market regulation and other applicable laws and regulations through the Company Secretary and Compliance Officer
- Facilitated the timely disclosure of material issues to Non-Executive and Independent Directors through regular Board sessions and special meetings for critical developments relating to the Company
- Ensured that the Corporate Governance requirements stipulated in the Listing Rules of the Colombo Stock Exchange have been met

ACTION PLAN FOR 2026/27

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 Senior Management to ensure that governance frameworks support the Company's long-term success and stakeholder interests.



Ashane Jayasekara
Chairman - Board Nominations and Governance Committee

29 May 2026

Board Human Resource and Remuneration Committee Report



"The Human Resource and Remuneration Committee is dedicated to fostering a high-performance culture through a well-structured Remuneration Policy that not only rewards performance, but also aligns with the Company's long-term strategic objectives. The Committee remains committed to ensuring that remuneration practices are fair, competitive and transparent, reflecting the Company's values and commitment to its employees."

Ashane Jayasekara
Chairman - Board Human Resource and Remuneration Committee

PLAY 24 Scan this QR code for a brief audio message from the Chairman

PURPOSE OF THE COMMITTEE

The Board Human Resource 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

During the year under review, the BHRRC was composed of the following Directors, in compliance with the requirements of Section 9.12.6 of the Listing Rules of the Colombo Stock Exchange, the Finance Business Act Directions No. 05 of 2021 and Section B.2.2 of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

Member Name	Committee Membership	Member Profile	Date of Appointment
Mr. Ashane Jayasekara*	Chairman – Independent Non Executive Director	Page 268	16 March 2022
Mr. G A R D Prasanna	Non-Executive Director	Page 268	16 March 2022
Mr. Piyal Hennayake	Independent Non-Executive Director	Page 271	17 April 2025

*Appointed as the Chairman of the Committee with effect from 22 October 2025.

COMMITTEE MEETINGS IN 2025/26

The Committee met four (04) times during the year. Attendance of the members was as follows:

Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Mr. Ashane Jayasekara	04	04/04	100%	N/A
Mr. G A R D Prasanna	04	04/04	100%	N/A
Mr. P D Hennayake	04	03/03	100%	Appointed as a member w.e.f 17 October 2025
Ms. Yanika Amarasekara	04	02/02	100%	Ceased to be the Chairperson w.e.f 24 September 2025

The Company Secretary acts as the Secretary to the Committee.

COMMITTEE FOCUS IN 2025/26

- The Company's Code of Conduct was reviewed and updated to incorporate clauses focusing on the prohibition of Online Betting and Gambling, Gender Equality and Inclusion, use of social media and Company branding and Information Security and Acceptable Use of Assets
- The Harassment, Gender-Based Violence and Harassment (GBVH) Policy was introduced, replacing the Anti-Discrimination and Harassment Policy which was in place
- The Personal Data Protection undertaking obtained from employees at the time of onboarding was amended in line with the requirements specified in the Personal Data Protection (Amendment) Act, No. 22 of 2025. Steps were taken to obtain the revised undertaking from all the existing employees as well
- The Terms of Reference of the Committee were reviewed to ensure alignment with current regulations and best practices
- The Organisation Chart and the Succession Plan were updated ensuring that it remained current following the new appointments made to the Board and the changes following the annual promotion cycle
- Evaluated and supported Companywide 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
- Conducted annual Sub-Committee performance evaluation

ACTION PLAN FOR 2026/27

The Committee remains committed to fostering a performance-driven and inclusive culture by ensuring fair, transparent and competitive remuneration practices.

The Committee will continue to support leadership development, talent retention and human capital strategies aligned with the Company's long-term goals and stakeholder expectations.



Ashane Jayasekara
Chairman
Board Human Resource and Remuneration Committee

29 May 2026

Board Related Party Transactions Review Committee Report



"The Related Party Transactions Review Committee is committed to upholding the highest standards of governance in all related party transactions of the Company, ensuring that all dealings are fair, transparent and adhere to regulatory requirements."

Ashwini Natesan
Chairperson - Board Related Party Transactions Review Committee

PLAY 25 Scan this QR code for a brief audio message from the Chairperson

PURPOSE OF THE COMMITTEE

The Board Related Party Transactions Review Committee (BRPTRC) has been formed to ensure that related party transactions (RPTs) are carried out transparently, fairly and in the best interests of the Company and its shareholders. The Committee also seeks to prevent any undue advantages for Directors, Key Management Personnel (KMP) and shareholders with substantial holdings in the Company, thereby minimising potential conflicts of interest.

COMPOSITION OF THE COMMITTEE

The Committee comprises the following members, in compliance with the requirements of Section 9.14.2 of the Listing Rules of the Colombo Stock Exchange, the Finance Business Act Directions No. 05 of 2021 and Section D.5.2 of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

Member Name	Committee Membership	Member Profile	Date of Appointment
Ms. Ashwini Natesan*	Chairperson - Independent Non-Executive Director	Page 270	23 April 2025
Mr. Dharmadasa Rangalle	Non-Executive Director	Page 270	09 September 2019
Mr. Piyal Hennayake**	Independent Non-Executive Director	Page 271	22 January 2025

* Appointed as the Chairperson of the Committee with effect from 23 April 2025

**Ceased to be the Chairman of the Committee with effect from 23 April 2025

COMMITTEE RESPONSIBILITIES

The Committee is primarily responsible for:

- Providing an Independent review of all proposed RPTs and to either approve or recommend same for Board approval
- Ensuring that all RPTs are carried out in compliance with relevant laws, regulations and internal policies
- Overseeing disclosures of RPTs in the financial statements and Annual Report

COMMITTEE MEETINGS IN 2025/26

The Committee met Six (06) times during the financial year. Attendance of the members was as follows:

Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Ms. Ashwini Natesan	06	06/06	100%	N/A
Mr. Dharmadasa Rangalle	06	06/06	100%	N/A
Mr. Piyal Hennayake	06	06/06	100%	N/A

The Company Secretary acts as the Secretary to the Committee.

COMMITTEE FOCUS IN 2025/26

During the financial year under review, the Committee:

- Carried out rigorous reviews of all RPTs entered during the year under review to ensure that such transactions were conducted on an arm's length basis, at appropriate commercial terms and in compliance with applicable governance and regulatory requirements. The Committee's observations and recommendations were formally communicated to the Board for its consideration
- Any director with a direct or indirect interest in a related party transaction refrained from participating in discussions and abstained from voting on the relevant transaction
- Reviewed all non-recurrent RPTs undertaken during the year under review, with particular attention given to the commercial rationale, fairness and potential impact of such transactions on the interests of the Company and its stakeholders. Where considered necessary and appropriate, independent professional valuations and/or external expert assessments were obtained to support the evaluation process and to ensure that the transactions were conducted on an arm's length basis and on fair and reasonable terms prior to being recommended to the Board for approval
- Monitored compliance with the Company's Code of Conduct and RPT Policy
- Provided oversight on disclosures of RPTs in interim and annual financial reports
- Submitted a monthly report on RPTs to the Board of Directors and any significant issues were addressed at Committee meetings before being presented to the Board
- Noted that no material RPTs were reported that required shareholder approval or special disclosure beyond regular reporting

ACTION PLAN FOR 2026/27

The Committee remains committed to upholding the highest standards of corporate governance and transparency and adherence to all regulatory requirements in dealing with related party transactions.



Ashwini Natesan
Chairperson
Board Related Party Transactions Review Committee

29 May 2026

Board Information Security Committee Report



"As digital transformation continues to accelerate across the financial services sector, maintaining strong cybersecurity resilience, technology governance and data protection practices remains a key priority for LBF. Throughout the year, the Board Information Security Committee continued to provide active oversight of the Company's cybersecurity, technology risk and data privacy landscape, while supporting initiatives aimed at strengthening resilience, governance and operational readiness."

Ashwini Natesan
Chairperson - Board Information Security Committee

PLAY 26 Scan this QR code for a brief audio message from the Chairperson

PURPOSE OF THE COMMITTEE

The Board Information Security Committee is a standing committee of the Board of Directors established to provide strategic oversight of the Company's information security, cybersecurity, data protection and technology risk governance practices. The Committee supports the organisation in managing evolving cyber and technology-related risks, strengthening operational resilience and ensuring alignment with applicable regulatory and industry requirements. Through its oversight role, the Committee contributes towards safeguarding the confidentiality, integrity and availability of information, while reinforcing stakeholder trust and supporting the Company's long-term sustainability.

COMPOSITION OF THE COMMITTEE

The Committee comprises two Independent Non-Executive Directors and one Executive Director, collectively bringing diverse and relevant expertise in information technology, cybersecurity, data privacy, governance and risk management. The Board is confident that the Committee possesses the necessary knowledge and experience to effectively discharge its oversight responsibilities.

Member Name	Committee Membership	Member Profile	Date of Appointment
Ms. Ashwini Natesan	Chairperson/ Independent Non-Executive Director	Page 270	18 January 2023
Mr. B D A Perera	Executive Director – Asset Management	Page 260	18 January 2023
Prof. T N K De Zoysa	Independent Non-Executive Director	Page 272	19 November 2025

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. Attendance details are provided on the table below.

Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Ms. Ashwini Natesan	04	04/04	100%	N/A
Mr. B D A Perera	04	04/04	100%	N/A
Prof. T N K De Zoysa	04	02/02	100%	Entitled to attend only two meetings following appointment (Appointed w.e.f. 19/11/2025)
Mr. Ashsne Jayasekara	04	02/02	100%	Ceased to be a member w.e.f. 19/11/2025

Company Secretary acts as Secretary to the Committee.

The Managing Director and senior members of management including the Chief Information Officer, Chief Information Security Officer, Chief Risk Officer, Chief Internal Auditor, Chief Financial Officer, Compliance Officer, Head of ERP and Business Analysis and Head of Network, Security, Infrastructure & Operations attended the meetings by invitation to support informed discussions. Members of the information technology and security teams were also invited, as required.

COMMITTEE CHARTER AND RESPONSIBILITIES

The Board Information Security Committee was established by the Board of Directors as a voluntary governance initiative to strengthen oversight of information technology, cybersecurity, data protection and technology risk management in line with the Finance Business Act (Technology Risk Management and Resilience) Direction No. 01 of 2022.

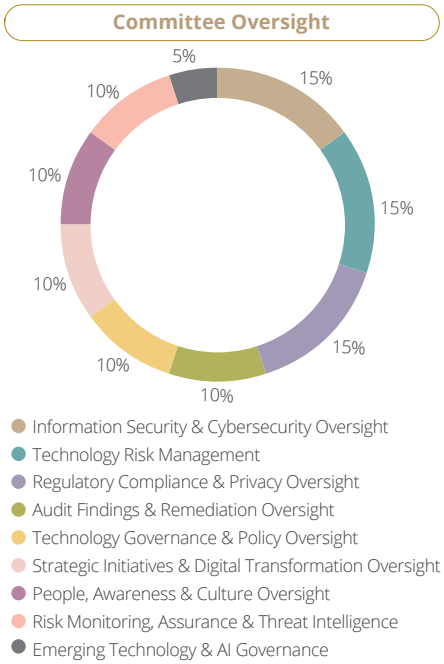
The Committee operates under a formally approved Charter which defines its mandate, authority and oversight responsibilities relating to information security, cybersecurity resilience, data privacy and technology risk governance. The Charter is reviewed periodically to ensure continued alignment with regulatory requirements and industry best practices.

The key responsibilities of the Committee include the following:

- Reviewing and recommending the Information Security Policy and related frameworks, standards and procedures to the Board, while monitoring the effectiveness of their implementation.
- Overseeing the Company's information security, cybersecurity, data privacy and technology risk management practices to ensure alignment with regulatory requirements and industry best practices.
- Monitoring emerging cyber threats, vulnerabilities and key technology risks to ensure appropriate mitigation and response measures are in place.
- Reviewing major cybersecurity incidents, security assessments, audit findings and management remediation actions relating to technology and information security risks.
- Assessing the effectiveness of cybersecurity awareness initiatives and promoting a strong culture of security and accountability across the organisation.
- Overseeing data privacy governance practices and monitoring the Company's readiness to respond to cybersecurity and privacy-related incidents.
- Reviewing the technology and information security risk register, including key risk exposures, risk tolerance levels and mitigation strategies.
- Reviewing cybersecurity and technology risk implications relating to key technology initiatives, digital transformation programs, cloud adoption and emerging technologies.

COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

The Committee ensured that adequate time and attention were dedicated to key aspects of information security, cybersecurity governance, data protection and technology risk management throughout the financial year, reflecting its commitment to proactive oversight and organisational resilience.



The following key activities and initiatives were undertaken during the Committee meetings convened during the year:

- Maintained oversight of the Company's technology risk governance framework and monitored alignment with applicable regulatory requirements, including guidelines issued by the Central Bank of Sri Lanka.
- Strengthened Board-level engagement through structured threat intelligence briefings incorporating sector-specific and localised cyber incidents, enabling proactive risk mitigation and informed decision-making across the organisation.
- Leveraged the diverse expertise available within the Committee across data privacy, cybersecurity, information technology, risk management and AI governance to support management in aligning cybersecurity operations and governance practices with evolving industry expectations and best practices.
- Oversaw the establishment and operationalisation of the Security Operations Center (SOC), enhancing the Company's real-time threat monitoring, detection and incident response capabilities.
- Reviewed initiatives undertaken to strengthen the Company's security architecture, infrastructure resilience and external attack surface protection against evolving cyber threats.
- Monitored outcomes of internal and external red teaming exercises, vulnerability assessments, penetration testing activities and associated remediation efforts to ensure continued effectiveness of security controls.
- Reviewed proactive cybersecurity initiatives including threat hunting, attack surface monitoring, system hardening measures and security posture assessments aimed at reducing organisational cyber risk exposure.

Board Information Security Committee Report

- Assessed enhancements to data protection controls, including Data Loss Prevention (DLP) capabilities and monitoring mechanisms implemented to safeguard sensitive information.
- Monitored initiatives relating to digital brand protection and mechanisms established to detect and mitigate impersonation and fraudulent digital activity.
- Reviewed governance measures and risk management controls introduced to support the secure and responsible adoption of emerging technologies, including Artificial Intelligence.
- Provided oversight on cybersecurity advisory support extended to digital transformation initiatives to ensure secure-by-design principles were embedded across key technology implementations.
- Evaluated the effectiveness of phishing simulations, security awareness initiatives and employee engagement programs aimed at strengthening the organisation's security culture and reducing human-related risks.
- Monitored progress relating to compliance readiness for the Personal Data Protection Act No. 9 of 2022, including governance structures, privacy controls and data handling practices.
- Reviewed the Company's continued adherence to internationally recognised information security standards and best practices to support ongoing cyber resilience and effective security governance.
- Reviewed technology risk management practices and monitored key technology risks to ensure they remained within the Company's defined risk appetite and tolerance levels
- Monitored remediation progress relating to internal and external audit observations, regulatory findings and identified control gaps to ensure timely closure and strengthened governance practices.

FUTURE FOCUS

As cyber threats continue to evolve in scale and sophistication, the Committee remains committed to strengthening its oversight of cybersecurity resilience, technology risk governance and data protection practices across the organisation.

FY27, the Committee will continue to support initiatives aimed at enhancing cybersecurity monitoring, threat intelligence integration, incident response readiness, attack surface management, digital brand protection and data loss prevention capabilities. Focus will also remain on strengthening cybersecurity maturity measurement practices, independent security assurance activities and secure-by-design principles across digital transformation initiatives.

The Committee will further continue to oversee the enhancement of data privacy governance, cybersecurity awareness and emerging technology risk management to support a resilient, secure and trusted digital operating environment.



Ms. Ashwini Natesan
Chairperson/ Independent Non-Executive Director

29 May 2026

Board Sustainability Committee Report



"During the year, LBF made notable progress in strengthening its sustainability journey, including achieving an ESG rating of AAA from IdealRatings, committing to the Science Based Targets initiative (SBTi), becoming a member of the Partnership for Carbon Accounting Financials (PCAF) and obtaining ISO 14001:2015 certification. The Board Sustainability Committee (BSC) also supported the revision of the ESG Policy, approved a comprehensive ESG Roadmap and guided the development of an Environmental and Social Management System (ESMS), further integrating sustainability into the Company's business strategy and future direction."

Piyal Hennayake
Chairman - Board Sustainability Committee

PLAY **27**
Scan this QR code for a brief audio message from the Chairman

PURPOSE OF THE COMMITTEE

The BSC is instrumental in integrating sustainability into LBF's long-term value creation approach. Its main responsibility is to provide strategic oversight and direction for the Company's ESG initiatives and commitments. This includes guiding the formulation of the ESG strategy and submitting it to the Board for approval, while also overseeing its implementation and endorsing key initiatives and projects that support its execution.

COMPOSITION OF THE COMMITTEE

Member Name	Committee Membership	Member Profile	Date of Appointment
[1]Mr. Piyal Hennayake	Chairperson/ Independent Non-Executive Director	Page 271	9 January 2025
[2]Mr. G A R D Prasanna	Non- Independent Non-Executive Director	Page 268	20 March 2024
Mr. Niroshan Udage	Managing Director	Page 269	20 March 2024
[3]Mr. Ravindra Dhammika Tissera	Executive Director	Page 271	22 October 2025
Ms. Ashwini Natesan	Independent Non-Executive Director	Page 270	20 March 2024
[4]Ms.Yanika Amarasekera	Independent Non-Executive Director	N/A	20 March 2024

[1]Appointed as Chairman with effect from 22 October 2025
[2]Ceased to be a member with effect from 22 October 2025, but continues as a permanent invitee
[3]Appointed as a member with effect from 22 October 2025
[4]Ceased to be the Chairperson following her resignation on 24 September 2025

COMMITTEE CHARTER AND RESPONSIBILITIES

The BSC was established by the Board of Directors to strengthen the governance and oversight of the Company's ESG agenda. The Committee supports the Board in ensuring that sustainability considerations are effectively integrated into the Company's strategy, operations and risk management processes.

The Charter outlines the Committee's mandate to oversee the development, implementation and monitoring of the Company's sustainability strategy, policies and initiatives, including matters relating to environmental stewardship, social responsibility and governance practices. The Committee also reviews the Company's sustainability performance, disclosures and alignment with applicable regulatory requirements and internationally recognised frameworks.

The Charter is reviewed periodically to ensure that it remains relevant and aligned with evolving regulatory expectations, industry's best practices and the Company's long-term sustainability objectives.

Board Sustainability Committee Report

The key responsibilities of the BSC include the following:

- Oversee development of the Company's ESG Policy, ESG Roadmap, ESMS and recommend it for Board approval
- Monitor the implementation of the ESG Policy, ESG Roadmap, ESMS and approve related sustainability initiatives and 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
- Advice on ESG-related risks and opportunities impacting operations and reputation
- Support the Board in monitoring organisational culture, employee wellbeing and human rights risks across the supply chain

COMMITTEE MEETINGS IN 2025/26

During the financial year, the Board Sustainability Committee convened four (04) meetings, demonstrating its ongoing commitment to strong oversight of the company's information and cybersecurity governance. Attendance details are provided on the table below.

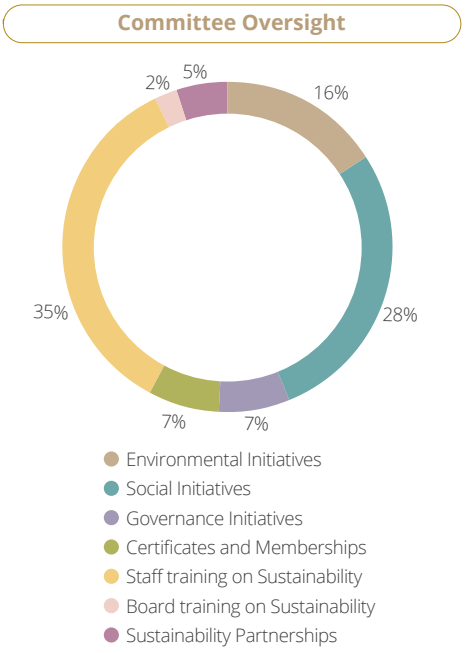
Member Name	Meetings Held	Meetings Eligible to Attend/Attended	Attendance Percentage	Note
Mr. Piyal Hennayake	04	04/04	100%	-
Mr. G A R D Prasanna	04	03/04	75%	-
Mr. Niroshan Udage	04	04/04	100%	-
Mr. Ravindra Dhammika Tissera	04	02/03	66.67%	Attended 02/03 meetings following the appointment
Ms. Ashwini Natesan	04	04/04	100%	-
Ms.Yanika Amarasekera	04	01/01	100%	Ceased to be the Chairperson w.e.f. 24 September 2025

The Company Secretary acts as the Secretary to the Committee

COMMITTEE FOCUS IN 2025/26

During the financial year 2025/26, the BSC continued to operate with a clear strategic focus, providing strong oversight of LBF's sustainability agenda. The Committee played a pivotal role in guiding the integration of ESG considerations into the Company's broader business strategy, ensuring alignment with both local regulatory expectations and internationally recognised sustainability frameworks.

Moreover, the Committee maintained active engagement with Senior Management to review the progress of key sustainability initiatives and monitor the implementation of ESG-related policies and programmes. Regular interactions with internal teams and external stakeholders further strengthened the organisation's approach to responsible business practices, helping to embed sustainability more deeply across operations.



During the financial year 2025/26, LBF made significant progress in strengthening its sustainability framework and advancing its ESG commitments. Several key initiatives were undertaken to reinforce responsible business practices and align the organisation with global sustainability standards.

- A major milestone during the year was LBF achieving an ESG rating of AAA from IdealRatings, further strengthening its sustainability credentials and demonstrating its commitment to responsible business practices. In addition, LBF became a member of the Partnership for Carbon Accounting Financials (PCAF), enabling the Company to measure and manage its financed emissions more effectively. LBF also became the first company in the banking and finance sector in Sri Lanka to commit to the Science-Based

Targets initiative (SBTi), reaffirming its commitment to measurable and science-aligned climate action

- The Company also achieved ISO 14001:2015 certification, becoming the first NBFI in the country to obtain this internationally recognised environmental management certification. This achievement reflects LBF's continued efforts to strengthen environmental governance and operational sustainability
- In support of environmental stewardship, LBF further strengthened its external collaborations. Partnerships with Green Links for responsible e-waste recycling were expanded, while collaboration with the Government's Clean Sri Lanka programme was enhanced to contribute to national sustainability goals
- From a governance perspective, the Company revised its ESG Policy and secured Board approval for a comprehensive ESG Roadmap, which will guide sustainability priorities and implementation in the years ahead. This Roadmap provides a structured framework to integrate ESG considerations into strategic decision-making and operations. In addition, the Company developed an ESMS to systematically identify, assess and manage environmental and social risks across its business activities. The ESMS strengthens internal controls, enhances compliance with applicable standards and supports continuous improvement in sustainability performance
- Capacity building remained a key focus throughout the year. A Board training on climate-related scenario analysis was conducted, while members of the Sustainability Management Committees (SMC) received training on SLFRS S1 and S2 Standards, strengthening internal knowledge and ensuring alignment with emerging sustainability disclosure requirements
- The Company also continued its commitment to social responsibility, allocating Rs. 36.81 million towards CSR initiatives supporting both environmental and community development programmes

Through these initiatives, LBF continued to strengthen its sustainability governance, enhance transparency in ESG practices and position itself as a responsible leader within Sri Lanka's financial services sector.

ACTION PLAN FOR 2026/27

In pursuit of lasting value and responsible business, LBF highlights the following ESG initiatives for the financial year 2026/27.

- Operationalise the revised ESG Policy, ESG Roadmap and ESMS with measurable KPIs by defining clear performance indicators, assigning accountability across relevant business units and integrating ESG targets into operational planning and performance monitoring
- Establish quarterly ESG performance reviews at Board level to strengthen governance oversight, enabling the Board Sustainability Committee to regularly assess progress, address emerging risks and guide strategic sustainability decisions
- Develop an ESG performance dashboard for Board oversight that consolidates key ESG metrics, targets and performance trends, providing timely insights to support informed decision-making and effective monitoring of sustainability initiatives
- Track progress against ESG Roadmap milestones and disclose quarterly updates to ensure transparency and accountability, while keeping stakeholders informed of key developments and achievements
- Broaden ESG training programmes to improve employees' understanding of sustainability, equipping staff with the knowledge and practical tools required to integrate ESG considerations into day-to-day operations and decision-making
- Strengthen the application of SLFRS S1 and S2 Standards in reporting by enhancing internal data collection processes, improving climate-related disclosures and aligning sustainability reporting with global best practices to ensure greater transparency and comparability



Piyal Hennayake
Chairman - Board Sustainability Committee

29 May 2026

Directors' Responsibility for Financial Reporting

The following statement sets out the 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(as amended) (Companies Act).

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 363 to 365 of the Annual Report. As per the provisions of Sections 150 (1), 151, 152 (1) and 153 (1) and (2) of the Companies Act, 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. The above obligation is discharged by the Directors by making available the Annual Report on the Company's official website and the Colombo Stock Exchange website. As per Rule 7.5(b) of the Listing Rules of the Colombo Stock Exchange, printed copies of the Annual Report will be made available to the shareholders on request.

In preparing the Financial Statements, the Directors are responsible for ensuring 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.

The Financial Statements presented in this report have been prepared based on Sri Lanka Accounting Standards comprising SLFRSs and LKASs, are consistent with the underlying books of account and are in conformity with the requirements of the Companies Act, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Directions and guidelines issued thereunder by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act for all dividends paid. Auditors' solvency certificates have been obtained as required.

The Directors have instituted effective and comprehensive systems of internal control to minimise and detect fraud, identify, record, evaluate and manage the significant risks faced by the Company throughout the year, which is primarily handled through the Board Audit Committee and the Board Integrated Risk Management Committee as set out in their Reports that appear on pages 305 to 309 and 310 to 312 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 Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and its subsidiaries.

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 of
LB Finance PLC



Deborah Corera
Senior Company Secretary

29 May 2026

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 of the 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 input 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 includes the following key features:

- The Board has established seven (7) specialised Committees, comprising five (5) mandatory and two (2) voluntary committees, in compliance with regulatory and social requirements. These Committees support the Board in the effective discharge of its responsibilities by providing focused oversight and facilitating informed decision-making. Through their delegated authority, the Committees assist in ensuring that the Company's day-to-day operations are conducted efficiently and in alignment with the approved corporate objectives, strategic priorities, annual budget and the policies and business directions set by the Board. Each Committee operates within clearly defined terms of reference approved by the Board and reports regularly on its activities and key deliberations. Further details of the composition, roles and activities of each Committee are set out on pages 305 to 325.
- Policies, Terms of References and Procedures are in place covering functional areas of the Company, recommended by the Board Sub-Committees and are approved by the Board. All Policies, TORs and Procedures are regularly reviewed and approved by the Board. Respective Board Sub-Committees follow up the regular review of Policies, TORs and Procedures through the Compliance Officer to ensure timely updates
- The Internal Audit Department of the Company monitors compliance with the Company's Policies and Procedures on an ongoing basis, assessing their suitability of design and effectiveness. 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 Risk Management Department, Internal Audit Department, business teams and other monitoring authorities to review the exceptions on certain selected business areas through the use of automated exception monitoring tools, with the scope of such reviews being progressively expanded. The scope, quality and reports of internal audits are also reviewed by the Board Audit Committee at its monthly meetings, with recommendations for improvements made where necessary
- 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

Directors' Statement on Internal Control

- 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 of misrepresentation in 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, while the Internal Audit Department reviews the compliance and apprises the Board Audit Committee at least annually
- 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 2026 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, Messrs 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 2026. 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 Directors' Statement on Internal Control Over Financial Reporting is given on pages 329 to 330 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



Niroshan Udage
Managing Director

29 May 2026

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
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INDEPENDENT AUDITORS' ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROL TO 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 ("the Statement") included in the Annual Report for the year ended 31st March 2026.

Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka.

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 Management 1 , which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding 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 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.

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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

Independent Assurance Report to the Board of Directors

(f) Considered whether the Directors' 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 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 327 to 328 of this annual report is in consistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.



Chartered Accountants
Colombo

29 May 2026

Integrated Risk Management Report

1. RISK MANAGEMENT OVERVIEW

Effective risk management is fundamental to the Company's ability to achieve sustainable growth while safeguarding stakeholder value. As a financial institution operating in a dynamic and evolving environment, LB Finance is exposed to a broad spectrum of risks, which are managed through a proactive, enterprise-wide approach.

Risk considerations are embedded within strategic planning, capital allocation and day-to-day operations enabling informed decision making and a balanced risk return profile. LBF's integrated risk management framework supported by clearly defined policies, robust internal controls and strong governance structures, ensures that risks are managed within the defined risk appetite.

The strength of this approach is reflected in the Company's credit ratings of A+ (Stable) by Lanka Rating Agency and A−(lka) (Stable) by Fitch Ratings Lanka, providing independent validation of its sound risk management practices.

Risk Management Outcomes | Value Created In 2025/26

CAPITAL STRENGTH MAINTAINED

Strong capital buffers were maintained to support business growth and withstand stress.

CAPITAL ADEQUACY RATIO
21.39%
vs. 14% regulatory minimum

Capital adequacy remained resilient under stressed conditions.

RISK-ADJUSTED EARNINGS PERFORMANCE MAINTAINED

Profitability remained robust, supported by strong asset quality and effective balance sheet management.

NIM **9.3%** (NII over average assets) *Industry Avg. **9.9%**

ROE **24.28%** *Industry Avg. **16.8%**

ROA **4.30%** *Industry Avg. **3.4%**

*Source: CBSL

RISK-ADJUSTED GROWTH DELIVERED WHILE PRESERVING ASSET QUALITY

Portfolio expanded while maintaining strong credit quality and risk discipline.

NPL RATIO
1.35%
FY 2024/25: 2.25%
Industry Avg. 4.6%
Source: CBSL

Asset quality strengthened despite portfolio expansion.

LIQUIDITY RESILIENCE PRESERVED

A strong liquidity position was maintained to meet obligations under stress conditions.

LIQUID ASSET RATIO
19.56%
vs. 10% regulatory minimum

Liquidity ratios remained above regulatory and internal thresholds.

OPERATIONAL LOSS EXPOSURE CONTROLLED

Effective controls and risk monitoring minimised disruptions and financial losses.

OPERATIONAL LOSS RATIO
0.08%
FY 2024/25: 0.09%

Operational losses remained within defined risk limits.

CYBER RISK EXPOSURE MITIGATED

Robust cybersecurity controls safeguarded systems, data and customer trust.

MATERIAL CYBER OR DATA BREACH INCIDENTS
ZERO

No material cyber incidents reported during the year.

During the year, LBF further strengthened its risk management capabilities amidst a dynamic operating environment and evolving regulatory expectations. Enhancements to credit underwriting, liquidity monitoring, operational risk oversight and digital risk controls supported more proactive identification and management of emerging risks, while strengthening resilience across the organisation.

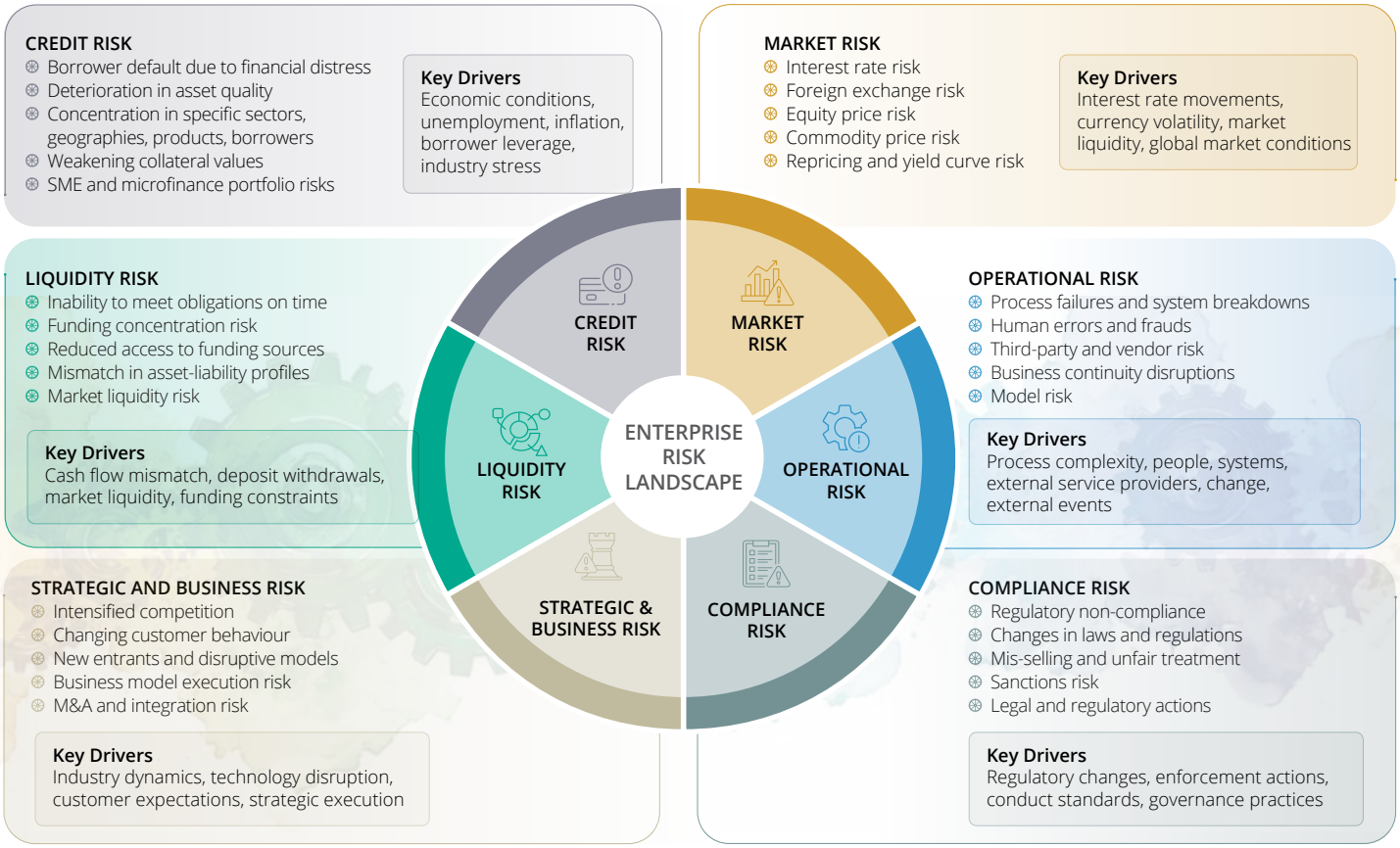
The Company also advanced the integration of sustainability considerations into strategic planning, risk assessment and business decision-making processes, supporting a more forward looking and sustainable approach to growth.

Disciplined risk management practices, strong capital and liquidity positions and continued improvements in portfolio quality reinforced stakeholder confidence during the year. This was reflected in sustained depositor confidence, continued trust in the Company's digital channels and the successful mobilisation of foreign funding to support future growth initiatives.

Integrated Risk Management Report

2. RISK LANDSCAPE AND OPERATING ENVIRONMENT

The risk landscape during the year evolved in line with macroeconomic stabilisation, while simultaneously being shaped by emerging structural risks across financial, technological and environmental dimensions. Although systemic risks moderated compared to the previous year, the operating environment continued to present a complex interplay of opportunities and vulnerabilities requiring proactive risk management.



EMERGING RISKS

ENVIRONMENTAL AND CLIMATE RISK
Physical risks, transition risk, climate-related regulations, impact on portfolios.

SOCIAL RISK
Demographic shifts, community impacts, customer vulnerability, financial inclusion.

CYBER AND INFORMATION SECURITY RISK
Cyber threats, data breaches, ransomware, data privacy and system resilience.

FINANCIAL CRIME RISK
Money laundering, frauds, sanctions, terrorist financing, corruption and bribery.

GEOPOLITICAL RISK
Geopolitical instability, trade policies, global conflicts, supply chain disruptions.

RISK IMPACT Financial Performance | Capital Adequacy | Liquidity & Funding | Reputation | Regulatory Compliance | Business Sustainability

Macroeconomic and Credit Risk Dynamics

Sri Lanka's economy continued its recovery momentum during the year, supported by stabilisation measures implemented in prior periods. Inflation remained relatively subdued compared to earlier peaks, while interest rates followed a gradual downward trend. Improved liquidity conditions and increased economic activity supported credit growth across the financial sector, particularly in retail and asset backed lending segments. The easing of import restrictions, particularly on vehicles, drove higher demand for financing and contributed to portfolio expansion across the industry, including the Company. While this supported business growth, it also resulted in a corresponding increase in risk weighted assets, necessitating continued focus on credit quality and portfolio monitoring. Despite these improvements, underlying vulnerabilities persisted. Certain borrower segments, particularly within the SME and informal sectors, remained sensitive to income volatility and cost pressures. In addition, localised climate related disruptions impacted economic activity in certain regions, underscoring the growing relevance of environmental risk

considerations. Accordingly, while asset quality indicators showed improvement, the Company continues to adopt a prudent approach, recognising that credit risk remains sensitive to both domestic and external shocks.

Interest Rate and Market Risk Environment

The gradual easing of interest rates influenced both lending yields and funding costs, creating a dynamic pricing environment. While declining rates supported credit growth, repricing mismatches between assets and liabilities introduced short-term earnings sensitivity. The Company actively managed this exposure through continuous monitoring of interest rate movements and maintaining positions within defined risk limits, thereby mitigating potential adverse impacts on profitability.

Gold Price Volatility

Global gold prices remained volatile during the year, influenced by geopolitical tensions, global interest rate movements and investor demand for safe-haven assets. While elevated gold prices supported collateral values within gold-backed lending portfolios, downward price corrections remain a key risk. This necessitated continuous monitoring of loan-to-value ratios and collateral adequacy to mitigate potential credit exposure arising from market fluctuations.

Liquidity Risk Conditions

Liquidity conditions in the financial system improved during the year, supported by monetary easing measures and increased deposit inflows. Nevertheless, competition for stable funding sources remained elevated, particularly within the non bank financial sector. The Company maintained a strong liquidity position through diversified funding sources and enhanced monitoring of liquidity risk indicators. Special emphasis was placed on strengthening early warning systems to enable timely identification and mitigation of potential liquidity pressures.

Digital and Cyber Risk Landscape

The accelerated adoption of digital platforms continued to transform the financial services landscape, while simultaneously increasing exposure to cybersecurity threats. The frequency and sophistication of cyber attacks, including phishing, ransomware and data breaches, have increased significantly. Cyber risk is now recognised as a strategic risk with potential implications for operational continuity, customer trust and regulatory compliance. The Company responded by strengthening its cybersecurity infrastructure and enhancing real-time monitoring capabilities.

Environmental, Social and Governance (ESG) Risks

Environmental and sustainability related risks continued to gain prominence during the year, driven by increasing regulatory focus, evolving stakeholder expectations and growing awareness of climate related financial risks. Localised extreme weather conditions experienced in certain regions further highlighted the potential impact of environmental factors on borrower repayment capacity, asset values and operational continuity. At the same time, financial institutions are increasingly expected to incorporate sustainability considerations into governance, lending and risk management practices. In response, the Company continued integrating ESG considerations into selected credit evaluation and risk assessment processes, recognising the growing importance.

Financial Crime Risk

Financial crime risk remains elevated, driven by increased digital transactions, evolving fraud schemes and heightened regulatory scrutiny, particularly in relation to AML/CFT requirements in Sri Lanka. During the year, the Company strengthened its transaction monitoring, customer due diligence and surveillance frameworks, supported by enhanced controls and timely regulatory reporting. These measures enabled effective management of financial crime risks while ensuring compliance with evolving regulatory expectations.

In response to these evolving risk dynamics, the Company maintained a proactive and forward looking approach to risk management, with continued focus on strengthening resilience, governance and risk oversight capabilities.

3. STRENGTHENING RISK MANAGEMENT: KEY INITIATIVES AND PRIORITIES

3.1 Enhancing Risk Management during 2025/26

During the year, the Company implemented several targeted initiatives across key risk areas to further strengthen governance, resilience, monitoring capabilities and overall risk management effectiveness.

Operational Risk Management

- Strengthened the Operational Risk Management Framework in line with evolving regulatory expectations, including enhancements to the Risk and Control Self-Assessment (RCSA) process through an improved risk assessment matrix and heatmap
- Established a structured incident reporting mechanism and a centralised risk event database, enabling improved risk visibility, timely escalation and data driven decision making
- Implemented scenario analysis for operational risk, enhancing preparedness for low frequency, high impact events

Liquidity and Market Risk Management

- Enhanced liquidity risk management practices following updated regulatory guidelines, including a comprehensive review of the Asset and Liability Management (ALM) Framework and related policies
- Strengthened the Treasury Middle Office monitoring to improve oversight and control over liquidity and market risk exposures

Integrated Risk Management Report

- Refined early warning indicators and monitoring mechanisms to support timely identification and mitigation of emerging liquidity pressures

Credit Risk Management

- Strengthened credit underwriting capabilities through targeted technical training programmes for credit staff
- Enhanced monitoring of large exposures, enabling closer surveillance and proactive management of high value credit risks
- Upgraded credit risk modelling frameworks, including revamping the vehicle financing credit scoring model and conducting independent validation of existing models to improve predictive accuracy
- Conducted pre-implementation risk assessments for new products and processes, ensuring appropriate controls are embedded prior to rollout

Risk Strategy and Risk Appetite

- Reviewed and enhanced the Risk Appetite Framework by refining existing thresholds and introducing new quantitative limits across key risk categories, ensuring alignment with the Company's strategic objectives and evolving risk profile

Information Security and Cyber Risk Management

- Strengthened enterprise wide technology risk governance and regulatory compliance frameworks in line with Central Bank guidelines and evolving regulatory expectations
- Enhanced Board and Senior Management oversight through structured cyber threat intelligence reporting and localised industry risk briefings
- Operationalised a 24×7 Security Operations Centre (SOC) supported by a Security Information and Event Management (SIEM) platform, strengthening real time threat monitoring and incident response capabilities
- Strengthened security architecture and infrastructure resilience through strategic technology and security enhancements across critical systems and external facing assets
- Conducted advanced internal and external red teaming exercises, adversary simulations and enhanced Vulnerability Assessment and Penetration Testing (VAPT) activities, including testing of mobile applications and APIs
- Introduced proactive attack surface monitoring and threat hunting practices to improve early detection of vulnerabilities and emerging cyber threats
- Enhanced Data Loss Prevention (DLP) capabilities and strengthened controls relating to sensitive information management and data privacy protection
- Implemented proactive digital brand protection and impersonation monitoring mechanisms to mitigate reputational and fraud related cyber risks
- Introduced structured cybersecurity maturity measurements and benchmarking practices aligned with industry standards and best practices
- Strengthened independent security assurance processes through targeted security reviews and spot checks across business and technology functions
- Initiated governance and risk management frameworks to support the secure adoption and oversight of Artificial Intelligence (AI) technologies
- Continued embedding secure-by-design principles into digital transformation initiatives through ongoing cybersecurity advisory and risk assessment support
- Strengthened employee cybersecurity awareness through phishing simulation exercises, targeted training programmes and organisation-wide security awareness initiatives
- Continued enhancing data privacy governance and compliance readiness under the Personal Data Protection Act No. 9 of 2022
- Successfully maintained ISO/IEC 27001:2022 Certification for the 11th consecutive year, reaffirming the Company's commitment to internationally recognised information security standards

Sustainability Risk Management

- Established Environmental, Social and Governance risk considerations into the credit approval process through a structured assessment framework, supporting responsible and sustainable lending practices
- Further broadened the negative lending list to strengthen responsible lending practices

Capital Management and Stress Testing

- Reviewed and enhanced the Internal Capital Adequacy Assessment Process (ICAAP) to ensure the adequacy of capital buffers under a range of stress scenarios
- Continued comprehensive stress testing across all material risk types to assess resilience under adverse but plausible conditions

Risk Culture and Awareness

- Continued to strengthen risk culture through structured training and awareness programmes across all staff levels, including onboarding programmes for new recruits, promoting a risk aware and accountable culture across the Company

Ongoing Risk Management Practices

In addition to the above enhancements, the Company continued to carry out established risk management practices, including continuous monitoring of key risk indicators, periodic risk reporting to management and the Board, regular portfolio reviews, review and enhancement of risk management policies and frameworks and ongoing strengthening of internal controls across business functions.

These initiatives reflect the Company's continued commitment to strengthening its risk management architecture, enhancing resilience and supporting sustainable growth in a dynamic operating environment.

3.2 Priorities for 2026/27

Building on the enhancements implemented during the year, the Company will focus on further strengthening its risk management capabilities in 2026/27 through deeper integration of existing frameworks and more proactive, data driven management of emerging risks.

Strengthening Credit Risk Discipline and Early Warning Capabilities

The Company will enhance its credit risk management practices by further strengthening early warning indicators, improving sectoral and borrower level monitoring and refining credit risk models. Increased focus will be placed on proactively identifying stress within higher-risk segments and ensuring timely corrective actions.

Enhancing Liquidity Risk Monitoring and Funding Stability

Priority will be given to further strengthening liquidity risk monitoring frameworks through enhanced stress testing, refinement of early warning signals and improved oversight of funding concentrations. The Company will continue to focus on maintaining a stable and diversified funding base.

Deepening Operational Risk Analytics and Scenario-Based Assessments

The Company will focus on further strengthening operational risk management through enhanced identification and remediation of internal control gaps, expansion of the scope and coverage of the Risk and Control Self-Assessment (RCSA) Framework and development of additional Key Risk Indicators (KRIs) to improve risk monitoring and early warning capabilities.

Strengthening Financial Crime Risk Management and Transaction Monitoring

The Company will further strengthen its financial crime risk management framework, with particular focus on enhancing transaction monitoring system, improving detection of suspicious activities and strengthening customer due diligence processes. Ongoing efforts will also be directed towards aligning with evolving AML/CFT regulatory expectations and improving surveillance capabilities.

Advancing Cybersecurity and Data Protection Capabilities

The Company will continue to focus on strengthening its cybersecurity and technology risk management capabilities through further enhancement of SOC operations, cyber threat intelligence integration and proactive threat detection capabilities. Key initiatives will include advancing attack surface management, strengthening digital brand protection and impersonation monitoring, enhancing enterprise wide DLP effectiveness and introducing cybersecurity maturity scorecards with measurable KPIs across key security domains.

The Company will also continue to conduct advanced red teaming and thematic security reviews to validate control effectiveness, strengthen cybersecurity awareness measurement mechanisms and further improve incident response capabilities playbooks. In parallel, the LBF will continue to enhance data protection and privacy governance practices in line with evolving regulatory requirements while embedding secure-by-design principles across digital transformation initiatives and business operations.

Enhancing Integration of Sustainability Risks

The Company will further strengthen its ESG risk framework by enhancing climate risk assessment methodologies, improving sustainability related data capture mechanisms and embedding sustainability considerations more deeply into credit and strategic decision making processes. Focus will also be placed on quantifying the impact of SRROs and CRROs.

Strengthening Risk Analytics and Reporting

The Company will continue to enhance its risk analytics capabilities by improving data quality, strengthening reporting frameworks and increasing the use of forward-looking risk indicators to support timely and informed decision-making.

Embedding Risk Culture across the Company

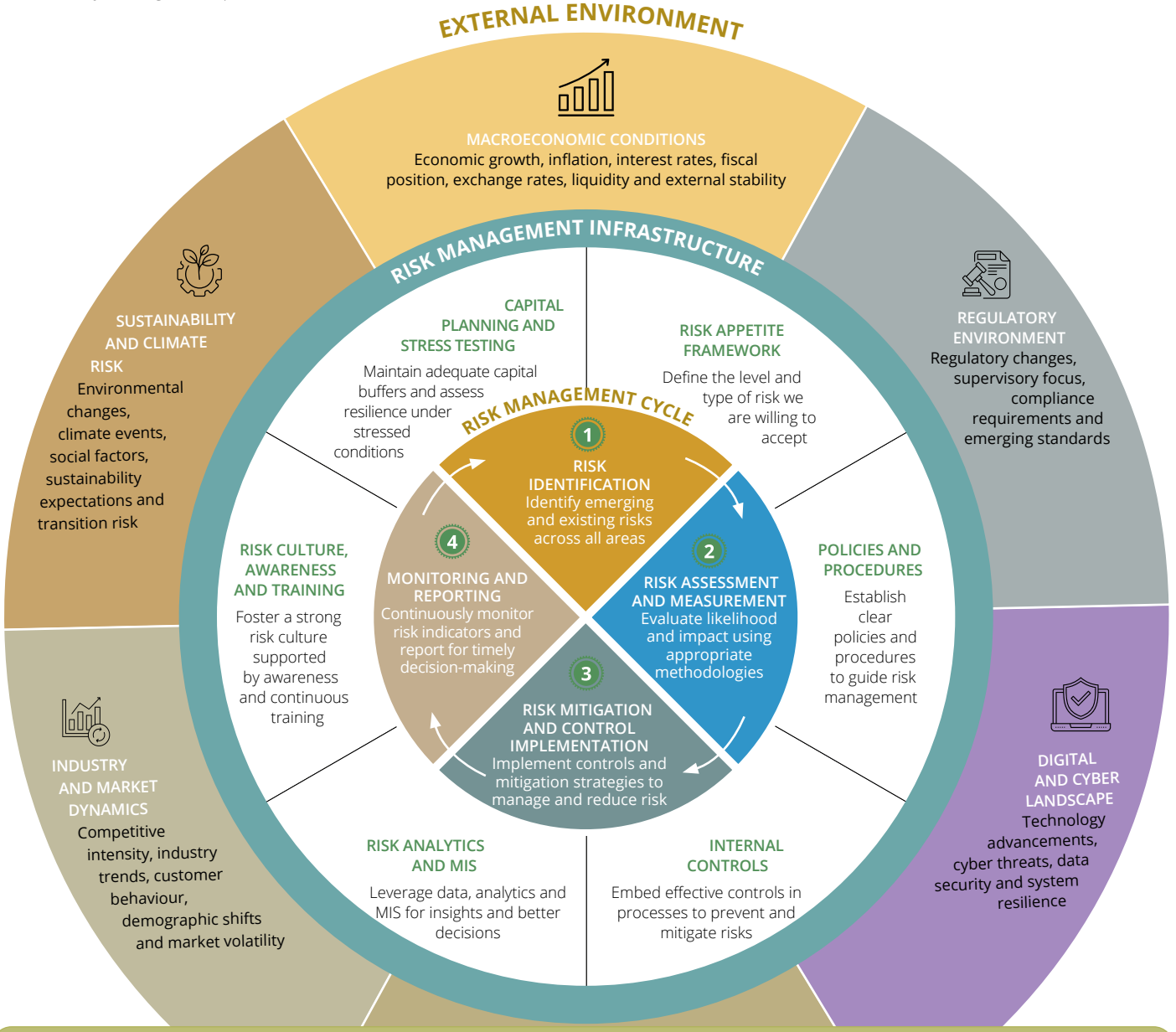
The Company will continue to reinforce its risk culture through targeted training programmes, enhanced communication and leadership engagement, ensuring consistent application of risk management practices across all business units.

These priorities are designed to further strengthen the Company's risk management capabilities, ensuring resilience and sustained performance in an increasingly complex and evolving operating environment.

Integrated Risk Management Report

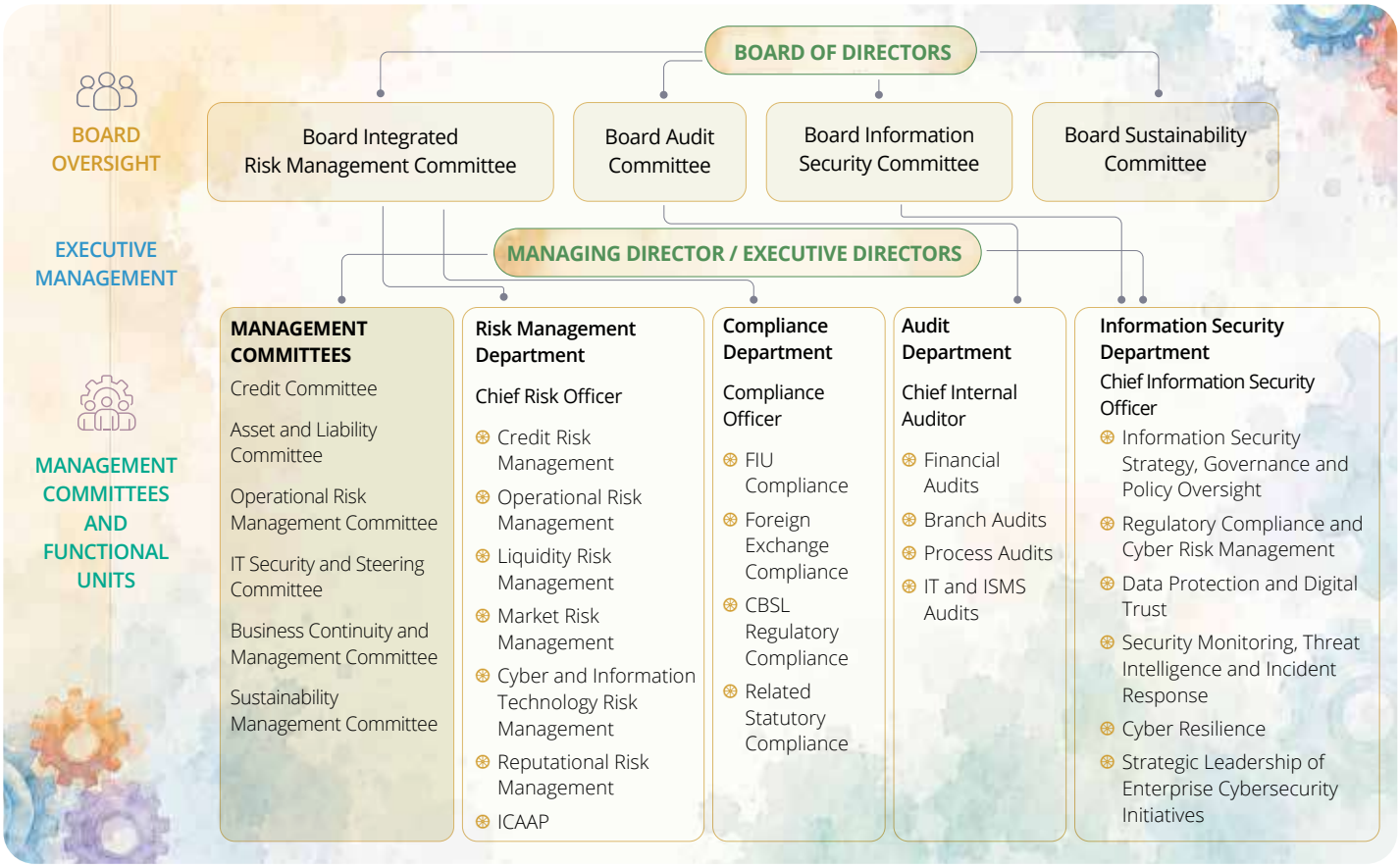
4. INTEGRATED RISK MANAGEMENT FRAMEWORK

LBF adopts an integrated, enterprise wide approach to risk management, ensuring that financial, non-financial, strategic and sustainability related risks are managed holistically across all business activities. The framework supports the effective identification, assessment, mitigation, monitoring and reporting of risks, including Sustainability-Related Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs), enabling timely responses to evolving internal and external risk conditions. The framework is supported by strong governance structures, clearly defined policies, robust internal controls, independent assurance mechanisms and data driven risk monitoring practices. Risk management is fully embedded within the Company's strategic planning, capital allocation, operational decision making and sustainability management processes.



4.1 Risk Governance Structure

Our risk governance framework is founded on the principles of accountability, transparency and independence. It adopts the widely recognised Three Lines of Defence model to ensure clear accountability and effective risk controls across the Company. 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 Chief Risk Officer and Compliance Officer 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. The Chief Internal Auditor reports directly 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 and sets the overall tone for risk culture within the Company. The Board is supported by the Board Integrated Risk Management Committee, which provides independent oversight and strategic direction on all material risks.

Executive Management, supported by management committees is responsible for implementing the Board approved risk management framework and ensuring effective risk management across operations.

This structure ensures that risk considerations are embedded into strategic planning, capital allocation and business operations.

The governance structure also supports the oversight and management of SRROs, and CRROs, through coordinated engagement between the Board Integrated Risk Management Committee, Board Sustainability Committee and Management Committees. This integrated approach ensures that sustainability considerations are embedded into risk governance, strategic decision making and long-term business resilience.

The roles of Board and Management Committees related to the risk management function are summarised below. These committees function as per the authority delegated through a Terms of Reference approved by the Board of Directors.

Integrated Risk Management Report

	Committee	Roles and Responsibilities
Board and Board Sub Committees	Board of Directors (BOD)	Responsible for setting in place an effective risk management function, policies and processes and regular review of risk reports to determine the risk profile of LBF. In fulfilling these responsibilities, the Board approves risk management policies, sets the risk appetite, ensures alignment between risk and strategy and reviews reports and exposures. The Board meets monthly, with risk management included as a regular agenda item.
	Board Integrated Risk Management Committee (BIRMC) BIRMC report on page 310	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 Chief Risk Officer and Compliance Officer report directly to BIRMC and are invitees to the meeting along with the Managing Director and CFO. The Committee meets at least every other month.
	Board Audit Committee (BAC) BAC report on page 305	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 reports directly to the BAC and is an invitee to the meetings along with the Managing Director and CFO. The Committee meets monthly.
	Board Information Security Committee (BISC) BISC report on page 320	Assists the Board of Directors in fulfilling its oversight responsibilities relating to the Company's information security, cybersecurity, data protection and technology risk management practices. The Committee meets at least quarterly.
	Board Sustainability Committee (BSC) BSC report on page 323	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 metrics. The Committee meets at least quarterly.
Management Committees	Asset and 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. The 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. The Committee meets at least quarterly.
	IT Security and Steering Committee (ITSSC)	Provides oversight and guidance information technology needs of LBF by ensuring business objectives and needs are adequately addressed. The Committee is also responsible for both strategic and operational aspects of information security and technology risk management. As part of their duties, the committee addresses issues on technology adoption, information security and cyber-security while supporting the BISC. The 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. The 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. The Committee meets when required.
	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. The Committee meets at least quarterly.

4.2 Risk Strategy and Risk Appetite

The Company's risk strategy is closely aligned with its overall business strategy, ensuring that growth objectives are pursued within clearly defined risk parameters. This alignment is achieved through the Risk Appetite Framework, which serves as a cornerstone of the Company's risk management approach.

The Risk Appetite Framework defines the types and levels of risk the Company is willing to accept in pursuit of its strategic objectives. It incorporates quantitative metrics across key risk categories, including credit risk, liquidity risk, market risk, operational risk and strategic risk.

During the year, the framework was reviewed and enhanced to reflect evolving business conditions and regulatory expectations. New quantitative limits were introduced and existing thresholds were refined to improve sensitivity and responsiveness to emerging risks. Risk appetite is monitored through a comprehensive set of key risk indicators, which are regularly reviewed by management and the Board. Any deviations from defined thresholds are promptly escalated and addressed through appropriate corrective actions.

The Company's key risk appetite metrics and Board approved tolerance levels as of 31 March 2026 are provided below.

	Appetite	Regulatory	FY 2025/26	FY 2024/25
Credit Risk				
Gross NPL Ratio	< 6%		1.35%	2.25%
Net NPL Ratio	< 1%		-1.24%	-1.22%
Provision Coverage Ratio	> 75%		192.35%	154.02%
Stage 3 Provision Coverage Ratio	>50%		72.61%	71.89%
Credit Concentration Risk				
Maximum Unsecured Exposure	< 10%	< 20%	3.90%	3.82%
Maximum Exposure to Stress Industries	6% -7.5%		4.90%	4.84%
Maximum Exposure to Single Borrower - Individual	< 5%	< 15%	1.34%	1.07%
Maximum Exposure to Single Borrower - Group	< 10%	< 20%	1.34%	1.07%
Maximum Exposure to Gold Loan	30% - 50%		37.72%	42.46%
Capital and Leverage				
Tier 1 Capital Ratio	> 12%	> 10%	21.65%	30.45%
Total Capital Ratio	> 16%	> 14%	21.39%	31.31%
Capital Funds to Deposits Ratio	> 12%	> 10%	35.41%	37.02%
Liquidity Risk				
Liquid Assets to Total Savings Deposits		>15%		
Liquid Assets to Total Fixed Deposits	>12%	>10%	19.56%	20.01%
Liquid Assets to Total Outstanding of Unsecured Borrowings		>10%		
Largest Single Depositor to Total Fixed Deposits	< 5%		1.70%	1.19%
Maximum Exposure to Bulk Deposits (Over Rs. 100 Mn)	< 20%		16.69%	9.69%
Deposit Renewal Ratio	>75%		83.49%	85.15%
Deposit Renewal Ratio (Non-Bulk Deposits)	> 80%		80.48%	83.28%
Market Risk				
Interest Rate Sensitivity of Liabilities (for every 1% increase)	< 0.75%		0.68%	0.71%
Operational Risk				
Annual Operational Risk Losses to Average Income	< 0.1%		0.08%	0.09%

Integrated Risk Management Report

4.3 Risk Management Policies and Procedures

LB Finance maintains a comprehensive set of risk management policies, approved by the Board, which guide the effective implementation of risk management processes across the Company. These policies support the identification, measurement, monitoring and control of key risks and are reviewed annually to ensure continued relevance and effectiveness.

Overall Policy Documents

- Integrated Risk Management Framework
- Risk Appetite Statement
- Stress Testing Policy
- Product Development Policy
- ICAAP Policy

Market and Liquidity Risk

- Asset and Liability Management and Liquidity Management Policy
- Investment Policy
- Contingency Funding Plan



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

Technology and Information Security Risk

- Technology Risk Management Framework
- Information Technology and Information Security Governance Policies, Procedures and Guidelines
- Incident Response Plans, Procedures and Guidelines

Financial Crime Risk

- AML/CFT Policy and Procedure
- Anti-Bribery and Anti-Corruption Policy

Sustainability and Climate Risk

- Environment Social and Governance Policy
- Climate Policy

4.4 Risk Culture and Awareness

At LB Finance, a strong risk culture underpins the effective management of risk across the Company. It shapes how employees identify, assess and respond to risks in their day-to-day activities and supports consistent, risk informed decision making at all levels.

The Company promotes a culture of accountability and responsible conduct through clearly defined risk management policies, a well established code of conduct and strong leadership commitment that reinforces the tone at the top. This is further supported by structured training programmes, ongoing communication and a robust governance framework, ensuring that risk awareness is embedded across business operations. The Company continues to strengthen its risk culture through regular awareness initiatives and training, including the integration of risk management concepts into the orientation programme for new recruits. This approach ensures that all employees develop a clear understanding of their role in managing risk from the outset, contributing to a disciplined and proactive risk management environment.

4.5 Risk Management Cycle in Practice

Our risk management process is embedded across business operations and strategic decision making, supported by structured tools and methodologies to ensure effective identification, assessment, mitigation and monitoring of financial, non financial, strategic and sustainability related risks. The framework applies consistently across all material risk categories, including

SRROs and CRROs, enabling sustainability considerations to be integrated into core risk management and business processes.

Risk identification is carried out through both top-down strategic assessments and bottom-up operational processes. Emerging risks are identified through management reviews, business activities and periodic risk assessments across functions. During the year, new risk exposures arose from changes in the operating environment, product innovations and process enhancements.

Risks are assessed using a combination of quantitative and qualitative tools, including risk matrices, Value-at-Risk (VaR) models, portfolio analytics and Risk and Control Self-Assessments (RCSA). These tools enable evaluation of risk impact, likelihood and potential financial implications. Stress testing is conducted on a regular basis to assess the impact of adverse financial, operational and climate related scenarios on the Company's risk profile.

Risk treatment is a dynamic process where appropriate strategies are applied to accept, mitigate, transfer, or avoid risks. This includes strengthening internal controls, enhancing credit underwriting standards, implementing system based controls, diversifying portfolios and developing contingency plans. The Risk Management Department, under the oversight of the Board Integrated Risk Management Committee, is responsible for designing and implementing these risk mitigation strategies.

The Company maintains a structured monitoring and reporting framework supported by Key Risk Indicators (KRIs), risk registers and periodic reporting to management and the Board. The integration of sustainability related risks, including climate risks, into the risk register further enhances forward looking risk management. The Risk Management Department is responsible for ongoing risk monitoring and timely reporting to Senior Management, BIRMC and the Board.

Regular Risk Reports	Frequency	Reported To
Risk Appetite Statement	Monthly	BIRMC/BOD
Key Risk Indicators (KRI)	Every other month	BIRMC
Risk Profile	Every other month	BIRMC/BOD
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

This structured approach enables timely identification, assessment and management of risks, ensuring that the Company remains resilient in a dynamic operating environment.

5. CAPITAL MANAGEMENT AND STRESS TESTING

The strength of LBF's integrated risk management approach is reflected in its capital position and ability to withstand adverse stress scenarios. The Company's capital management objective is to maintain a strong and resilient capital base that supports sustainable business growth and absorbs unexpected losses while ensuring compliance with regulatory requirements. Capital is managed in line with the Company's risk profile, strategic priorities and risk appetite, ensuring that adequate buffers are maintained under both normal and stressed conditions.

LBF operates in compliance with the capital adequacy requirements prescribed by the Central Bank of Sri Lanka for Non-Bank Financial Institutions where risk weighted assets are derived using standardised approach for credit risk and basic indicator approach for operational risk. The Company continuously monitors its capital position to ensure adherence to minimum regulatory thresholds while maintaining prudent buffers above these requirements.

5.1 Capital Adequacy

The Company's capital base is predominantly comprised of Tier I Capital, including stated capital and retained earnings, ensuring the availability of high-quality capital to absorb losses. Tier II Capital is maintained in accordance with regulatory guidelines to support overall capital adequacy.

Capital adequacy ratios moderated during the year 2025/26, reflecting the expansion of the lending portfolio and the resulting increase in risk weighted assets. In addition, the Total Capital Ratio was marginally lower than the Tier I Capital Ratio due to regulatory deductions applied to Tier II Capital in respect of the Company's investment in a financial institution.

Despite these movements, the Company maintained strong capital adequacy ratios as at 31 March 2026, with the Tier I Capital Ratio and Total Capital Ratio standing at 21.65% and 21.39% respectively, comfortably above the minimum regulatory requirements of 10% and 14%. After accounting for minimum capital required against credit and operational risk exposures, 34% of the Company's available capital remained as a buffer. This reflected a strong capacity to support business growth, absorb potential shocks and sustain stakeholder confidence. The Group also maintained healthy capital adequacy ratios as at 31 March 2026, with the Tier I Capital Ratio and Total Capital Ratio standing at 20.47% and 21.05% respectively.

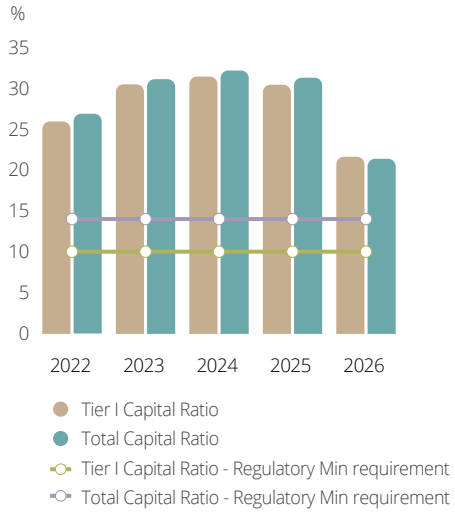
Integrated Risk Management Report

As at 31 March 2026 LBF maintained a sound risk capital position as presented in the table below.

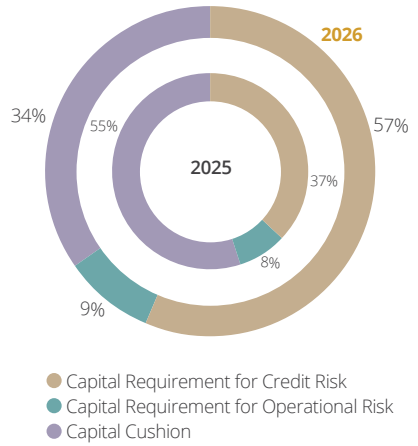
Item	FY 2025/26 Rs.000	FY 2024/25 Rs.000
Tier I Capital	56,426,217	49,654,357
Total Capital	55,755,717	51,046,073
Total Risk Weighted Amount	260,605,266	163,046,965
Risk Weighted Amount for Credit Risk	226,453,057	134,463,021
Risk Weighted Amount for Operational Risk	34,152,209	28,583,944
Regulatory Minimum Tier I Ratio	10%	10%
Tier I Capital Ratio	21.65%	30.45%
Regulatory Minimum Total Capital Ratio	14%	14%
Total Capital Ratio	21.39%	31.31%

	FY 2025/26 Rs.000	FY 2024/25 Rs.000
Tier I Capital	61,391,761	51,302,900
Stated capital	838,282	838,282
Non-cumulative, non-redeemable preference shares		
Reserve fund	10,241,904	9,558,263
Audited retained earnings/(losses)	50,277,281	40,906,355
(less) Revaluation gains/surplus of investment property		
General and other disclosed reserves	34,293	
Current year's profit/(losses)		
Adjustments to Tier I Capital	4,965,544	1,648,543
Goodwill (net)		
Other intangible assets (net)	126,337	67,113
Other Comprehensive Income losses	8,437	36,902
Deferred tax assets (net)	2,453,349	1,255,960
Shortfall of the cumulative impairment to total provisions and interest in suspense		
50% of investment in banking and financial subsidiary companies	2,347,292	260,581
50% of investment in other banking and financial institutions	30,129	27,987
Shortfall of capital in financial subsidiaries		
SLFRS 9 day one impact adjustment		
Tier I Capital (after adjustments)	56,426,217	49,654,357
Tier II Capital	1,706,920	1,680,284
Instruments qualified as Tier II capital		
Revaluation gains		
General provisions /collective impairment allowances	1,706,920	1,680,284
Eligible Tier II Capital	1,706,920	1,680,284
Total Adjustments to eligible Tier II Capital	2,377,421	288,568
50% of investment in banking and financial subsidiary companies	2,347,292	260,581
50% of investment in other banking and financial institutions	30,129	27,987
Eligible Tier II Capital after adjustments	(670,500)	1,391,716
Total Capital	55,755,717	51,046,073

Capital Adequacy Ratio (CAR)



Capital Cushion



5.2 Internal Capital Adequacy Assessment Process and Capital Planning

As a systemically important non-bank financial institution, LBF has implemented the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar II of the Basel III framework to ensure that capital levels remain aligned with the Company's risk profile, strategic objectives, and evolving operating environment. Guided by a Board approved ICAAP Policy, the framework supports a structured and forward looking assessment of capital adequacy across all material risk exposures. The ICAAP

framework is subject to review by the BIRMC prior to approval by the Board of Directors.

Stress testing forms an integral part of the ICAAP framework, enabling the Company to assess the potential impact of adverse but plausible scenarios on capital adequacy, liquidity, and overall financial resilience. These assessments support proactive capital planning and facilitate timely management actions to ensure that adequate capital buffers are maintained under stressed conditions.

Capital planning remains closely integrated with the Company's broader risk management framework and business strategy, taking into consideration projected portfolio growth, risk weighted assets, funding requirements, and external market conditions. Over the years, internal capital generation through retained earnings has remained the primary source of capital augmentation, supporting the Company's growth trajectory while preserving strong capital adequacy levels. This approach to capital management continues to provide sufficient capacity to absorb potential shocks, maintain regulatory compliance, and support sustainable long-term growth.

5.3 Stress Testing

Stress testing remains an integral component of the Company's risk management framework, serving as a forward looking tool to assess resilience under adverse conditions. It evaluates the adequacy of capital and liquidity buffers to withstand potential economic and financial shocks. A comprehensive, Board-approved Stress Testing Policy is in place, outlining the governance structure, methodologies, key assumptions and testing frequency.

Stress testing supports the evaluation of adverse "what-if" scenarios and the identification of potential vulnerabilities across key risk areas, thereby informing strategic and capital planning decisions. During the year under review, stress scenarios were updated to reflect prevailing macroeconomic and sectoral conditions and the frequency of testing was enhanced. The outcomes were regularly reviewed and presented to the BIRMC.

In line with evolving best practices, the Company continued to incorporate sustainability considerations into its stress testing framework, including the development and application of climate-related stress scenarios.

A range of stress scenarios was applied across key risk categories to assess the Company's resilience under adverse but plausible conditions.

Risk Category	Scenario Applied	Impact on CAR as at 31 March 2026
Credit Risk	Adverse movements in Stage 1 and 2 exposures; increased NPLs driven by macroeconomic deterioration; elevated product level defaults	Capital adequacy remained above regulatory minimum and internal thresholds across all scenarios
Credit Concentration Risk	Defaults among large borrowers; increased NPAs in top industries; elevated concentration indicators across sectors, products and geographies	Concentration risk remained within acceptable limits under stressed conditions
Climate Risk	Increased credit stress in regions exposed to adverse weather conditions	Limited impact observed on overall portfolio quality
Market Risk	Decline in local gold prices impacting gold-backed lending portfolio	Impact remained manageable within defined risk thresholds
Operational Risk	Realisation of historical loss events, including fraud and external disruptions	No material impact on capital adequacy
Interest Rate Risk	Downward parallel shift in the yield curve simulating declining interest rates	Earnings impact remained within acceptable limits
Liquidity Risk	Stress on cash flows due to deposit withdrawals, reduced rollovers and deposit runoff	Liquidity levels remained above regulatory and internal thresholds, with pressures observed under severe runoff scenarios

Integrated Risk Management Report

6. OVERVIEW OF PRINCIPAL RISKS

	Credit Risk	Interest Rate Risk	Commodity Price Risk	Operational Risk
Risk Outlook	Stable ⬌	Moderating ⬇	Elevated ⬆	Moderating ⬇
Residual Risk Level	Low 🟢	Moderate 🟡	Moderate 🟡	Moderate 🟡
Key Risk Drivers	• Rapid portfolio growth • Borrower repayment pressures • Concentration risk	• Interest rate volatility • Repricing mismatches	• Volatility in global and domestic gold prices	• Fraud • Process and system breakdowns • Outsourcing exposures • Business disruptions • External events
Potential Impact	• Asset quality deterioration • Higher impairments • Pressure on earnings and capital	• Margin compression • Earnings volatility	• Collateral value fluctuations • Increased credit losses	• Operational losses • Service disruptions • Reputational impact
Key Mitigation Actions	• Risk-based pricing • Collateral-backed lending • Robust credit evaluation • Large exposure oversight • Large exposure approvals by higher authority • Concentration limits	• Repricing management • ALCO oversight	• Healthy LTV maintenance • Timely repricing • VaR analysis • Prudent provisioning	• RCSA Framework • Internal controls • Business Continuity Management • Insurance coverage • Whistleblowing Framework • Mandatory Leave Policy • Root cause analysis • Employee awareness programmes
Risk Monitoring	• Portfolio analytics • Concentration monitoring • Collateral reviews • Stress testing	• Rate-sensitive gap monitoring • Sensitivity analysis • Stress testing	• Continuous gold price monitoring • VaR assessments • Stress testing	• Loss event monitoring • KRIs • Vendor risk reviews
Way Forward	• Strengthen predictive analytics • Enhance early warning capabilities	• Optimise repricing profile • Strengthen funding structure • Secure low-cost funding, particularly through savings accounts	• Strengthen portfolio analytics • Further enhance stress testing capabilities	• Strengthen operational resilience monitoring • Enhance operational risk analytics • Further strengthen risk awareness and culture
Strategy Impacted	[ST 1] [ST 3]	[ST 1] [ST 2] [ST 3]	[ST 1] [ST 3]	[ST 1] [ST 2] [ST 3]
Capital Impacted	FC SRC	FC SRC	FC SRC	FC MC HC IC SRC NC
More Information	Page 346	Page 351	Page 352	Page 353

Liquidity Risk	Information & Cybersecurity Risk	Model Risk	Sustainability Risk
Stable ⬅➡	Elevated ⬆	Stable ⬅➡	Emerging ⇪
Low 🟢	Moderate 🟠	Low 🟢	Moderate 🟠
• Funding concentration • Maturity mismatches • Liquidity pressures	• Cyber threats • Increased digitalisation • Data privacy and regulatory obligations	• Model limitations • Inaccurate assumptions	• Climate risks • ESG transition pressures • Stakeholder expectations
• Funding constraints • Refinancing pressure	• Data breaches • Operational disruption • Regulatory penalties	• Incorrect risk assessment • Suboptimal decision making	• Regulatory exposure • Long-term resilience challenges
• Liquidity buffers • Diversified funding sources • Deposit concentration management • Contingency funding planning	• 24×7 SOC monitoring • Vulnerability assessments • DR and BCP • Data encryption • Employee awareness programmes • Multi-layered defence strategy • Secure software development practices • Regular VAPT and patching	• Independent validation • Model governance • Back-testing	• ESG integration • Sustainability assessments • Climate monitoring
• Cash flow forecasts • Liquidity KRIs • Stress testing	• Threat monitoring • Red teaming • Security audits	• Model performance monitoring • Validation reviews	• ESG reporting • Stakeholder engagement • Climate analysis
• Further diversify funding sources • Strengthen liquidity resilience	• Enhance cyber resilience • Strengthen data protection capabilities	• Strengthen model governance framework	• Expand sustainable financing • Enhance climate risk assessment methodologies
[ST 2] [ST 3]	[ST 2] [ST 3]	[ST 1] [ST 3]	[ST 1] [ST 2] [ST 3]
FC SRC	FC MC HC IC SRC	FC IC	FC MC HC IC SRC NC
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Integrated Risk Management Report

7. CREDIT RISK

Credit risk primarily arises from the Company's lending activities and, to a lesser extent, from its investment portfolio. It represents the largest risk exposure, with assets subject to credit risk amounting to Rs. 364.61 billion, accounting for 92% of total assets, while contributing approximately 87% of total risk-weighted assets. Credit Risk exposure from lending is managed through a comprehensive Credit Risk Policy framework, operating within the limits defined by the Risk Appetite Statement. These policies are regularly reviewed to ensure alignment with evolving market conditions and regulatory expectations.

Definition

The risk of financial loss to the Company arising from a customer or counterparty failing to meet contractual obligations.

Components:

- Default Risk
- Concentration Risk
- Settlement Risk

Key Risk Indicators

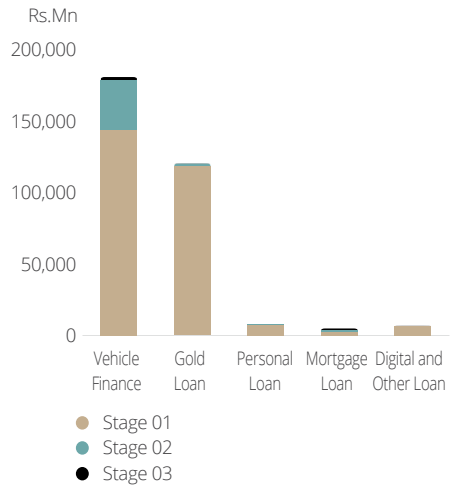
	31 March 2026	31 March 2025	LFC sector* - 31 March 2026
Gross NPL Ratio	1.35%	2.25%	4.60%
Net NPL Ratio	-1.24%	-1.22%	2.50%
Stage 3 Impairment Coverage	72.61%	71.89%	46.60%

*Source: CBSL

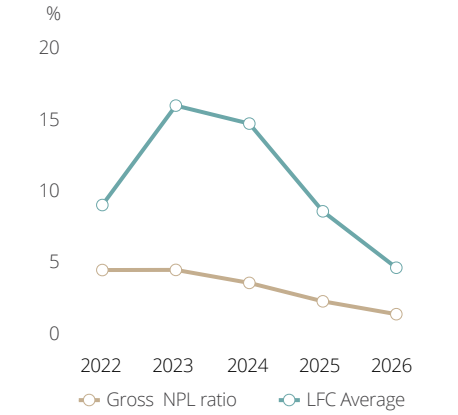
Asset Quality Performance

The Company maintained its Non-Performing Loan (NPL) ratio below the industry average, reflecting disciplined credit underwriting and effective recovery mechanisms. During the year, the gross NPL ratio declined to 1.35%, supported by improved macroeconomic conditions and strengthened credit risk management practices. This trend underscores the resilience of the Company's credit portfolio and the effectiveness of its risk management framework.

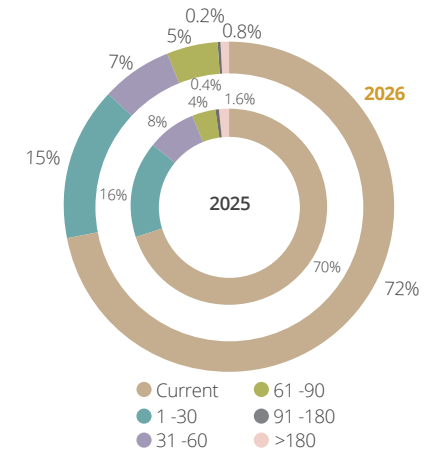
Stagewise Exposure



Gross NPL Ratio



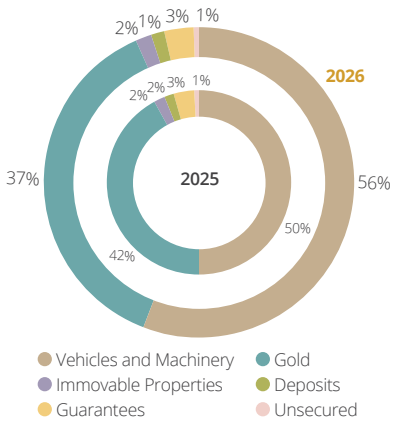
Aging of Pastdue Loans



Collateral Strength

Collateral remains a key risk mitigant within the Company's credit risk management framework, providing protection against potential credit losses. As at the end of the financial year, 96% of the lending portfolio was secured by tangible assets, reflecting a strong emphasis on asset-backed lending. Collateral is primarily concentrated in vehicle financing and gold loan segments, which are subject to continuous monitoring through loan to value (LTV) controls and periodic revaluation practices. The limited level of unsecured exposures further supports the Company's conservative risk profile and enhances the overall resilience of the credit portfolio.

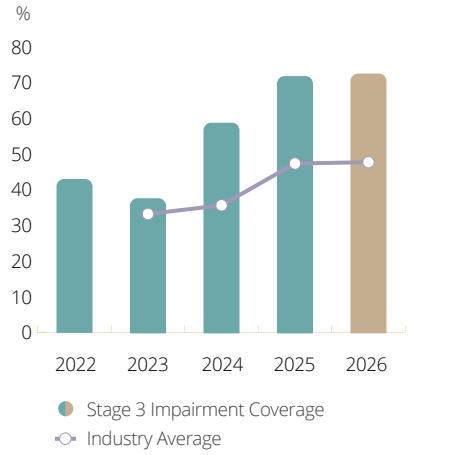
Main Types of Collaterals



Credit Loss Resilience

The Company maintained impairment coverage ratios well above industry levels, reflecting a prudent and forward looking provisioning approach. Impairment allowances are determined using a robust Expected Credit Loss (ECL) framework, incorporating forward looking macroeconomic overlays, portfolio level risk assessments and stress scenario considerations. During the year, the Stage 3 impairment coverage ratio increased, supported by strengthened recovery strategies and conservative provisioning on higher risk exposures. This approach ensures adequate buffers against potential credit deterioration and reinforces the resilience of the Company's balance sheet under changing economic conditions.

Stage 03 Impairment Coverage

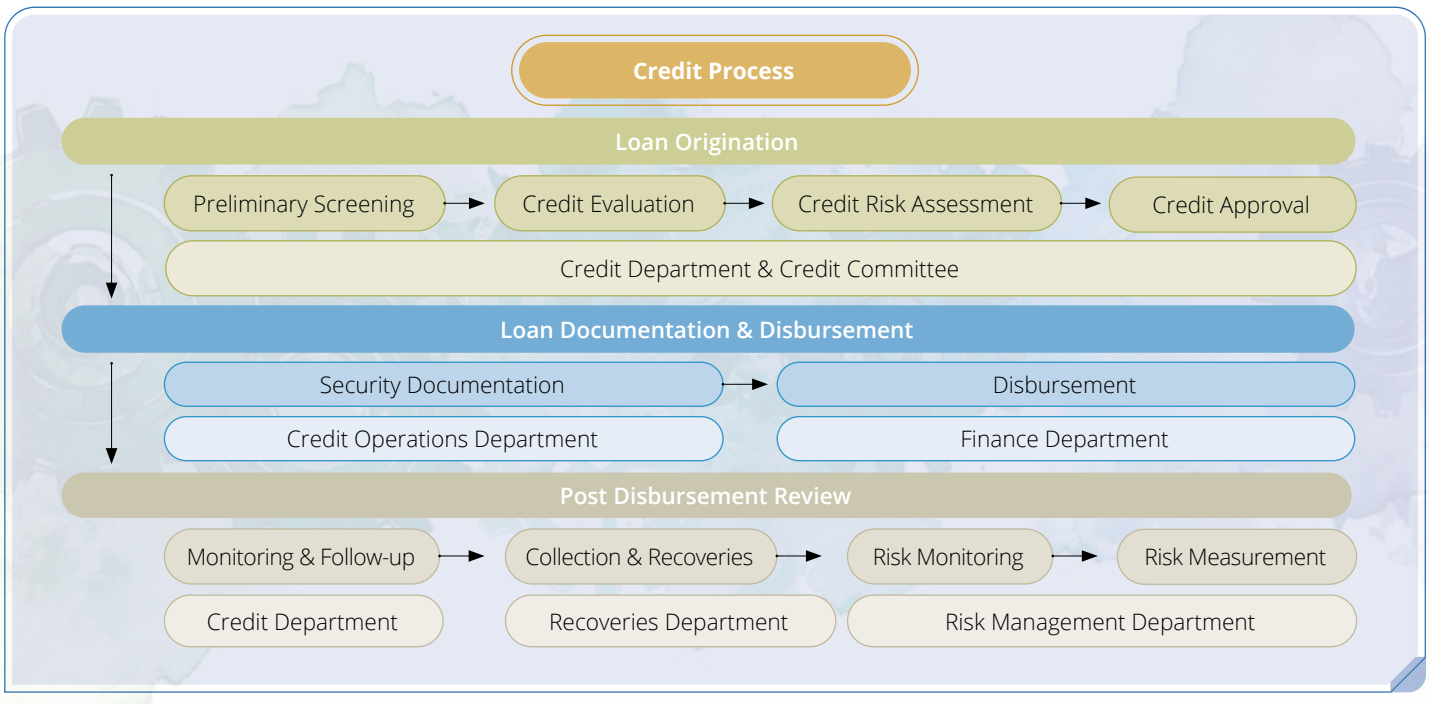


7.1 Managing Credit Risk at LBF

The objective of credit risk management is to optimise risk adjusted returns while maintaining exposures within defined risk parameters. The Company operates within a well structured credit framework that establishes clear guidelines for credit origination, evaluation and approval ensuring consistency and discipline in lending decisions. Risks arising from counterparty investments are governed through a dedicated Treasury Investment Policy, which defines permissible exposures and risk limits.

The credit approval process remains a critical control in managing default risk on a day-to-day basis, incorporating defined delegation of authority, rigorous client selection criteria and comprehensive due diligence in line with the Company's risk appetite. In addition, the Company utilises a range of credit risk indicators and analytical tools to identify emerging risks and support proactive risk management across the lending portfolio. The Company further supports credit decision making through internally developed credit scoring models and analytical tools, which assist in evaluating borrower risk profiles and maintaining consistency in underwriting standards. In addition, enhanced monitoring of large exposures enables closer oversight of higher value credit relationships and supports proactive management of credit concentration risk.

The credit process is summarised below:



Integrated Risk Management Report

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 using 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 forced sale 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 an integrated Management Information System (MIS) that facilitates comprehensive monitoring across multiple dimensions, including customer segments, product types, geographic exposures and collateral coverage. This enables timely identification of emerging risks and supports proactive risk mitigation.

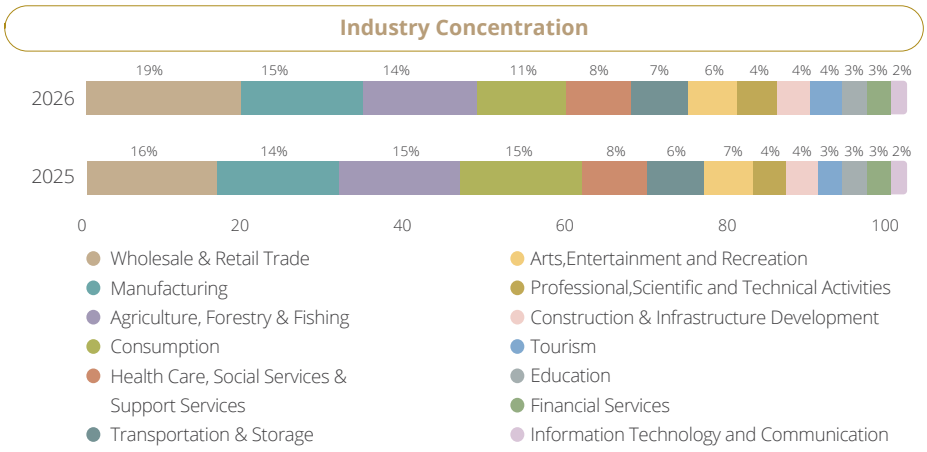
The introduction of new products is governed through a structured and disciplined risk assessment process. All associated risks are thoroughly evaluated and relevant risk management procedures and internal controls are reviewed and strengthened where necessary to ensure alignment with the Company's Risk Appetite Statement. Final approval is granted only upon confirmation that the risk exposures are manageable and the control environment is robust.

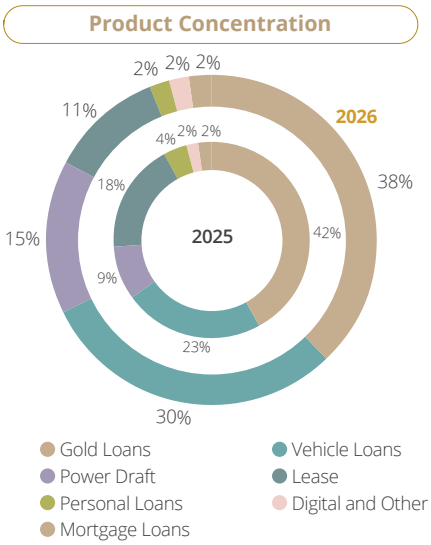
7.2 Credit Concentration Risk

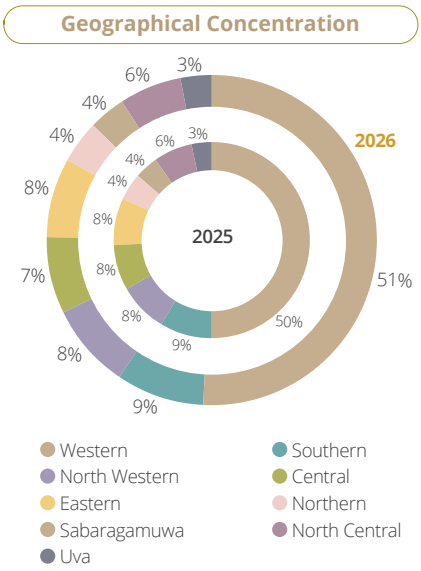
Credit concentration risk refers to the potential financial loss that may arise when a significant portion of the credit portfolio is concentrated in a single borrower, industry sector, geographic region, or loan type. Adverse events affecting a concentrated segment such as economic downturns, industry specific disruptions, or borrower defaults can have a disproportionate impact on the Company's financial stability and performance.

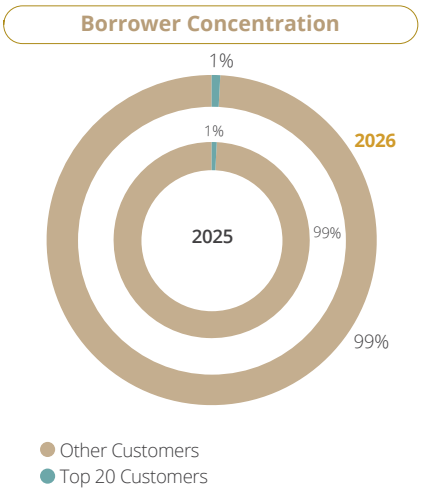
To mitigate this risk, LBF adopts a diversification strategy, distributing its credit exposure across various borrower characteristics, including industry sectors, geographic locations and product categories. Risk appetite limits are clearly defined to control concentration levels and continuous portfolio 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.

The Company maintains a well-diversified credit portfolio across industries, geographic regions and product segments, thereby mitigating concentration risk. While vehicle financing and gold loans remain the primary lending segments, exposures are complemented by a range of other products, contributing to overall portfolio balance. Geographic concentration is relatively higher in the Western Province, reflecting its economic significance; however, the Company maintains a presence across all provinces, supporting broader diversification. In addition, exposure to the top 20 borrowers remains low at approximately 1% of the total portfolio, underscoring the granular nature of the lending book and the Company's disciplined approach to concentration risk management.









8. LIQUIDITY RISK

Liquidity risk is managed with a focus on maintaining adequate buffers to meet funding obligations under both normal and stressed conditions. As a systemically significant Non Bank Financial Institution, the Company places strong emphasis on liquidity risk management, recognising its importance to both institutional and broader financial system stability. Liquidity risk primarily arises from mismatches in the maturity profiles of assets and liabilities, requiring continuous monitoring and proactive management.

Definition

The risk of the Company being unable to meet its short-term contractual obligations without incurring unacceptable losses

Components:

- Funding Liquidity Risk
- Market Liquidity Risk

Key Risk Indicators

	31 March 2026	31 March 2025	LFC sector* -31 March 2026
Liquid Assets to Total Assets	10.36%	11.82%	8.9%
Liquid Assets to Deposits and Borrowings	19.56%	20.01%	11.5%
Liquid Assets to Short-term Liabilities (<3 Months)	45.28%	33.37%	39.3%

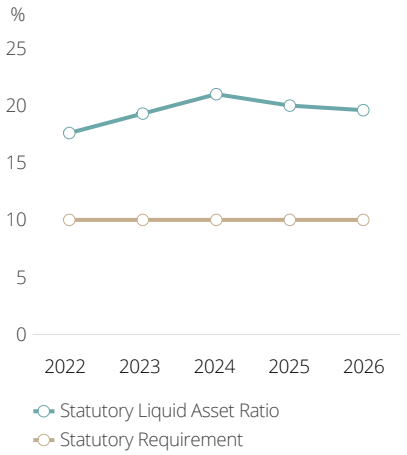
*Source: CBSL

Integrated Risk Management Report

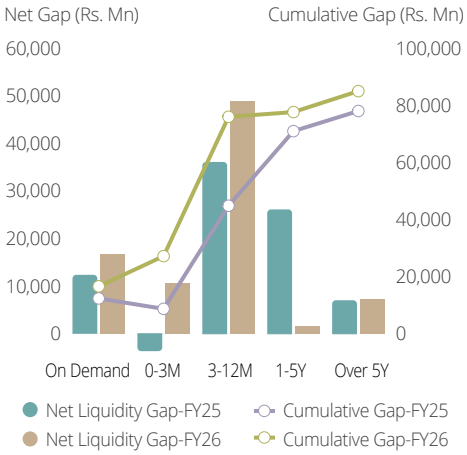
At the beginning of the financial year, the Company maintained a position of surplus liquidity, which was prudently deployed into suitable lending opportunities. From mid 2025 onwards, increased credit demand required higher liquidity to support lending growth. Despite these dynamics, the Company consistently maintained liquidity levels above regulatory minimum requirements throughout the year, ensuring continued financial stability and uninterrupted business operations.

The contractual maturity profile continued to reflect positive cumulative liquidity gaps across key maturity buckets, supporting the Company's ability to meet both short-term and long-term funding obligations. The deposit renewal ratio was also largely maintained above the internally established risk appetite level of 75%, reflecting strong depositor confidence and continued stability in the Company's funding base. In addition, the funding composition evolved during the year, with increased utilisation of bank borrowings and other funding sources alongside deposit funding, supporting funding diversification and balance sheet management objectives.

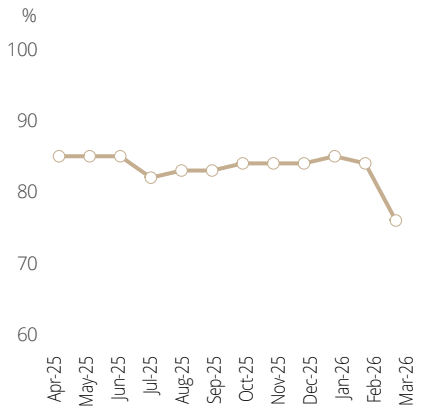
Statutory Liquid Asset Ratio



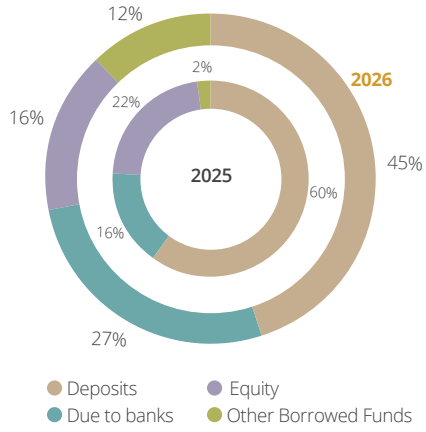
Net Liquidity Gap based on remaining Contractual Maturities



Fixed Deposit Renewal Ratio



Funding Diversification



8.1 Managing Liquidity Risk at LBF

Liquidity risk is managed through a structured framework governed by Board approved policies, including the Asset and Liability Management (ALM) Policy and Liquidity Management Policy, under the oversight of the Asset and Liability Committee. The Treasury function is primarily responsible for day to day liquidity management, supported by the Risk Management Department, ensuring compliance with regulatory requirements and alignment with the Company's risk appetite.

The Company assesses liquidity risk using both the stock and flow approaches. The flow approach involves analysing maturity profiles of assets and liabilities to identify potential cash flow mismatches across time buckets. The stock approach focuses on key liquidity ratios that reflect balance sheet strength. These measures are regularly monitored to ensure adequate liquidity levels are maintained. The Company maintains a Contingency Funding Plan to manage liquidity stress scenarios. During the year, contingency arrangements were further strengthened through the establishment of additional standby funding facilities.

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, 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.

9. MARKET RISK

The Company operates in an environment where movements in key market variables can influence earnings performance, asset valuations, and overall financial resilience. Recognising the potential impact of these external factors, LBF maintains a structured market risk management framework to monitor and manage exposures, while balancing growth and profitability objectives with financial stability within the Board-approved risk appetite.

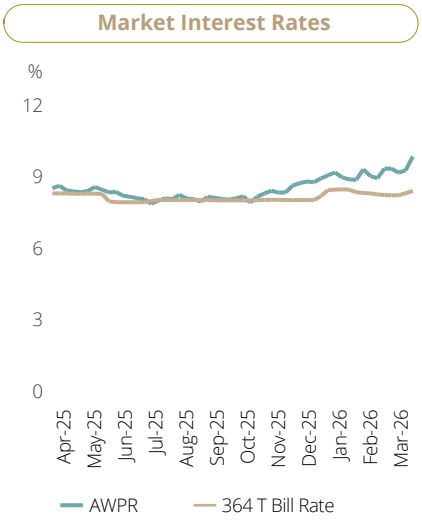
Definition
Potential for financial loss resulting from unfavourable movements in market variables that are beyond the Company's control

Components:
- ❋ Interest Rate Risk
- ❋ Commodity Price Risk
- ❋ Exchange Rate Risk

9.1 Interest Rate Risk

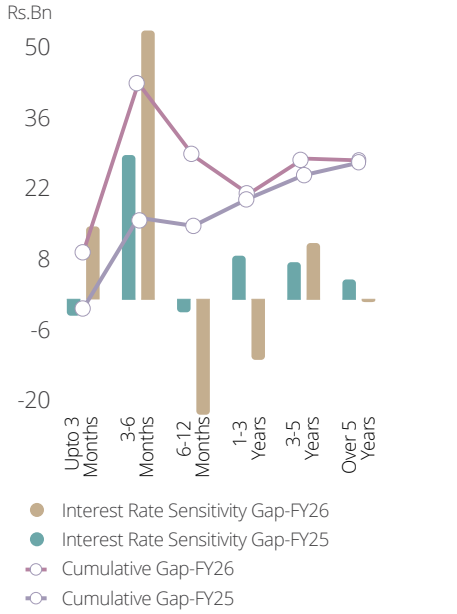
During the financial year 2025/26, domestic interest rates remained relatively stable following the sharp downward adjustments experienced in the previous year. The 364-day Treasury Bill yield moderated to approximately 8.4% by March 2026, compared to higher levels observed at the beginning of the financial year.

Given the nature of the Company's operations, interest rate risk primarily impacts earnings through repricing mismatches between interest bearing assets and liabilities. The prevailing rate environment exerted pressure on net interest margins across the financial sector. However, the Company actively managed this exposure through continuous monitoring of interest rate sensitivity gaps, timely repricing strategies and maintaining appropriate repricing profiles within the balance sheet. These measures supported the earnings stability and mitigated adverse impacts arising from interest rate movements.



Integrated Risk Management Report

Interest Rate Sensitivity Gap Analysis



9.1.1 Managing Interest Rate Risk at LBF

Interest rate risk is managed through coordinated oversight by the Asset and Liability Committee (ALCO), Treasury Department, business units and the Risk Management Department. The Company primarily manages this exposure by monitoring repricing gaps between interest bearing assets and liabilities, while maintaining an appropriate balance between profitability and earnings stability. The Company also maintains a portfolio structure with shorter repricing periods to minimise interest rate sensitivity gaps, while selectively negotiating interest rate caps on borrowings where appropriate.

Department	Key Activities
ALCO	Oversees the Company's interest rate risk management strategy and ensures alignment with market conditions and business objectives. Reviews macroeconomic trends, interest rate movements, repricing gaps and pricing strategies relating to lending and deposits.
Treasury Department	Secures funding at competitive rates and actively manages borrowing and investment activities to optimise funding costs and liquidity positions.
Product and Business Units	Collaborate with ALCO and Treasury, in pricing lending and deposit products to ensure competitiveness while supporting margin stability.
Risk Management Department	Conducts regular interest rate sensitivity analysis and stress testing to assess the impact of adverse interest rate movements on earnings and capital adequacy.

9.2 Commodity Price Risk

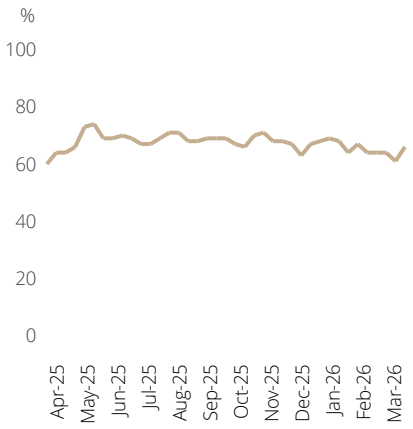
Given the significance of gold-backed lending within the portfolio, movements in global gold prices remain a key market risk with direct credit implications. During the financial year 2025/26, global gold prices increased significantly by over 50%, driven by geopolitical tensions, global economic uncertainty, central bank demand and sustained investor preference for safe-haven assets. Domestic gold prices also recorded a substantial increase during the period, reflecting global market movements and exchange rate dynamics.

LBF actively managed this exposure through continuous monitoring of market prices and timely revisions to maximum advance amounts on gold loans, ensuring that Board approved safety margins were maintained throughout the year. Loan to value ratios were closely monitored, while prompt auctioning of pledged gold in default situations further mitigated potential losses.

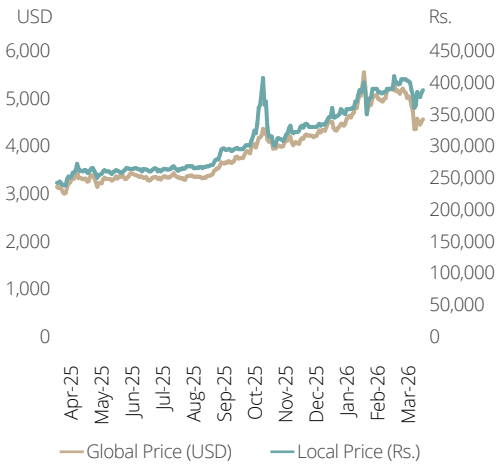
9.2.1 Managing Commodity Price Risk at LBF

Gold loans are maintained with relatively short maturities to reduce exposure to commodity price volatility and facilitate timely repricing in response to market movements. The short tenure nature of the portfolio enables the Company to adjust advance amounts in line with prevailing gold prices while maintaining Board approved safety margins.

Average LTV



Gold Price Movement



In the event of default, pledged gold is auctioned promptly to minimise potential losses. The Company also utilises a Value at-Risk (VaR) model to estimate potential losses under adverse market conditions and maintains dedicated impairment provisions against the gold loan portfolio. In addition, regular stress testing is conducted to assess resilience under severe gold price decline scenarios.

This multi layered risk management approach supports the effective management of commodity price risk while preserving portfolio quality and financial stability.

9.3 Exchange Rate Risk

Exchange rate risk arises from potential adverse movements in foreign currency exchange rates impacting the Company's foreign currency exposures. During the year under review, the Company maintained limited direct foreign exchange exposure, primarily arising from foreign currency borrowings obtained to support funding diversification objectives.

The Company managed this exposure through appropriate hedging arrangements, including cross-currency swaps and other suitable hedging instruments, significantly mitigating the impact of exchange rate fluctuations on earnings and capital. Open foreign currency exposures remained minimal throughout the year, supported by continuous monitoring and prudent treasury risk management practices.

10. OPERATIONAL RISK

Operational risk remains a key risk exposure due to its pervasive presence across all business activities and operational processes within the Company. The Company's approach to operational risk management is founded on a clear understanding of the internal and external environment in which it operates, supported by strong governance structures, robust internal controls and a risk aware culture.

Definition

Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Components:

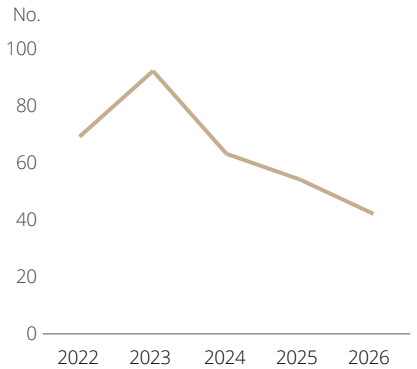
- Compliance Risk
- Legal Risk
- Financial Crime Risk
- Technology Risk
- Information Security & Cyber Risk
- Business Continuity Management
- Model Risk
- HR Risk

During the year under review, the number of reported operational risk events declined, reflecting the effectiveness of proactive risk mitigation measures and strengthened control mechanisms. Although overall loss amounts increased marginally due to a limited number of isolated incidents, the impact was effectively contained through continuous control monitoring, staff awareness initiatives and reinforcement of a strong risk culture. Ongoing enhancements to policies, frameworks and governance structures further strengthened operational resilience across the organisation.

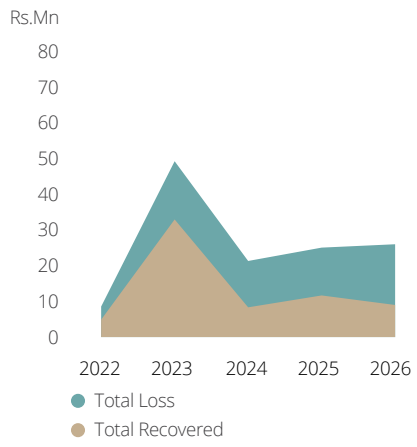
Key Risk Indicators

- Operational Loss as a % of Average Income
- Number of Customer Complaints
- Critical System Downtime
- Regulatory Fines
- Number of Court Cases with Reputational Impact
- Talent Staff Turnover Ratio

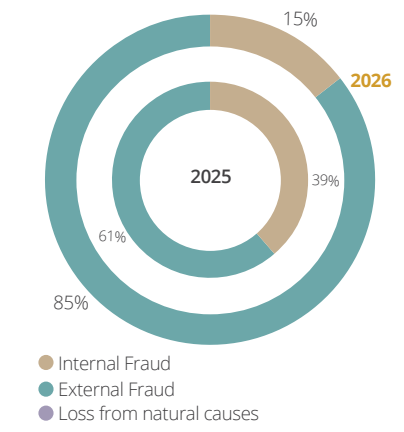
Number of Loss Incidents



Losses and Recoveries



Operational Risk Losses



Integrated Risk Management Report

10.1 Managing Operational Risk

Operational risk management at LBF is embedded across the Company through a structured governance framework, with oversight provided by the BIRMC, while business units remain accountable for managing operational risks within their day-to-day activities.

The Company manages operational risk through a combination of preventive, detective, and corrective controls supported by clearly defined policies and procedures, segregation of duties, system-based controls, incident reporting mechanisms, Key Risk Indicators (KRIs), and continuous monitoring processes. Comprehensive insurance coverage for key operational exposures, employee awareness programmes, and risk-based oversight of outsourced activities further strengthen the Company's control environment and operational resilience.

During the year, the Company further enhanced its operational risk management practices in line with evolving regulatory expectations through the implementation of a structured operational incident reporting mechanism, enhancement of exception monitoring processes, expansion of the Risk and Control Self-Assessment (RCSA) framework, and introduction of operational risk scenario analysis to support proactive risk identification and mitigation.

Department	Key Activities
Operational Risk Management Committee (ORMC)	Oversees the implementation and effectiveness of the operational risk management framework. Reviews operational risk reports, loss event data, KRIs, RCSA outcomes, exception trends, control deficiencies, and progress of mitigation actions to support operational resilience
Risk Management Department	Develops and maintains the operational risk framework, facilitates RCSAs and scenario analysis, monitors KRIs, analyses operational risk incidents, and reports material operational risk exposures to management
Business Units and Support Functions	Responsible for identifying, assessing, managing, and reporting operational risks within their respective functions while maintaining effective internal controls and implementing mitigation measures
Internal Audit Department	Provides independent assurance on the effectiveness of the operational risk management framework and internal control environment

10.2 Business Continuity and Operational Resilience

LBF maintains a comprehensive Business Continuity Management System (BCMS) to strengthen operational resilience and ensure continuity of critical business operations during disruptive events. The framework encompasses business continuity, disaster recovery, crisis management, incident management, emergency response, and contingency planning.

The Business Continuity Management Steering Committee (BCMSC) provides oversight and strategic direction for the BCMS, ensuring alignment between resilience objectives and business priorities. During the year, the Company initiated a comprehensive revamp of the BCMS to further strengthen recovery capabilities, improve preparedness for emerging threats, and enhance the resilience of critical operations.

10.3 Upholding Integrity: Compliance Risk Management

LBF remains committed to conducting its business with the highest standards of integrity, ethical conduct and regulatory compliance. Compliance risk management is embedded within the Company's broader risk governance framework and supported through strong oversight, clearly defined accountability structures and a culture of compliance across the organisation.

As a licensed financial institution, the Company continuously monitors the evolving regulatory landscape and proactively aligns internal policies, processes and controls with emerging regulatory expectations. The independent Compliance function works closely with business units to provide guidance, assess regulatory obligations and oversee compliance with applicable laws, regulations and internal policies. Material compliance matters are escalated to the Board through relevant governance forums to ensure timely oversight and resolution.

The Company maintains a structured compliance management framework supported by periodic branch and departmental compliance reviews, continuous monitoring of regulatory requirements and timely reporting mechanisms. Particular focus is placed on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) compliance through ongoing transaction monitoring, customer due diligence

(CDD) and enhanced due diligence (EDD) procedures based on customer risk profiles.

LBF also continues to strengthen compliance awareness across the organisation through regular training programmes and employee awareness initiatives, reinforcing ethical conduct and accountability at all levels. In parallel, the Company actively engages with regulators and industry forums to remain aligned with regulatory developments and evolving best practices.

Through these measures, the Company continues to strengthen its compliance culture and governance practices, ensuring that compliance remains a cornerstone of sustainable and responsible business conduct.

10.4 Safeguarding the Digital Frontier: Information and Cybersecurity Risk Management

LB Finance continues to advance its digital transformation agenda to enhance operational efficiency, strengthen customer experience and support long-term competitiveness. While increased digitalisation delivers significant business benefits, it also heightens exposure to information security, cybersecurity and technology-related risks. In response, the Company continues to strengthen its IT Risk Management Framework through a proactive and structured approach to managing evolving cyber threats.

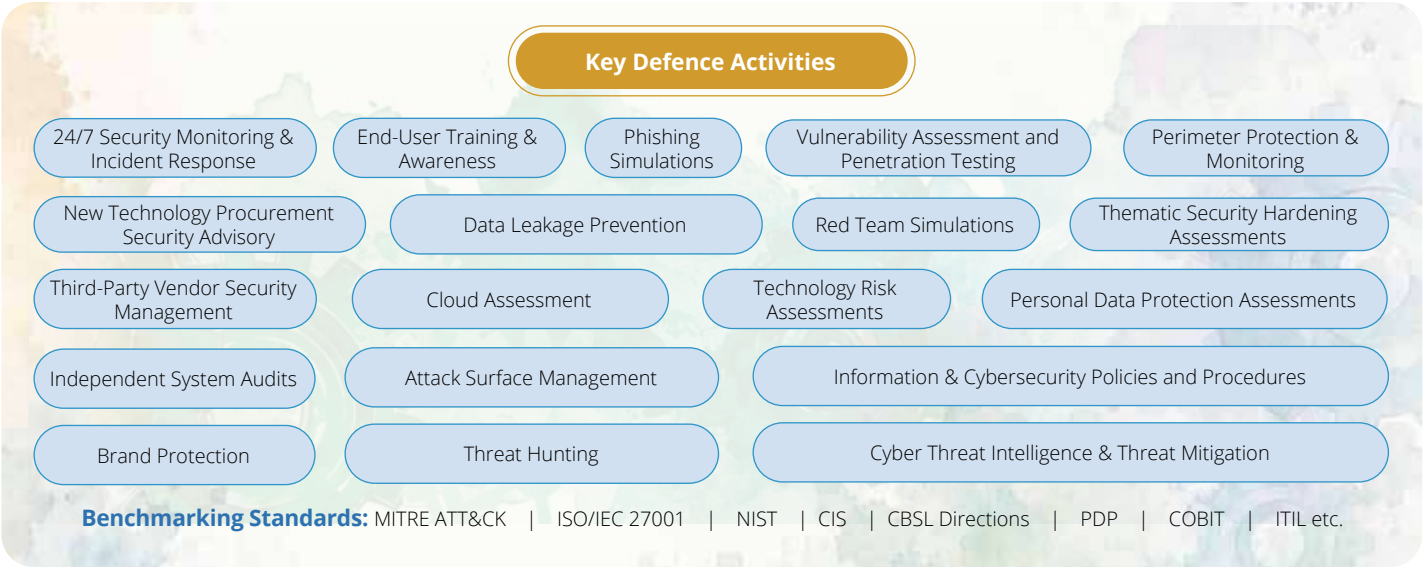
As a retail financial institution entrusted with a significant volume of sensitive customer information, information security remains a key priority. Compliance with emerging Personal Data Protection regulations is considered critical and the Company has implemented measures to safeguard the confidentiality, integrity and availability of information assets. Oversight of these initiatives is provided through a dedicated Information Security Department headed by the Chief Information Security Officer (CISO), who is responsible for driving regulatory alignment and strengthening cybersecurity governance.

LBF's cybersecurity strategy is built on a multi-layered defence model aligned with the Three Lines of Defence framework, integrating preventive, detective and responsive controls across systems and processes. The control environment is supported by advanced security technologies including firewalls, intrusion detection and prevention systems, encryption protocols and endpoint protection solutions. Regular vulnerability assessments, penetration testing exercises and thematic security reviews are conducted to identify and remediate potential vulnerabilities on a timely basis.

The Company also continues to strengthen its data protection and operational resilience capabilities through enhanced access controls, secure data management practices and ongoing compliance initiatives under the Personal Data Protection Act. In parallel, robust Business Continuity Planning (BCP) and Disaster Recovery (DR) frameworks remain in place to support continuity of critical services during disruptive events.

Risk mitigation efforts are further supported through a structured Information Security Management System (ISMS) implemented in line with the ISO/IEC 27001:2022 standard, ensuring that information security practices are embedded within day-to-day operations and continuously enhanced. In addition, an independent IS Audit framework provides ongoing assessment of cybersecurity controls, governance practices and compliance with regulatory and industry standards.

These measures collectively strengthen the Company's cyber resilience and support the delivery of secure and reliable digital services in an increasingly complex threat environment.



Integrated Risk Management Report

11. 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

The Company maintains a comprehensive Model Risk Management Framework to strengthen governance over the use of models across the institution. The framework establishes standards, processes and responsibilities for managing model risk throughout the model lifecycle, including model development, implementation, validation, 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.

12. STRATEGIC RISK

Strategic risk arises from adverse business decisions, ineffective implementation of strategic initiatives, or failure to respond appropriately to changes in the external environment. Given the evolving economic, market, technological and regulatory landscape, LBF recognises strategic risk as a key consideration in achieving sustainable growth and long-term value creation.

The Company manages strategic risk through a structured and forward looking planning process centred around its Board approved three year strategic plan, supported by annual budget and business plan. Strategic initiatives are evaluated in line with the Company's risk appetite, financial objectives and long-term sustainability considerations.

During the year under review, the Company continued to focus on strengthening its vehicle financing portfolio, maintaining market positioning in gold backed lending and enhancing digital financial solutions to address evolving customer expectations and market dynamics.

Strategic risk management is supported through continuous monitoring of strategic performance, periodic reviews of key initiatives and investments and regular variance analysis against approved financial and operational targets. In addition, scenario analysis and stress testing are utilised to assess the resilience of strategic plans under adverse conditions.

The Company also undertakes ongoing environmental scanning to assess developments in the economic, competitive, technological and regulatory environment, enabling timely strategic responses where necessary. Active oversight by the Board and Executive Management further supports effective execution and alignment of strategic priorities.

Through this integrated approach, LBF ensures that strategic decisions are supported by sound risk return considerations, enabling the Company to remain resilient, agile and responsive in a dynamic operating environment.

13. REPUTATIONAL RISK

LBF recognises reputation as one of its most valuable assets, built through responsible business practices, prudent risk management, ethical conduct and long standing stakeholder trust. As a leading financial institution in Sri Lanka, the Company remains committed to safeguarding its reputation across all aspects of its operations.

The Company adopts a proactive approach to reputational risk management through continuous stakeholder engagement, strong governance practices and timely identification of emerging reputational concerns. Public sentiment and stakeholder

perceptions are regularly monitored through media coverage, social media channels, customer feedback, market surveys and inputs from frontline business units.

Reputational risk management is further supported through employee awareness initiatives focused on professional conduct, ethical behaviour and customer service standards, together with a responsive and transparent customer complaint resolution process. In addition, early warning mechanisms are utilised to identify potential reputational triggers and support timely escalation and response.

Oversight by the Sustainability Committee and Senior Management helps ensure alignment between corporate responsibility initiatives, stakeholder expectations and the Company's broader strategic objectives. Consistent, transparent and values-driven communication also remains central to maintaining stakeholder confidence and brand credibility.

Through this structured approach, LBF continues to strengthen stakeholder trust, protect its brand reputation and support sustainable long-term growth.

14. SUSTAINABILITY, CLIMATE-RELATED RISKS AND OPPORTUNITIES

Sustainability and climate-related risks refer to the potential financial, operational, regulatory, and reputational impacts arising from inadequate management of environmental, social, governance (ESG), and climate-related matters. At LB Finance PLC, SRROs and CRROs are integrated into the broader Integrated Risk Management Framework, enabling a structured and enterprise-wide approach to identifying, assessing, monitoring, and managing emerging sustainability and climate-related impacts across the business.

The Company's exposure to sustainability and climate-related risks primarily arises through lending activities, operational processes, stakeholder relationships, value chain interactions, and evolving environmental and regulatory expectations. These risks may materialise through principal risk categories, including credit risk, operational risk, market risk, compliance risk, liquidity risk, and reputational risk.

14.1. Managing SRROs and CRROs

During the year, LB Finance further strengthened its sustainability governance and disclosure practices in alignment with the reporting requirements of SLFRS Sustainability Disclosure Standards S1 and S2. The Company continued enhancing its sustainability and climate-related risk management framework through strengthened ESG governance structures, climate-related risk integration, and sustainability-focused operational practices.

The Company also continued progressing the implementation of its Environmental and Social Management System (ESMS), aligned with regulatory expectations and internationally recognised sustainability frameworks. This supports the identification and management of ESG-related risks within financing activities while strengthening responsible lending practices and long-term portfolio resilience.

As part of strengthening climate-related governance and environmental management practices, LB Finance continued enhancing ESG procedures, integrating climate-related considerations into strategic planning and risk management processes, and progressing financed emissions assessments aligned with evolving sustainability disclosure expectations.

The Company also continued implementing operational sustainability initiatives, including resource efficiency improvements, waste reduction, digitalisation, environmental management practices, and operational carbon management, while strengthening social impact initiatives, employee development practices, ethical business conduct, and stakeholder engagement across the organisation.

Further disclosures relating to sustainability-related and climate-related risks and opportunities are provided under the SLFRS S1 and SLFRS S2 sections on pages 88 to 140.

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 2026 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.

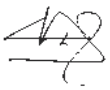
The Financial Statements of the Company and the Group were audited by Messrs. KPMG, Chartered Accountants. The Report issued by them is available on page 363 of the Annual Report. The audit and non-audit services provided by Messrs. KPMG are approved by the Board Audit Committee in line with the relevant 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 305 to 309. 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 459 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.



Niroshan Udage
Managing Director



Malith Hewage
Chief Financial Officer

29 May 2026

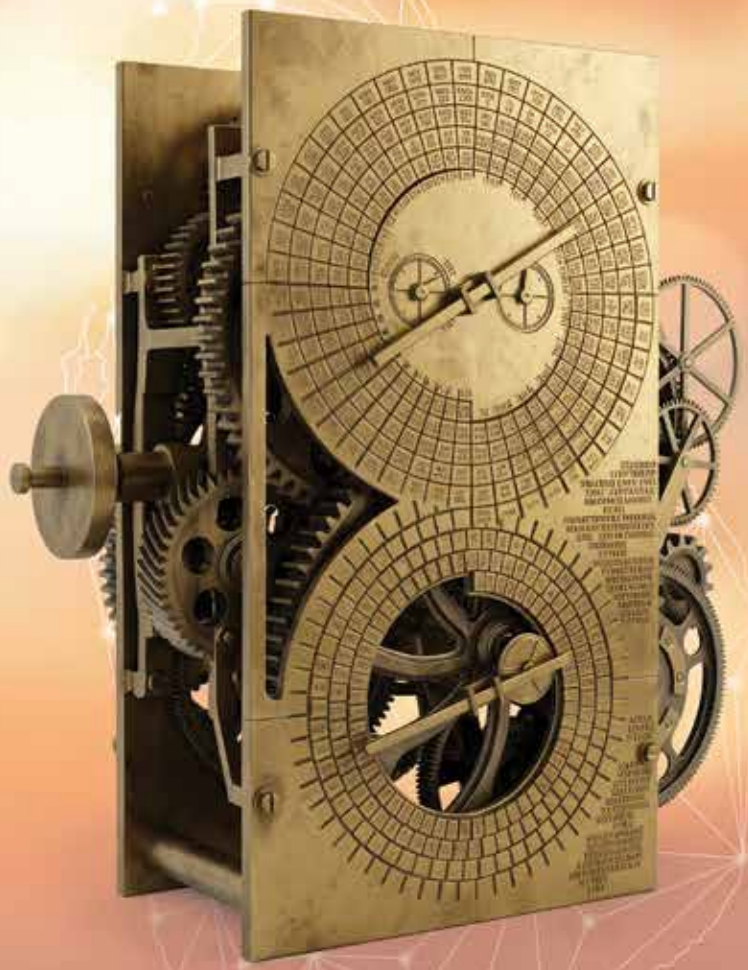
Financial Information

Measuring Performance and Momentum

Movement that Guides, Movement that Reinforces

At LB Finance PLC, financial data is structured to reveal what truly matters. Like in a system of cogs that translates complexity into clarity, each movement turns information into insight and enables decision-making that's reinforced and performance that's guided with confidence.

The Antikythera mechanism is an early system of interlocking gears that translated complex data into clear patterns and turned intricate information into meaningful insight.



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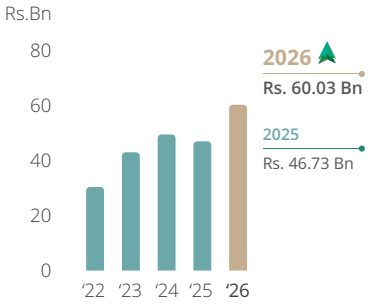
370 Statement of Changes in Equity - Company | **371** Statement of Changes in Equity - Group
372 Statement of Cash Flows | **374** Notes to the Financial Statements

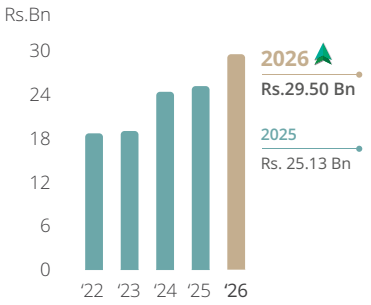
Financial Statement Highlights

Operating Results

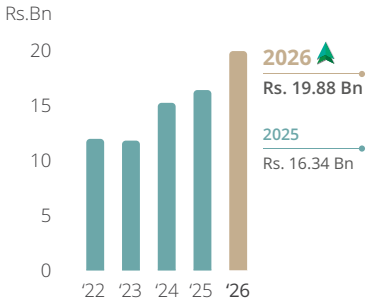
Income



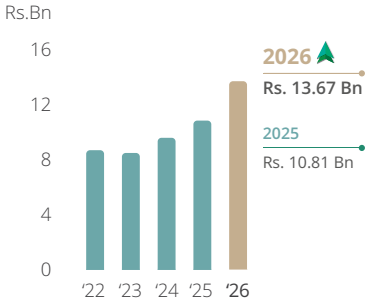
Net Interest Income



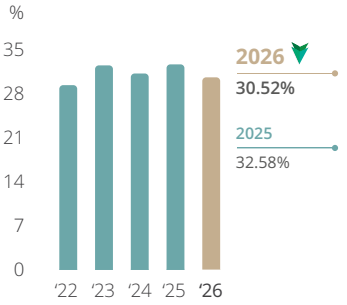
Profit before Taxation (PBT)



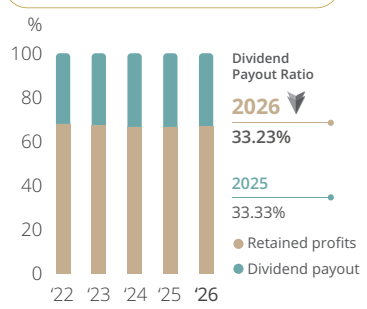
Profit after Taxation (PAT)



Cost to Income (CI Ratio)

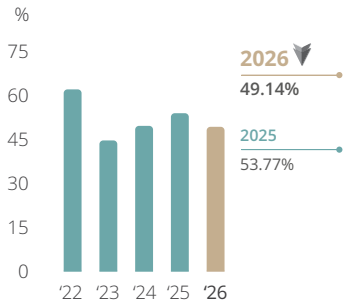


Dividend Payout vs Retained Profits



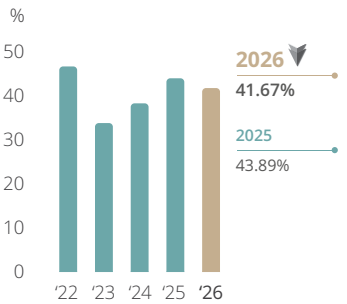
Profitability Ratios

Gross Profit Margin*



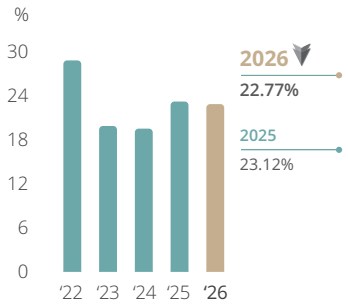
*Net interest income as a % of income

Operating Profit Margin*



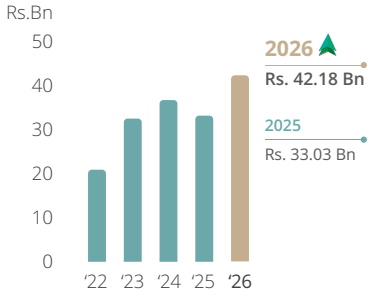
*Operating profit before tax as a % of income

Net Profit Margin*

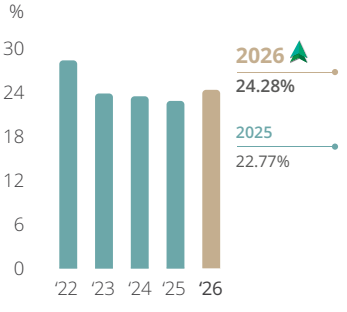


*Profit after tax as a % of income

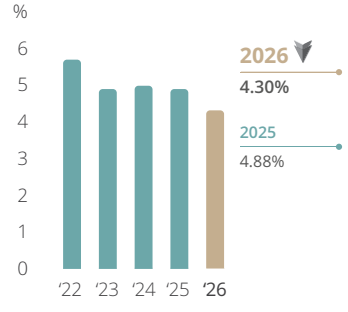
Earnings before Interest & Tax (EBIT)



Return on Equity (ROE)

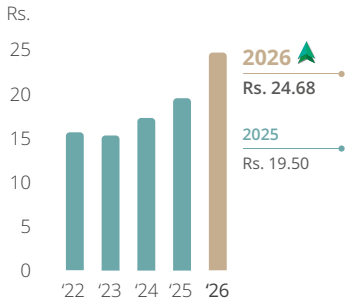


Return on Assets (ROA)

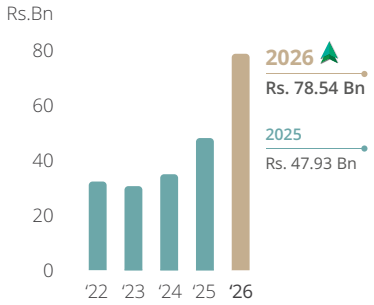


Equity Ratios

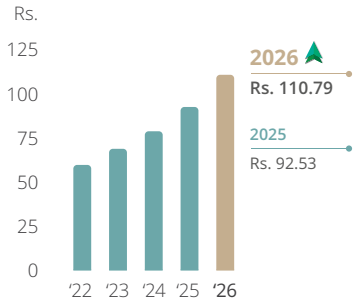
Earnings per Share (EPS)



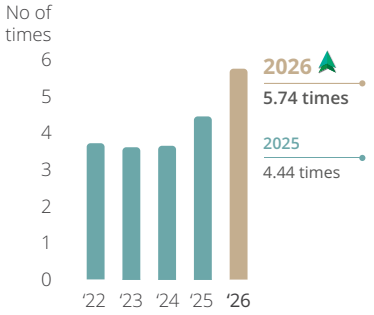
Market Capitalisation



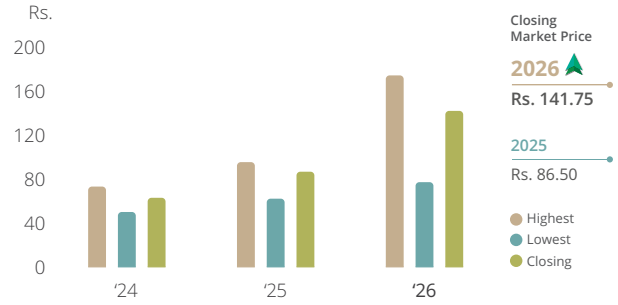
Net Asset Value per Share



Price Earnings Ratio

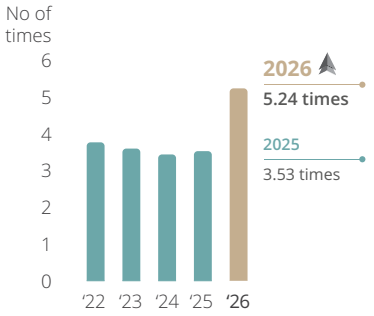


Market Price per Share

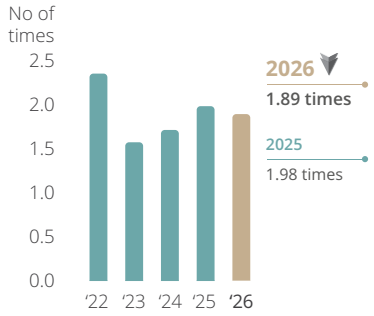


Debt Ratios

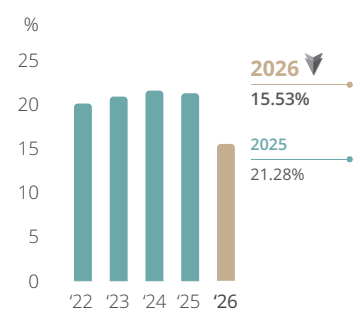
Debt to Equity Ratio



Interest Cover

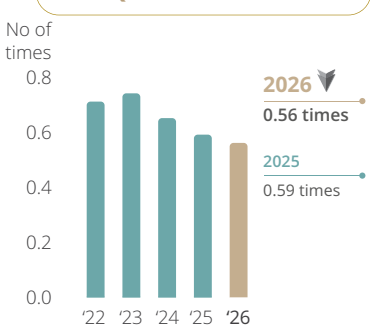


Equity Assets Ratio

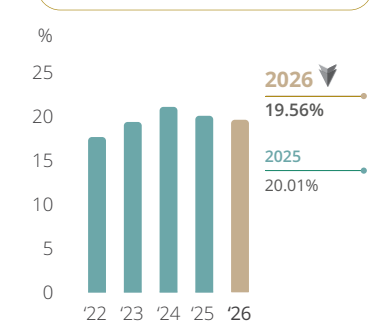


Liquidity Ratios

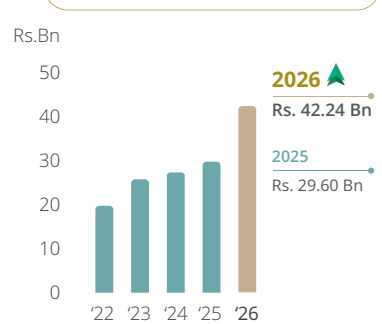
Quick Asset Ratio



Liquidity Ratio



Total Liquidity Reserves



Financial Calendar

2025/26

- **21 May** – Publication of Interim Financial Statements for the Quarter Ended 31 March 2025
- **30 May** – Authorisation for Issue of Audited Financial Statements for 2024/25
- **05 June** – Publication of Annual Report for the Financial Year Ended 31 March 2025
- **30 June** – Held 52nd Annual General Meeting of the Company
- **16 July** – Publication of Interim Financial Statements for the Quarter Ended 30 June 2025
- **21 July** – Payment of Final Dividend of Rs. 4.25 per Share for the Financial Year Ended 31 March 2025
- **15 October** – Publication of Interim Financial Statements for the Quarter Ended 30 September 2025
- **22 January** – Publication of Interim Financial Statements for the Quarter Ended 31 December 2025
- **10 March** – Payment of Interim Dividend of Rs. 2.25 per Share for the Financial Year Ended 31 March 2026

2026/27

- **21 May** – Publication of Interim Financial Statements for the Quarter Ended 31 March 2026
- **05 June** – Publication of Annual Report for the Financial Year Ended 31 March 2026
- **20 July** – Payment of Final Dividend of Rs. 5.95 per Share for the Financial Year Ended 31 March 2026*
- **30 June** – 53rd Annual General Meeting of the Company



Submission of the Interim Financial Statements in terms of the rule 7.4 of the Colombo Stock Exchange (CSE)	2025/26 Submitted on	2026/27 to be Submitted on or before
For the 3 Months Ended 30 June (Unaudited)	16 July 2025	15 August 2026
For the 3 and 6 Months Ended 30 September (Unaudited)	15 October 2025	15 November 2026
For the 3 and 9 Months Ended 31 December (Unaudited)	22 January 2026	15 February 2027
For the 3 Months and Year Ended 31 March (Unaudited)	21 May 2026	30 May 2027

Publication of the six month Financial Statements as per requirements of the Central Bank of Sri Lanka	2025/26 Published in News Papers on			2026/27 to be Published on or before
	English	Sinhala	Tamil	
For the Year Ended 31 March (Audited)	26 June 2025	26 June 2025	26 June 2025	30 June 2026
For the 6 Months Ended 30 September (Unaudited)	29 October 2025	29 October 2025	29 October 2025	30 November 2026

*Subject to confirmation by Shareholders at the Annual General Meeting.

Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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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, 2026 and the 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 of March 31, 2026 and of their financial performance and 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 Amortised Cost **Loans and Receivables** Allowances for expected credit losses of financial assets amounting to 8.3 Bn arising from loans and receivables of LKR 320.9 Bn (Note 2.18) 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. 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.	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 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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Independent Auditors' Report

Risk Description	Our Responses
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 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 authorised users, process for approving changes to the systems. • Examining the framework of governance over the Company's IT organisation and the controls over program development and changes, access to programs 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; • 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; • Tested source data of the reports used to generate disclosures for accuracy and completeness.

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 do 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 the 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 scepticism 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 and the 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.

Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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

29 May 2026.

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Income Statement

Year ended 31 March	Note	Page No.	Company			Group		
			2026	2025	Change	2026	2025	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Income	2.1	381	60,035,304	46,730,955	28	62,896,392	47,156,260	33
Interest Income	2.1.2	381	51,805,123	41,815,458	24	54,357,259	42,201,896	29
Less: Interest Expenses	2.1.5	382	22,303,289	16,687,381	34	23,028,809	16,783,707	37
Net Interest Income	2.1.1	381	29,501,834	25,128,077	17	31,328,450	25,418,189	23
Fee and Commission Income	2.2	382	7,911,944	4,604,441	72	8,032,807	4,642,914	73
Net Trading Income	2.3	383	85,310	101,101	(16)	96,558	101,101	(4)
Other Operating Income	2.4	383	232,927	209,955	11	409,768	210,349	95
Total Operating Income			37,732,015	30,043,574	26	39,867,583	30,372,553	31
Less: Impairment Charges/(Reversals)	2.5	384	1,202,793	(256,236)	>100	2,036,026	(261,031)	>100
Net Operating Income			36,529,222	30,299,810	21	37,831,557	30,633,584	23
Less: Operating Expenses								
Personnel Expenses	2.6	386	6,011,360	5,146,257	17	6,426,478	5,267,903	22
Depreciation of Property, Plant and Equipment	2.7.1	387	1,141,964	979,953	17	1,170,546	987,173	19
Amortisation of Intangible Assets	2.7.2	388	21,628	13,128	65	22,624	14,355	58
Other Operating Expenses	2.8	388	4,339,800	3,649,089	19	4,571,496	3,768,235	21
Total Operating Expenses			11,514,752	9,788,427	18	12,191,144	10,037,666	21
Operating Profit before Tax on Financial Services			25,014,470	20,511,383	22	25,640,413	20,595,918	24
Less: Tax on Financial Services	2.9	388	5,137,093	4,169,710	23	5,184,464	4,183,241	24
Profit before Taxation			19,877,377	16,341,673	22	20,455,949	16,412,677	25
Less: Income Tax Expense	2.10.1 (a)	389	6,204,527	5,536,039	12	6,413,139	5,550,743	16
Profit for the Year			13,672,850	10,805,634	27	14,042,810	10,861,934	29
Profit Attributable to:								
Equity Holders of the Company			13,672,850	10,805,634	27	13,970,976	10,860,002	29
Non-Controlling Interest			-	-	-	71,834	1,932	>100
Profit for the Year			13,672,850	10,805,634	27	14,042,810	10,861,934	29
Earnings per Share: Basic/Diluted (Rs.)	2.11.1	391	24.68	19.50	27	25.22	19.60	29
Dividend per Share (Rs.)	2.12	391						
Dividend per Share : Gross (Rs.)			8.20*	6.50	26			
Dividend per Share : Net (Rs.)			6.97*	5.53	26			

*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 374 to 483 form an integral part of these Financial Statements.

Statement of Profit or Loss and Comprehensive Income

Year ended 31 March	Note	Page No.	Company			Group		
			2026	2025	Change	2026	2025	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Profit for the Year			13,672,850	10,805,634	27	14,042,810	10,861,934	29
Other Comprehensive Income that will be Reclassified to Income Statement								
Changes in Fair Value of Hedge Reserve			48,990	-	100	48,990	-	100
Less: Deferred Tax Charge/(Reversal) on above Items	2.35.3	451	14,697	-	100	14,697	-	100
Changes in Fair Value of Hedge Reserve, Net of Tax	2.35.3	451	34,293	-	100	34,293	-	100
Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	2.35.4	451	-	-	-	79,983	(13,210)	>100
Net Other Comprehensive Income that will be Reclassified to Income Statement			34,293	-	100	114,276	(13,210)	>100
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			28,465	8,649	>100	29,830	8,649	>100
Actuarial Gains/(Losses) on Defined Benefit Plans	2.33.3	448	(24,158)	16,392	(>100)	(991)	16,392	(>100)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses			(7,247)	4,917	(>100)	(297)	4,917	(>100)
Net Actuarial Gains/(Losses) on Defined Benefit Plans			(16,911)	11,475	(>100)	(694)	11,475	(>100)
Net Other Comprehensive Income that will never be Reclassified to Income Statement			11,554	20,124	(43)	29,136	20,124	45
Other Comprehensive Income for the Year, Net of Tax			45,847	20,124	>100	143,412	6,914	>100
Total Comprehensive Income for the Year, Net of Tax			13,718,697	10,825,758	27	14,186,222	10,868,848	31
Attributable to:								
Equity Holders of the Company			13,718,697	10,825,758	27	14,109,660	10,866,916	30
Non-Controlling Interest			-	-	-	76,562	1,932	>100
Total Comprehensive Income for the Year, Net of Tax			13,718,697	10,825,758	27	14,186,222	10,868,848	31

Accounting Policies and Notes from pages 374 to 483 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Page No.	Company			Group		
			2026	2025	Change	2026	2025	Change
			Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Assets								
Cash and Cash Equivalents	2.15	406	18,718,916	9,024,016	>100	19,108,410	9,074,745	>100
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16	407	4,250,311	718,402	>100	4,250,311	718,402	>100
Derivative Financial Assets	2.17	408	82,705	-	100	82,705	-	100
Financial Assets at Amortised Cost - Loans and Receivables	2.18	409	312,660,305	197,766,691	58	332,998,816	199,271,047	67
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19	421	193,495	165,024	17	206,233	165,024	25
Other Financial Assets	2.20	423	40,543,044	21,201,500	91	42,360,809	21,188,612	100
Other Non Financial Assets	2.21	425	860,805	439,475	96	962,564	480,168	100
Investment in Subsidiaries	2.22	425	4,694,583	521,162	>100	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	2.23	428	10,743,488	9,725,513	10	11,994,893	9,751,574	23
Investment Properties	2.24	434	4,150	5,385	(23)	4,150	5,385	(23)
Intangible Assets	2.25	437	126,337	67,113	88	1,086,247	67,113	>100
Deferred Tax Assets	2.26	439	2,453,348	1,255,960	95	2,513,157	1,262,343	99
Total Assets			395,331,487	240,890,241	64	415,568,295	241,984,413	72
Liabilities								
Due to Banks	2.27	441	102,967,004	37,411,682	>100	103,456,500	37,799,707	>100
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	442	173,329,148	138,496,872	25	189,559,700	138,823,896	37
Debt Instruments Issued and Other Borrowed Funds	2.29	443	45,400,377	5,005,405	>100	45,400,377	5,005,405	>100
Other Financial Liabilities	2.30	444	5,935,737	4,303,422	38	6,245,743	4,305,386	45
Other Non Financial Liabilities	2.31	446	2,127,361	1,671,989	27	2,697,107	1,718,969	57
Current Tax Liabilities	2.32	446	3,550,887	2,182,738	63	4,098,071	2,188,770	87
Post Employment Benefit Liability	2.33	447	637,650	552,135	15	762,321	552,135	38
Total Liabilities			333,948,164	189,624,243	76	352,219,819	190,394,268	85
Equity								
Stated Capital	2.34	449	838,282	838,282	-	838,282	838,282	-
Reserves	2.35	450	10,267,762	9,521,361	8	10,460,536	9,633,154	9
Retained Earnings	2.36	451	50,277,279	40,906,355	23	50,799,615	41,118,709	24
Total Equity Attributable to Equity Holders of the Company			61,383,323	51,265,998	20	62,098,433	51,590,145	20
Non-Controlling Interest	2.37	452	-	-	-	1,250,043	-	100
Total Equity			61,383,323	51,265,998	20	63,348,476	51,590,145	23
Total Liabilities and Equity			395,331,487	240,890,241	64	415,568,295	241,984,413	72
Commitments and Contingencies	3.5	459	9,815,262	4,209,020	>100	9,502,462	3,962,095	>100
Net Asset Value per Share (Rs.)	3.6	460	110.79	92.53	20	112.08	93.11	20

Accounting Policies and Notes from pages 374 to 483 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,

Niroshan Udage
Managing Director

Ashane Jayasekara
Director

29 May 2026
Colombo

Statement of Changes in Equity - Company

	Note	Page No.	Stated Capital	Retained Earnings	Statutory Reserve	Fair Value Reserve	Cash Flow Hedge Reserve	Total Equity
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
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	450	-	(540,282)	540,282	-	-	-
Final Dividend for 2023/24			-	(1,939,200)	-	-	-	(1,939,200)
Interim Dividend for 2024/25	2.12	391	-	(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
Net Profit for the Year			-	13,672,850	-	-	-	13,672,850
Other Comprehensive Income, Net of Tax			-	(16,911)	-	28,465	34,293	45,847
Total Comprehensive Income for the Year, Net of Tax			-	13,655,939	-	28,465	34,293	13,718,697
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners								
Transfers During the Year	2.35.1	450	-	(683,643)	683,643	-	-	-
Final Dividend for 2024/25	2.12	391	-	(2,354,743)	-	-	-	(2,354,743)
Interim Dividend for 2025/26	2.12	391	-	(1,246,629)	-	-	-	(1,246,629)
Total Transactions with Equity Holders			-	(4,285,015)	683,643	-	-	(3,601,372)
Balance as at 31 March 2026			838,282	50,277,279	10,241,906	(8,437)	34,293	61,383,323

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 374 to 483 form an integral part of these Financial Statements.

	Note	Page No.	Stated Capital	Retained Earnings	Statutory Reserve	Fair Value Reserve	Cash Flow Hedge 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	Rs. '000
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	450	-	(540,282)	540,282	-	-	-	-	-	-
Adjustments due to Amalgamation with Subsidiary	2.37.1	452		(2,197)	-	-	-	-	(2,197)	(98,670)	(100,867)
Final Dividend for 2023/24			-	(1,939,200)	-	-	-	-	(1,939,200)	-	(1,939,200)
Interim Dividend for 2024/25	2.12	391	-	(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
NCI on Acquisition of Associated Motor Finance Company PLC										1,173,481	1,173,481
Net Profit for the Year			-	13,970,976	-	-	-	-	13,970,976	71,834	14,042,810
Other Comprehensive Income, Net of Tax			-	(5,055)	-	29,463	34,293	79,983	138,684	4,728	143,412
Total Comprehensive Income for the Year, Net of Tax			-	13,965,921	-	29,463	34,293	79,983	14,109,660	76,562	14,186,222
Transactions with Owners, Recognised Directly in Equity Contributions and Distributions to Owners											
Transfers During the Year	2.35.1	450	-	(683,643)	683,643	-	-	-	-	-	-
Final Dividend for 2024/25	2.12	391	-	(2,354,743)	-	-	-	-	(2,354,743)	-	(2,354,743)
Interim Dividend for 2025/26	2.12	391	-	(1,246,629)	-	-	-	-	(1,246,629)	-	(1,246,629)
Total Transactions with Equity Holders			-	(4,285,015)	683,643	-	-	-	(3,601,372)	-	(3,601,372)
Balance as at 31 March 2026			838,282	50,799,615	10,241,906	(7,439)	34,293	191,776	62,098,433	1,250,043	63,348,476

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 374 to 483 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		Group	
			2026	2025	2026	2025
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From/(Used in) Operating Activities						
Profit before Taxation			19,877,377	16,341,673	20,455,949	16,412,677
Adjustments for -						
Depreciation of Property, Plant and Equipment	2.7.1	387	1,141,964	979,953	1,170,546	987,173
Amortisation of Intangible Assets	2.7.2	388	21,628	13,128	22,624	14,355
Impairment Charges/(Reversals) excluding recoveries from written-off exposures			1,512,798	4,635	2,373,882	31
Fair Value (Gains)/Losses on Financial Investments	2.3	383	(6,981)	(2,676)	(6,981)	(2,676)
Net Exchange (Gain)/Loss on of USD Borrowing (Post Hedge)			967	-	967	-
(Gains)/Losses from Fair Value Changes of Investment Properties	2.24	434	1,235	(335)	1,235	(335)
(Profit)/Loss on Disposal of Property, Plant and Equipment	2.4	383	(93,929)	(35,295)	(226,992)	(35,295)
Provision/(Reversal) for Defined Benefit Plans	2.33.2	447	152,612	153,447	154,304	153,692
Foreign Currency Exchange (Gain)/Loss			-	-	8,707	(129)
Dividends Received			(4,295)	(4,081)	(4,295)	(4,126)
Operating Profit before Changes in Operating Assets and Liabilities			22,603,376	17,450,449	23,949,946	17,525,367
(Increase)/Decrease in Operating Assets						
(Increase)/Decrease in Financial Assets at Amortised Cost-Loans and Receivables			(116,397,513)	(36,412,751)	(118,888,202)	(36,747,727)
(Increase)/Decrease in Other Financial Assets			(19,344,738)	(826,636)	(17,908,788)	(745,114)
(Increase)/Decrease in Other Non Financial Assets			(421,337)	(307,328)	(327,720)	(314,378)
			(136,163,588)	(37,546,715)	(137,124,710)	(37,807,219)
Increase/(Decrease) in Operating Liabilities						
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors			34,832,276	15,616,516	34,942,653	15,789,349
Increase/(Decrease) in Other Financial Liabilities			1,169,722	133,295	622,010	134,594
Increase/(Decrease) in Other Non Financial Liabilities			402,510	538,214	403,816	534,633
			36,404,508	16,288,025	35,968,479	16,458,576
Cash Generated from Operations			(77,155,704)	(3,808,241)	(77,206,285)	(3,823,276)
Retirement Benefit Liabilities Paid	2.33.1	447	(91,255)	(60,274)	(108,986)	(60,274)
Income Tax Paid	2.10.4	390	(5,994,059)	(6,523,612)	(6,121,518)	(6,539,352)
Net Cash From/(Used in) Operating Activities			(83,241,018)	(10,392,127)	(83,436,789)	(10,422,902)

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 374 to 483 form an integral part of these Financial Statements.

Year ended 31 March	Note	Page No.	Company		Group	
			2026	2025	2026	2025
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows from/(Used in) Investing Activities						
Acquisition of Property, Plant and Equipment	2.23.5	432	(1,389,233)	(1,142,746)	(1,395,607)	(1,163,208)
Acquisition of Intangible Assets	2.25.1	438	(80,852)	(58,876)	(80,852)	(58,876)
Proceeds from Sale of Property, Plant and Equipment			179,652	176,523	365,636	176,746
Proceeds from Sale of Investment Properties	2.24	434	-	-	161,100	-
Sale/(Purchase) of Financial Assets Recognised Through Profit or Loss - Measured at Fair Value			(3,524,927)	1,207,289	(3,524,927)	1,207,289
Sale/(Purchase) of Financial Assets Measured at Fair Value Through Other Comprehensive Income			-	(37,785)	-	(37,785)
Investment in Subsidiaries	2.22	425	(4,173,421)	-	(4,142,446)	-
Net Cash and Cash Equivalents on Acquisition of Subsidiaries			-	-	84,138	-
Dividend Received			4,295	4,081	4,295	4,126
Net Cash Flows from/(Used in) Investing Activities			(8,984,486)	148,486	(8,528,663)	128,292
Cash Flows from/(Used in) Financing Activities						
Cash Flows from Debt Funding from Banks			122,232,749	30,825,463	122,309,204	30,962,538
Repayment of Debt Funding from Banks			(56,888,085)	(15,245,816)	(56,888,085)	(15,245,816)
Cash Flows from Debt Instruments Issued and Other Borrowed Funds			43,987,907	218,429	43,987,907	218,429
Repayment of Debt Instruments Issued and Other Borrowed Funds			(3,627,617)	(704,424)	(3,627,617)	(704,424)
Payment of Lease Liabilities/Advance Payment for Right-of-Use Assets			(393,836)	(327,990)	(416,594)	(327,990)
Payment to Acquire Non - Controlling Interest	2.37.1	452	-	(100,867)	-	(100,867)
Dividends Paid			(3,601,372)	(3,210,904)	(3,601,372)	(3,210,904)
Net Cash Flows from/(Used in) Financing Activities			101,709,746	11,453,891	101,763,443	11,590,966
Net Increase/(Decrease) in Cash and Cash Equivalents			9,484,242	1,210,250	9,797,991	1,296,356
Addition on Merger with Subsidiary			-	277,659	-	-
Cash and Cash Equivalents at the Beginning of the Year			7,858,442	6,370,533	7,909,171	6,612,815
Cash and Cash Equivalents at the End of the Year	2.15.3	406	17,342,684	7,858,442	17,707,162	7,909,171
Operational Cash Flows from Interest						
Interest Received			50,289,726	41,908,721	53,009,000	42,063,505
Interest Paid			18,801,015	16,789,500	19,475,812	16,791,332

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 374 to 483 form an integral part of these Financial Statements.

Notes to the 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 2026 was 4,665 (2025 - 4,407).

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 2026, 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

The entities within the Group as at 31 March 2026 are as follows:

Name of Company	Country of Incorporation	Principal Activity	% of Holding	Nature of Relationship
LB Finance PLC	Sri Lanka	Licensed Finance Company	N/A	Parent Company
LB Microfinance Myanmar Company Limited	Myanmar	Microfinance Institution	100.00%	Fully-Owned Subsidiary
Associated Motor Finance Company PLC	Sri Lanka	Licensed Finance Company	73.11%	Subsidiary

LB Finance PLC

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Maintenance of Savings Accounts, Providing Finance Leases, 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.

LB Microfinance Myanmar Company Limited

LB Microfinance Myanmar Company Limited was incorporated in Myanmar on 22 May 2017 as a 99% (31 March 2026 – 100%) owned subsidiary of LB Finance PLC. The principal business activities include engaging in microfinance lending. A licence was issued by the Myanmar Microfinance Supervisory Committee to operate as a Microfinance Institution.

Associated Motor Finance Company PLC

Associated Motor Finance Company PLC is a subsidiary of LB Finance PLC, in which the Company holds a 73.11% equity interest as at 31 March 2026. During the Financial Year, the Company acquired a controlling stake in Associated Motor Finance Company PLC. The Company provides a range of financial services including Finance Leasing, Term Loans and Mobilisation of Public Deposits.

1.4 Approval of Financial Statements by Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2026 (including comparatives for 31 March 2025) were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 29 May 2026.

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 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).

During the financial year, the Company acquired a controlling interest in Associated Motor Finance Company PLC and has accounted for the acquisition in accordance with SLFRS 3 (Business Combinations) 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 has not adopted any accounting treatments that are inconsistent with the requirements of SLFRSs and LKASs and the applicable regulations governing the preparation and presentation of 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 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 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 early adopted SLFRS S1 and SLFRS S2 in the previous financial year and has continued to apply these standards in the preparation of the current year Financial Statements. Accordingly, the Group has further enhanced its disclosures relating to sustainability-related risks and opportunities, including climate-related information such as greenhouse gas emissions, in accordance with the requirements of these standards.

The application of these standards has not had a material impact on the Group's financial position or financial performance. However, it has enhanced the quality, consistency and transparency of sustainability-related disclosures, strengthening the overall ESG reporting framework.

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
- Derivative financial instruments measured at fair value
- 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 Group's 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.

During the financial year, the Company acquired a controlling interest in Associated Motor Finance Company PLC. The results of the acquired entity have been included in the Consolidated Financial Statements from the date of acquisition. Comparative information has not been restated, as the impact of the acquisition does not materially affect the comparability of the financial information presented.

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 2026

The following Sri Lanka Accounting Standards (SLFRSs/LKASs) and amendments thereto have been issued but are not yet effective as at the reporting date. Accordingly, these standards and amendments have not been applied in the preparation of these Financial Statements.

The Group intends to adopt these standards and amendments, where applicable, when they become effective. The Group has not early adopted any of these standards during the financial year.

1.14.1 SLFRS 18 : Presentation and Disclosure in Financial Statements

SLFRS 18 replaces LKAS 1 and introduces new requirements for the presentation and disclosure of financial information, including defined categories of income and expenses in the Income Statement, new subtotals such as operating profit and enhanced disclosures of

management-defined performance measures.

The standard is effective for annual reporting periods beginning on or after 1 January 2027.

The Group is in the process of assessing the potential impact of this standard. Based on the assessment performed to date, the adoption of this standard is expected to result in changes to the presentation and disclosure of financial statements. However, it is not expected to have a material impact on the recognition and measurement of amounts reported in the Financial Statements.

1.14.2 SLFRS 19 : Subsidiaries without Public Accountability: Disclosures

SLFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply the recognition and measurement principles of IFRS Accounting Standards.

The standard is effective for annual reporting periods beginning on or after 1 January 2027.

The Group has assessed the applicability of this standard and, as the Group has public accountability, this standard is not expected to be applicable at the parent level. The applicability to subsidiaries within the Group will be evaluated, where relevant.

1.14.3 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 SLFRS 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 potential impact of these amendments, including the review of financial instruments for any impact on classification, measurement and disclosure requirements. Based on the assessment performed to date, these amendments are not expected to have a material impact on the Financial Statements and any impact is expected to be limited to additional disclosures.

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 of these accounting standards, interpretations or amendments 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 the Incremental Borrowing Rate
- 2.10 Taxation
- 2.13 Classification of Financial Assets and Liabilities
- 2.14 Fair Value of Financial Instruments
- 2.17 Derivative Financial Instruments
- 2.18.5 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 Accounting Standard - SLFRS 10 (Consolidated Financial Statements).

Notes to the 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 Company's 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 Expected Credit Loss (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 behavioural (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 ECL.

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 01 January 2023.

1.25.2 Withholding Tax (WHT) on Deposit Interest Payments

In accordance with the Inland Revenue Act, as amended and effective from 1 April 2025, the Company is required to deduct Withholding Tax (WHT) at a rate of 10% at source on interest and similar income paid to deposit holders. The tax so deducted is remitted to the Inland Revenue Department in accordance with statutory requirements. The WHT deducted is treated as an advance payment of income tax of the recipient, subject to applicable exemptions and reliefs.

Interest expense recognised in these Financial Statements is presented on a gross basis, before the deduction of such withholding tax.

1.25.3 Value Added Tax (VAT)

The VAT rate had been increased from 15% to 18% with effect from 01 January 2024. Further, goods and services which were previously exempt from VAT became liable at the rate of 18% with effect from 01 January 2024.

2. MATERIAL ACCOUNTING POLICIES AND NOTES - SPECIFIC

2.1 Income

Accounting Policy

Income 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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income (Note 2.1.2)	51,805,123	41,815,458	54,357,259	42,201,896
Fee and Commission Income (Note 2.2)	7,911,944	4,604,441	8,032,807	4,642,914
Net Trading Income (Note 2.3)	85,310	101,101	96,558	101,101
Other Operating Income (Note 2.4)	232,927	209,955	409,768	210,349
	60,035,304	46,730,955	62,896,392	47,156,260

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 (Financial Instruments). 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. However, upon classification of a loan as credit-impaired under Stage 3, the recognition of interest income ceases and any accrued but uncollected interest income is immediately transferred to interest in suspense. Thereafter, interest income on overdue rentals is recognised on a cash received basis.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income (Note 2.1.2)	51,805,123	41,815,458	54,357,259	42,201,896
Interest Expenses (Note 2.1.5)	22,303,289	16,687,381	23,028,809	16,783,707
	29,501,834	25,128,077	31,328,450	25,418,189

2.1.2 Interest Income

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	49,470,901	40,003,246	51,974,927	40,380,307
Other Financial Assets	2,334,222	1,812,212	2,382,332	1,821,589
	51,805,123	41,815,458	54,357,259	42,201,896

2.1.3 Interest Income - Product Wise Break Down

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	18,278,033	15,272,338	18,278,033	15,277,178
Lease Receivables	9,672,460	9,461,549	11,680,795	9,463,535
Vehicle Loans	13,524,118	10,176,771	13,524,118	10,177,286
Term Loans	2,503,638	1,776,343	2,999,329	2,145,690
Mortgage Loans	696,587	647,154	696,587	647,411
Power Drafts	4,796,065	2,669,091	4,796,065	2,669,207
Other Financial Assets	2,334,222	1,812,212	2,382,332	1,821,589
	51,805,123	41,815,458	54,357,259	42,201,896

2.1.4 Interest Income from Government Securities and Reverse Repurchase Agreements

Interest income attributable to Government Securities and Reverse Repurchase Agreements have been extracted from the total interest income disclosed in Note 2.1.2 and is presented separately.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income on Investment in Treasury Bills	248,463	913,121	248,658	913,121
Interest Income on Reverse Repurchase Agreements	988,933	474,689	1,033,733	474,689
	1,237,396	1,387,810	1,282,391	1,387,810

2.1.5 Interest Expenses

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to Banks	5,559,894	2,251,633	5,634,985	2,284,523
Financial Liabilities at Amortised Cost - Due to Depositors	14,008,193	13,539,499	14,667,023	13,598,054
Debt Instruments Issued and Other Borrowed Funds	2,460,952	641,453	2,460,952	641,453
Other Financial Liabilities	274,250	254,796	265,849	259,677
	22,303,289	16,687,381	23,028,809	16,783,707

2.1.6 Interest Expenses (Product-wise Breakdown)

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Overdrafts	159	494	159	638
Debt Funding from Banks (Note 2.27.1)	5,559,735	2,251,139	5,634,826	2,283,885
Fixed Deposits	13,630,015	13,307,006	14,231,374	13,310,098
Savings Deposits	378,178	232,493	435,649	287,956
Debt Funding from International Financial Institutions	348,946	128,299	348,946	128,299
Securitised Borrowings	2,112,006	513,154	2,112,006	513,154
Interest Expense on Lease Liabilities	274,250	254,796	265,849	259,677
	22,303,289	16,687,381	23,028,809	16,783,707

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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Credit Related Fees and Commissions	2,427,969	1,709,957	2,548,808	1,748,004
Service Charge	5,483,975	2,894,484	5,483,999	2,894,910
	7,911,944	4,604,441	8,032,807	4,642,914

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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gains/(Losses) from Investment in Unit Trusts	77,347	97,710	88,595	97,710
Dividend Income from Financial Assets Recognised Through Profit or Loss	982	715	982	715
Fair Value Gains/(Losses) of Financial Assets Recognised Through Profit or Loss	6,981	2,676	6,981	2,676
	85,310	101,101	96,558	101,101

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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Dividend Income from Financial Assets Measured at Fair Value Through Other Comprehensive Income	3,313	3,366	3,313	3,410
Profit/(Loss) on Disposal of Property, Plant and Equipment	93,929	35,295	226,992	35,295
Income from Related Operational Activities	103,833	136,567	145,535	136,917
Gains/(Losses) from Fair Value Changes of Investment Properties	(1,235)	335	(1,235)	335
Income from Value Added Services	32,277	31,402	34,353	31,402
Income on Operating Lease	810	2,990	810	2,990
	232,927	209,955	409,768	210,349

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 Accounting Standard - SLFRS 09 (Financial Instruments) and LKAS 36 (Impairment of Assets). The methodology adopted by the Group is explained in the Note 2.18.5 to these Financial Statements. Recoveries of amounts previously written off are recognised in to the impairment charges/(reversals) in the income statement.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	1,503,899	4,370	2,364,983	(1,587)
Investment in Fixed Deposits	2,790	(94)	2,790	(94)
Investment in Commercial Papers	405	-	405	-
Investments in Subsidiaries	-	(1,353)	-	-
Off-Balance Sheet Credit Exposures	5,704	1,712	5,704	1,712
Recovery of Written-off Exposure	(310,005)	(260,871)	(337,856)	(261,062)
	1,202,793	(256,236)	2,036,026	(261,031)

2.5.1 Impairment Charges/(Reversals) - Detailed Breakdown - Company

Year ended 31 March	2026			2025		
	Direct Write-offs	Charge/ (Reversal)	Net Amount	Direct Write-offs	Charge/ (Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	22,954	1,480,945	1,503,899	30,778	(26,408)	4,370
Investment in Fixed Deposits			2,790			(94)
Investment in Commercial Papers			405			-
Investment in Subsidiaries			-			(1,353)
Off-Balance Sheet Credit Exposures			5,704			1,712
Recovery of Written-off Exposure			(310,005)			(260,871)
			1,202,793			(256,236)

2.5.2 Impairment Charges/(Reversals) - Detailed Breakdown - Group

Year ended 31 March	2026			2025		
	Direct Write-offs	Charge/ (Reversal)	Net Amount	Direct Write-offs	Charge/ (Reversal)	Net Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	869,681	1,495,302	2,364,983	31,637	(33,224)	(1,587)
Investment in Fixed Deposits			2,790			(94)
Investment in Commercial Papers			405			-
Off-Balance Sheet Credit Exposures			5,704			1,712
Recovery of Written-off Exposure			(337,856)			(261,062)
			2,036,026			(261,031)

2.5.3 Analysis of Impairment Charges/(Reversals) - Company

Year ended 31 March 2026	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	736,234	(12,698)	21,823	745,359
Lease Receivables	(94,211)	25,345	(94,337)	(163,203)
Vehicle Loans	401,351	47,393	22,301	471,045
Term Loans	(73,858)	11,271	77,868	15,281
Mortgage Loans	3,715	12,279	(65,377)	(49,383)
Power Drafts	304,267	26,278	154,255	484,800
Loans and Receivables	1,277,498	109,868	116,533	1,503,899
Investment in Fixed Deposits	2,790	-	-	2,790
Investment in Commercial Papers	405	-	-	405
Off-Balance Sheet Credit Exposures	5,326	378	-	5,704
Recovery of Written-off Exposure	-	-	(310,005)	(310,005)
Total Allowance for Impairment Charges/(Reversals)	1,286,019	110,246	(193,472)	1,202,793

Year ended 31 March 2025	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	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
Investment in Fixed Deposits	(94)	-	-	(94)
Investment in Subsidiaries	(1,353)	-	-	(1,353)
Off-Balance Sheet Credit Exposures	2,342	(630)	-	1,712
Recovery of Written-off Exposure	-	-	(260,871)	(260,871)
Total Allowance for Impairment Charges/(Reversals)	312,201	(25,341)	(543,096)	(256,236)

2.5.4 Analysis of Impairment Charges/(Reversals) - Group

Year ended 31 March 2026	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	736,234	(12,698)	21,823	745,359
Lease Receivables	(60,090)	260,255	487,653	687,818
Vehicle Loans	401,351	47,393	22,301	471,045
Term Loans	(41,329)	2,326	64,347	25,344
Mortgage Loans	3,715	12,279	(65,377)	(49,383)
Power Drafts	304,267	26,278	154,255	484,800
Loans and Receivables	1,344,148	335,833	685,002	2,364,983
Investment in Fixed Deposits	2,790	-	-	2,790
Investment in Commercial Papers	405	-	-	405
Off-Balance Sheet Credit Exposures	5,326	378	-	5,704
Recovery of Written-off Exposure	-	-	(337,856)	(337,856)
Total Allowance for Impairment Charges/(Reversals)	1,352,669	336,211	347,146	2,036,026

Year ended 31 March 2025	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	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)
Investment in Fixed Deposits	(94)	-	-	(94)
Off-Balance Sheet Credit Exposures	2,342	(630)	-	1,712
Recovery of Written-off Exposure	-	-	(261,062)	(261,062)
Total Allowance for Impairment Charges/(Reversals)	293,538	(15,804)	(538,766)	(261,031)

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 Company and the subsidiary, Associated Motor Finance Company PLC contribute to this fund.

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 (Employee Benefits).

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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Salaries and Other Related Expenses	5,133,325	4,319,157	5,510,842	4,424,787
Employer's Contribution to Employees' Provident Fund	405,839	353,093	420,777	353,669
Employer's Contribution to Employees' Trust Fund	90,284	77,282	94,018	77,426
Gratuity Charge/(Reversal) for the Year (Note 2.33.2)	152,612	153,447	154,304	153,692
Staff Training Expenses	24,924	21,704	25,546	22,807
Staff Welfare Expenses	203,192	219,688	219,807	233,636
Amortisation of Staff Loan Day 01 Difference	1,184	1,886	1,184	1,886
	6,011,360	5,146,257	6,426,478	5,267,903

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 at the rates specified in Note 2.23. 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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Depreciation of Property, Plant and Equipment (Note 2.7.1)	765,119	645,047	782,921	652,267
Depreciation of Right-of-Use Assets (Note 2.7.1)	376,845	334,906	387,625	334,906
Amortisation of Intangible Assets (Note 2.7.2)	21,628	13,128	22,624	14,355
	1,163,592	993,081	1,193,170	1,001,528

2.7.1 Depreciation of Property, Plant and Equipment

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold Buildings and Edifices	29,268	27,989	30,726	27,989
Furniture and Fittings	51,396	42,461	57,163	43,827
Equipment	146,676	112,815	150,174	114,491
Motor Vehicles	37,322	28,052	38,093	28,154
Computer Hardware and Equipment	184,317	150,540	190,625	153,468
Leasehold Improvements	86,836	82,444	86,836	82,444
Fixtures and Fittings	229,304	200,746	229,304	201,894
	765,119	645,047	782,921	652,267
Right-of-Use Assets	376,845	334,906	387,625	334,906
	1,141,964	979,953	1,170,546	987,173

2.7.2 Amortisation of Intangible Assets

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Computer Software	21,628	13,128	22,624	14,355

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.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' Emoluments	34,332	28,800	34,332	28,800
Auditors' Remunerations	6,161	5,588	12,297	7,939
Audit-Related Expenses	1,559	1,550	2,059	1,550
Non-Audit Fees to Auditors	5,389	11,660	8,271	11,660
Professional and Legal Expenses	157,233	102,461	188,141	119,723
Deposit Insurance Premium	225,543	190,332	233,402	190,332
General Insurance Expenses	285,536	259,514	301,383	261,295
Office Administration and Establishment Expenses	2,816,310	2,430,419	2,939,388	2,496,638
Advertising and Business Promotional Expenses	669,859	511,709	715,539	543,117
Crop Insurance Levy Expenses	137,878	107,056	136,684	107,181
	4,339,800	3,649,089	4,571,496	3,768,235

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

Accounting Policy

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%.

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Value Added Tax (VAT) on Financial Services	4,510,535	3,661,142	4,551,395	3,673,989
Social Security Contribution Levy (SSCL) on Financial Services	626,558	508,568	633,069	509,252
	5,137,093	4,169,710	5,184,464	4,183,241

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;

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2.10.1 (a) Income Statement				
Current Income Tax				
Income Tax for the Year	7,322,468	6,003,312	7,564,293	6,020,064
Under/(Over) Provision of Current Taxes in Respect of Previous Years	86,897	(134,310)	168,655	(134,390)
Deferred Tax				
Deferred Tax Charge/(Reversal) (Note 2.26)	(1,204,838)	(332,963)	(1,319,809)	(334,931)
	6,204,527	5,536,039	6,413,139	5,550,743
2.10.1 (b) Statement of Other Comprehensive Income				
Deferred Tax				
Deferred Tax Charge/(Reversal) (Note 2.26)	7,450	4,917	14,400	4,917
	7,450	4,917	14,400	4,917
2.10.1 (c) Total Tax Expense for the Financial Year	6,211,977	5,540,956	6,427,539	5,555,660

Notes to the Financial Statements

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		Group	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accounting Profit before Income Taxation		19,877,377	16,341,673	20,455,949	16,412,677
Income Tax Expense at the Statutory Income					
LB Finance PLC	30%	5,963,213	4,902,502	5,963,213	4,902,502
Associated Motor Finance Company PLC	30%	-	-	129,600	-
LB Microfinance Myanmar Company Limited	22%	-	-	32,246	14,713
Tax Effect of Non-Deductible Expenses		625,208	891,760	898,788	895,715
Tax Effect of Deductible Expenses		(3,383)	(2,027)	(305,005)	(5,911)
Tax Effect of Previous Losses on Multi Finance PLC		(35,627)	(106,882)	(35,627)	(106,882)
Tax Effect of Qualifying Payments		(424,331)	(10,087)	(424,331)	(10,087)
Under/(Over) Provision of Current Taxes in respect of Previous Years		86,897	(134,310)	168,655	(134,390)
Total Tax Expense for the Financial Year		6,211,977	5,540,956	6,427,539	5,555,660
Effective Tax Rate		31.25%	33.91%	31.42%	33.85%
Effective Tax Rate (Excluding Deferred Tax)		37.31%	35.94%	37.87%	35.89%
Effective Tax Rate (Excluding Tax on Financial Services)		24.83%	27.01%	25.07%	26.97%
Charge/(Reversal) for Deferred Tax		(1,204,838)	(332,963)	(1,319,809)	(334,931)
Accounting Profit before Tax on Financial Services		25,014,470	20,511,383	25,640,413	20,595,918

2.10.3 Income Tax expense of the Company and its Subsidiaries have been Recorded for on the Taxable Income at Rates Shown Below;

	2026	2025
LB Finance PLC	30%	30%
Associated Motor Finance Company 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		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Direct Taxes				
Income Tax	5,994,059	6,523,612	6,121,518	6,539,352
Social Security Contribution Levy on Financial Services	620,773	492,450	624,556	496,282
Value Added Tax on Financial Services	4,468,259	3,545,807	4,495,182	3,549,639
Crop Insurance Levy	125,632	99,063	125,632	99,063
	11,208,723	10,660,932	11,366,888	10,684,336
Indirect Taxes (Collected and Paid)				
Value Added Tax	193,538	295,726	233,851	295,726
Stamp Duty	299,347	265,736	300,262	267,408
Social Security Contribution Levy on Others	23,083	41,878	24,160	41,878
Withholding Tax on Dividend and Interest	1,535,334	950,528	1,584,046	954,360
Advanced Personal Income Tax	458,949	430,962	484,508	435,278
	2,510,251	1,984,830	2,626,827	1,994,650
Total Taxes Paid during the Financial Year	13,718,974	12,645,762	13,993,715	12,678,986

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	
	2026	2025	2026	2025
Amounts Used as the Numerators:				
Profit after Tax for the Year Attributable to Equity Holders (Rs. '000)	13,672,850	10,805,634	13,970,976	10,860,002
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.)	24.68	19.50	25.22	19.60

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	Company			
	2026		2025	
	Dividend Per Share Rs.	Rs. '000	Dividend Per Share Rs.	Rs. '000
Dividends on Ordinary Shares:				
Interim Dividend declared for 2025 (Paid before the Reporting Date)	-	-	2.25	1,246,629
Final Dividend declared for 2025 (Paid after the Reporting Date)	-	-	4.25	2,354,743
Interim Dividend declared for 2026 (Paid before the Reporting Date)	2.25	1,246,629	-	-
Final Dividend proposed for 2026 (To be approved at the Annual General Meeting)	5.95	3,296,640	-	-
	8.20	4,543,269	6.50	3,601,372
Dividend Per Share (Rs.)				
Dividend per Share : Gross (Rs.)	8.20		6.50	
Dividend per Share : Net (Rs.)	6.97		5.53	

Dividend per share is calculated based on the interim dividend paid and the proposed final dividend for the Financial year ended 31 March 2026 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 advances 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 advances 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 Accounting 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 flows 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.

Notes to the Financial Statements

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 Accounting 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		2026				2025			
	Note	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	18,718,916	-	-	18,718,916	9,024,016	-	-	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16	-	4,250,311	-	4,250,311	-	718,402	-	718,402
Derivative Financial Assets	2.17	-	82,705	-	82,705	-	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables	2.18	312,660,305	-	-	312,660,305	197,766,691	-	-	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19	-	-	193,495	193,495	-	-	165,024	165,024
Other Financial Assets	2.20	40,543,044	-	-	40,543,044	21,201,500	-	-	21,201,500
Total Financial Assets		371,922,265	4,333,016	193,495	376,448,776	227,992,207	718,402	165,024	228,875,633
Financial Liabilities									
Due to Banks	2.27	102,967,004	-	-	102,967,004	37,411,682	-	-	37,411,682
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	173,329,148	-	-	173,329,148	138,496,872	-	-	138,496,872
Debt Instruments Issued and Other Borrowed Funds	2.29	45,400,377	-	-	45,400,377	5,005,405	-	-	5,005,405
Other Financial Liabilities	2.30	5,935,737	-	-	5,935,737	4,303,422	-	-	4,303,422
Total Financial Liabilities		327,632,266	-	-	327,632,266	185,217,381	-	-	185,217,381

2.13.1 (b) Classification of Financial Assets and Financial Liabilities - Group

As at 31 March	Note	2026				2025			
		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	19,108,410	-	-	19,108,410	9,074,745	-	-	9,074,745
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	2.16	-	4,250,311	-	4,250,311	-	718,402	-	718,402
Derivative Financial Assets	2.17	-	82,705	-	82,705	-	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables	2.18	332,998,816	-	-	332,998,816	199,271,047	-	-	199,271,047
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19	-	-	206,233	206,233	-	-	165,024	165,024
Other Financial Assets	2.20	42,360,809	-	-	42,360,809	21,188,612	-	-	21,188,612
Total Financial Assets		394,468,035	4,333,016	206,233	399,007,284	229,534,404	718,402	165,024	230,417,830
Financial Liabilities									
Due to Banks	2.27	103,456,500	-	-	103,456,500	37,799,707	-	-	37,799,707
Financial Liabilities at Amortised Cost - Due to Depositors	2.28	189,559,700	-	-	189,559,700	138,823,896	-	-	138,823,896
Debt Instruments Issued and Other Borrowed Funds	2.29	45,400,377	-	-	45,400,377	5,005,405	-	-	5,005,405
Other Financial Liabilities	2.30	6,245,743	-	-	6,245,743	4,305,386	-	-	4,305,386
Total Financial Liabilities		344,662,320	-	-	344,662,320	185,934,394	-	-	185,934,394

Notes to the Financial Statements

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 2026	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						
Financial Assets at Amortised Cost						
- Loans and Receivables	312,660,305	-	312,660,305	-	122,631,097	190,029,208
Financial Liabilities						
Financial Liabilities at Amortised Cost						
- Due to Depositors	173,329,148	-	173,329,148	-	4,521,104	168,808,044

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						
Financial Assets at Amortised Cost						
- Loans and Receivables	197,766,691	-	197,766,691	-	46,995,805	150,770,886
Financial Liabilities						
Financial Liabilities at Amortised Cost						
- Due to Depositors	138,496,872	-	138,496,872	-	3,521,494	134,975,378

*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 2026	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						
Financial Assets at Amortised Cost						
- Loans and Receivables	332,998,816	-	332,998,816	-	122,631,097	210,367,719
Financial Liabilities						
Financial Liabilities at Amortised Cost						
- Due to Depositors	189,559,700	-	189,559,700	-	4,521,104	185,038,596

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						
Financial Assets at Amortised Cost						
- Loans and Receivables	199,271,047	-	199,271,047	-	46,995,805	152,275,242
Financial Liabilities						
Financial Liabilities at Amortised Cost						
- Due to Depositors	138,823,896	-	138,823,896	-	3,521,494	135,302,402

*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.

Notes to the Financial Statements

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	2026				2025			
		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		24,497	-	-	24,497	17,350	-	-	17,350
Investment in Unit Trusts		-	4,225,814	-	4,225,814	-	701,052	-	701,052
		24,497	4,225,814	-	4,250,311	17,350	701,052	-	718,402
Derivative Financial Assets	2.17	-	82,705	-	82,705	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19								
Quoted Equities		123,263	-	-	123,263	126,931	-	-	126,931
Unquoted Equities		-	-	70,232	70,232	-	-	38,093	38,093
		123,263	-	70,232	193,495	126,931	-	38,093	165,024
Investment Properties	2.24	-	-	4,150	4,150	-	-	5,385	5,385

There were no transfers into and transfers out of the hierarchy levels during 2026 and 2025.

Details of valuation methodologies and assumptions are disclosed in Note 2.16, Note 2.17, 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	2026				2025			
		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		24,497	-	-	24,497	17,350	-	-	17,350
Investment in Unit Trusts		-	4,225,814	-	4,225,814	-	701,052	-	701,052
		24,497	4,225,814	-	4,250,311	17,350	701,052	-	718,402
Derivative Financial Assets	2.17	-	82,705	-	82,705	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.19								
Quoted Equities		123,263	-	-	123,263	126,931	-	-	126,931
Unquoted Equities		-	-	82,970	82,970	-	-	38,093	38,093
		123,263	-	82,970	206,233	126,931	-	38,093	165,024
Investment Properties	2.24	-	-	4,150	4,150	-	-	5,385	5,385

There were no transfers into and transfers out of the hierarchy levels during 2026 and 2025.

Details of valuation methodologies and assumptions are disclosed in Note 2.16, Note 2.17, 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	2026					2025				
		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		2,463,356	-	-	2,463,356	2,463,356	2,494,514	-	-	2,494,514	2,494,514
Cash Held in Foreign Currencies		12,199	-	-	12,199	12,199	20,448	-	-	20,448	20,448
Balances with Banks in Local Currencies		3,627,500	-	-	3,627,500	3,627,500	2,569,566	-	-	2,569,566	2,569,566
Balances with Banks in Foreign Currencies		17,742	-	-	17,742	17,742	31,150	-	-	31,150	31,150
Securities under Reverse Repurchase Agreements		-	12,598,119	-	12,598,119	12,598,119	-	3,908,338	-	3,908,338	3,908,338
		6,120,797	12,598,119	-	18,718,916	18,718,916	5,115,678	3,908,338	-	9,024,016	9,024,016
Financial Assets at Amortised Cost - Loans and Receivables	2.18										
Gold Loans		-	-	117,949,284	117,949,284	117,949,284	-	-	83,972,761	83,972,761	83,972,761
Lease Receivables		-	-	36,512,239	36,512,239	37,897,333	-	-	37,467,366	37,467,366	36,035,200
Vehicle Loans		-	-	92,692,826	92,692,826	93,643,279	-	-	48,014,483	48,014,483	46,106,225
Term Loans		-	-	13,861,960	13,861,960	14,198,540	-	-	11,781,474	11,781,474	11,776,814
Mortgage Loans		-	-	3,090,656	3,090,656	3,258,161	-	-	2,228,956	2,228,956	2,177,909
Power Drafts		-	-	45,140,315	45,140,315	45,713,708	-	-	17,865,844	17,865,844	17,697,782
		-	-	309,247,280	309,247,280	312,660,305	-	-	201,330,884	201,330,884	197,766,691
Other Financial Assets	2.20										
Securities under Reverse Repurchase Agreements		-	7,988,467	-	7,988,467	7,988,467	-	2,541,436	-	2,541,436	2,541,436
Investment in Fixed Deposits		-	30,597,868	-	30,597,868	30,597,868	-	10,543,975	-	10,543,975	10,543,975
Investment in Treasury Bills		18,201	-	-	18,201	18,183	7,517,610	-	-	7,517,610	7,489,281
Investment in Commercial Papers		-	1,000,231	-	1,000,231	1,000,231	-	-	-	-	-
Advance Investment in Philippines		-	203,385	-	203,385	203,385	-	-	-	-	-
Insurance Premium Receivables		-	553,556	-	553,556	553,556	-	409,665	-	409,665	409,665
Due from Subsidiaries		-	56,032	-	56,032	56,032	-	13,072	-	13,072	13,072
Sundry Debtors		-	125,322	-	125,322	125,322	-	204,071	-	204,071	204,071
		18,201	40,524,861	-	40,543,062	40,543,044	7,517,610	13,712,219	-	21,229,829	21,201,500

2.14.2 (b) Financial Assets Measured at Amortised Cost - Group

As at 31 March	Note	2026					2025				
		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		2,525,728	-	-	2,525,728	2,525,728	2,514,026	-	-	2,514,026	2,514,026
Cash Held in Foreign Currencies		12,199	-	-	12,199	12,199	20,448	-	-	20,448	20,448
Balances with Banks in Local Currencies		3,954,622	-	-	3,954,622	3,954,622	2,600,783	-	-	2,600,783	2,600,783
Balances with Banks in Foreign Currencies		17,742	-	-	17,742	17,742	31,150			31,150	31,150
Securities under Reverse Repurchase Agreements		-	12,598,119	-	12,598,119	12,598,119	-	3,908,338	-	3,908,338	3,908,338
		6,510,291	12,598,119	-	19,108,410	19,108,410	5,166,407	3,908,338	-	9,074,745	9,074,745
Financial Assets at Amortised Cost - Loans and Receivables	2.18										
Gold Loans		-	-	117,949,284	117,949,284	117,949,284	-	-	83,972,761	83,972,761	83,972,761
Lease Receivables		-	-	55,084,219	55,084,219	56,426,562	-	-	37,467,366	37,467,366	36,035,200
Vehicle Loans		-	-	92,692,826	92,692,826	93,643,279	-	-	48,014,483	48,014,483	46,106,225
Term Loans		-	-	15,671,242	15,671,242	16,007,822	-	-	13,285,830	13,285,830	13,281,170
Mortgage Loans		-	-	3,090,656	3,090,656	3,258,161	-	-	2,228,956	2,228,956	2,177,909
Power Drafts		-	-	45,140,315	45,140,315	45,713,708	-	-	17,865,844	17,865,844	17,697,782
		-	-	329,628,542	329,628,542	332,998,816	-	-	202,835,240	202,835,240	199,271,047
Other Financial Assets	2.20										
Securities under Reverse Repurchase Agreements		-	9,837,179	-	9,837,179	9,837,179	-	2,541,436	-	2,541,436	2,541,436
Investment in Fixed Deposits		-	30,597,868	-	30,597,868	30,597,868	-	10,543,975	-	10,543,975	10,543,975
Investment in Treasury Bills		23,717	-	-	23,717	23,699	7,517,610	-	-	7,517,610	7,489,281
Investment in Commercial Papers		-	1,000,231	-	1,000,231	1,000,231	-	-	-	-	-
Advance Investment in Philippines		-	203,385	-	203,385	203,385	-	-	-	-	-
Insurance Premium Receivables		-	553,556	-	553,556	553,556	-	409,665	-	409,665	409,665
Sundry Debtors		-	144,891	-	144,891	144,891	-	204,255	-	204,255	204,255
		23,717	42,337,110	-	42,360,827	42,360,809	7,517,610	13,699,331	-	21,216,941	21,188,612

Notes to the Financial Statements

Sensitivity Analysis of Financial Assets Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Increase/(Decrease) in Interest Rate				
1bp Up	(24,864)	(14,957)	(26,375)	(14,957)
1bp Down	24,869	14,960	26,380	14,960

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 2026 and 2025 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company	Group	Valuation Technique	Significant Unobservable Input	Range of Estimates for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
	Fair Values as at 31 March 2026	Fair Values as at 31 March 2026				
	Rs. '000	Rs. '000				
Financial Assets at Amortised Cost - Loans and Receivables	309,247,280 201,330,884 (2025)	329,628,542 202,835,240 (2025)	Discounted cash flow	Spread	5.2-17.4% (2025 : 4.6-10.4%)	A significant increase in the spread would result in a lower fair values.
				Probability of default	5.2-12.9% (2025 : 8.8-20.3%)	Significant increases in probability of default would result in lower fair values.
				Loss severity	5-100% (2025 : 5-100%)	A significant reduction would result in higher fair values.
				Expected prepayment rate	0.03-15.9% (2025 : 0.03-15.8%)	Correlates with the current interest rates.

There were no transfers into and transfers out of the hierarchy levels during 2026 and 2025.

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 advances 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	2026					2025				
		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		1,376,232	-	-	1,376,232	1,376,232	1,165,574	-	-	1,165,574	1,165,574
Debt Funding from Banks		-	100,471,446	-	100,471,446	101,590,772	-	37,381,878	-	37,381,878	36,246,108
		1,376,232	100,471,446	-	101,847,678	102,967,004	1,165,574	37,381,878	-	38,547,452	37,411,682
Financial Liabilities at Amortised Cost - Due to Depositors	2.28										
Fixed Deposits		-	-	165,389,396	165,389,396	165,286,084	-	-	135,186,844	135,186,844	132,032,628
Savings Deposits		-	-	8,043,064	8,043,064	8,043,064	-	-	6,464,244	6,464,244	6,464,244
		-	-	173,432,460	173,432,460	173,329,148	-	-	141,651,088	141,651,088	138,496,872
Debt Instruments Issued and Other Borrowed Funds	2.29										
Borrowings from International Financial Institutions		-	17,913,587	-	17,913,587	18,870,717	-	807,984	-	807,984	766,862
Securitised Borrowings		-	27,456,592	-	27,456,592	26,529,660	-	4,409,210	-	4,409,210	4,238,543
		-	45,370,179	-	45,370,179	45,400,377	-	5,217,194	-	5,217,194	5,005,405
Other Financial Liabilities	2.30										
Trade Payables		-	1,350,197	-	1,350,197	1,350,197	-	791,214	-	791,214	791,214
Insurance Premium Payables		-	1,055,899	-	1,055,899	1,055,899	-	374,138	-	374,138	374,138
Unclaimed Balances		-	891,591	-	891,591	891,591	-	920,083	-	920,083	920,083
Lease Liability		-	2,281,679	-	2,281,679	2,281,679	-	1,908,465	-	1,908,465	1,908,465
Interest Payable on Derivative instruments		-	17,049	-	17,049	17,049	-	-	-	-	-
Other Payables		-	339,322	-	339,322	339,322	-	309,522	-	309,522	309,522
		-	5,935,737	-	5,935,737	5,935,737	-	4,303,422	-	4,303,422	4,303,422

2.14.2 (d) Financial Liabilities Measured at Amortised Cost - Group

As at 31 March	Note	2026					2025				
		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		1,401,248	-	-	1,401,248	1,401,248	1,165,574	-	-	1,165,574	1,165,574
Debt Funding from Banks		-	100,897,060	-	100,897,060	102,055,252	-	38,020,853	-	38,020,853	36,634,133
		1,401,248	100,897,060	-	102,298,308	103,456,500	1,165,574	38,020,853	-	39,186,427	37,799,707
Financial Liabilities at Amortised Cost - Due to Depositors	2.28										
Fixed Deposits		-	-	181,349,901	181,349,901	180,867,623	-	-	135,337,674	135,337,674	132,032,628
Savings Deposits		-	-	8,692,077	8,692,077	8,692,077	-	-	6,791,268	6,791,268	6,791,268
		-	-	190,041,978	190,041,978	189,559,700	-	-	142,128,942	142,128,942	138,823,896
Debt Instruments Issued and Other Borrowed Funds	2.29										
Borrowings From International Financial Institutions		-	17,913,587	-	17,913,587	18,870,717	-	807,984	-	807,984	766,862
Securitised Borrowings		-	27,456,592	-	27,456,592	26,529,660	-	4,409,210	-	4,409,210	4,238,543
		-	45,370,179	-	45,370,179	45,400,377	-	5,217,194	-	5,217,194	5,005,405
Other Financial Liabilities	2.30										
Trade Payables		-	1,350,197	-	1,350,197	1,350,197	-	791,214	-	791,214	791,214
Insurance Premium Payables		-	1,323,461	-	1,323,461	1,323,461	-	374,138	-	374,138	374,138
Unclaimed Balances		-	893,853	-	893,853	893,853	-	921,754	-	921,754	921,754
Lease Liability		-	2,329,351	-	2,329,351	2,329,351	-	1,908,465	-	1,908,465	1,908,465
Interest Payable on Derivative Instruments		-	17,049	-	17,049	17,049	-	-	-	-	-
Other Payables		-	331,832	-	331,832	331,832	-	309,815	-	309,815	309,815
		-	6,245,743	-	6,245,743	6,245,743	-	4,305,386	-	4,305,386	4,305,386

Sensitivity Analysis of Financial Liabilities Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Increase/(Decrease) in Interest Rate				
1bp Up	(10,817)	(7,546)	(12,035)	(7,546)
1bp Down	10,683	7,547	11,901	7,547

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 2026 and 2025 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company Fair Values as at 31 March 2026 Rs. '000	Group Fair Values as at 31 March 2026 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	173,432,460 141,651,088 (2025)	190,041,978 142,128,942 (2025)	Discounted cash flow	Spread	0-4.2% (2025 : 0-3.7%)	A significant increase in the spread would result in a lower fair value.
				Expected premature rate	0.1-3.3% (2025 : 0.1-3.3%)	Correlates with the current interest rates.

There were no financial liabilities recorded at fair value as at 31 March 2026 and 2025.

There were no transfers into and transfers out of the hierarchy levels during 2026 and 2025.

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 comprise cash in hand, balances with banks in local and foreign currencies and highly liquid short-term investments, including securities under reverse repurchase agreements, with original maturities of three months or less from the date of acquisition. Cash and Cash Equivalents are carried at amortised cost in the Statement of Financial Position. There were no material restrictions on the availability of Cash and Cash Equivalents held by the Group as at the reporting date.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Notes and Coins Held	2,463,356	2,494,514	2,525,728	2,514,026
Cash Held in Foreign Currencies	12,199	20,448	12,199	20,448
Balances with Banks in Local Currencies	3,627,500	2,569,566	3,954,622	2,600,783
Balances with Banks in Foreign Currencies	17,742	31,150	17,742	31,150
Securities under Reverse Repurchase Agreements (Less than 03 Months)	12,598,119	3,908,338	12,598,119	3,908,338
	18,718,916	9,024,016	19,108,410	9,074,745
Fair Value	18,718,916	9,024,016	19,108,410	9,074,745

2.15.1 The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2026 for the Company was Rs. 13,110,303,639/- (2025 - Rs. 4,045,927,197/-) and for the Group was Rs. 13,110,303,639/- (2025 - Rs. 4,045,927,197/-).

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;

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents (Note 2.15)	18,718,916	9,024,016	19,108,410	9,074,745
Bank Overdrafts (Note 2.27)	(1,376,232)	(1,165,574)	(1,401,248)	(1,165,574)
Net Cash and Cash Equivalents	17,342,684	7,858,442	17,707,162	7,909,171

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 Accounting 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	
	2026	2025
	Rs. '000	Rs. '000
Equity Securities - Quoted (Note 2.16.1)	24,497	17,350
Investment in Unit Trusts	4,225,814	701,052
	4,250,311	718,402

2.16.1 Equity Securities - Quoted

As at 31 March	Company & Group			Company & Group		
	2026			2025		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Banks						
Seylan Bank PLC (Non-Voting)	134,586	1,662	9,502	129,830	1,662	6,894
		1,662	9,502		1,662	6,894
Food, Beverage and Tobacco						
Bairaha Farms PLC	96,800	425	6,873	19,360	425	3,189
		425	6,873		425	3,189
Capital Goods						
Lanka Walltiles PLC*	98,700	790	4,540	98,700	790	4,984
Hayleys PLC*	16,660	207	3,582	16,660	207	2,283
		997	8,122		997	7,267
Total		3,084	24,497		3,084	17,350

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 2026 and 2025.

2.17 Derivative Financial Instruments

Accounting Policy

The Group enters into derivative financial instruments, including cross currency swaps, to manage exposures arising from foreign currency and interest rate risks associated with foreign currency borrowings. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at fair value at each reporting date. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value are recognised in the Income Statement unless the derivative is designated in an effective qualifying hedge relationship under SLFRS 9 (Financial Instruments).

2.17.1 Hedge Accounting

For the purposes of hedge accounting, the Group designates derivatives as cash flow hedges where they hedge exposure to variability in cash flows attributable to a recognised asset or liability or a highly probable forecast transaction. At inception of the hedge relationship, the Group formally documents:

- The hedging relationship and risk management objective;
- The hedged item and hedging instrument;
- The nature of the risk being hedged; and
- The method used to assess hedge effectiveness.

Hedge effectiveness is assessed at inception of the hedge relationship and on an ongoing basis to ensure that an economic relationship exists between the hedged item and the hedging instrument.

2.17.2 Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of changes in the fair value of the hedging instrument is recognised in Other Comprehensive Income (OCI) and accumulated in the cash flow hedge reserve. The ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in the cash flow hedge reserve are reclassified to the Income Statement in the same period in which the hedged cash flows affect to the Income Statement and are presented in the same line item as the hedged item, typically within interest expense. In the case of foreign currency hedges, where the underlying monetary item is retranslated in accordance with LKAS 21 (The Effects of Changes in Foreign Exchange Rates), amounts recognised in the hedge reserve are released to the Income Statement in the same period during which the hedged cash flows affect to the Income Statement.

2.17.3 Discontinuation of Hedge Accounting

Hedge accounting is discontinued prospectively when the hedging instrument expires, is sold, terminated or exercised, or when the hedge no longer meets the qualifying criteria. Any cumulative gain or loss recognised in OCI remains in equity and is reclassified to the Income Statement when the hedged cash flows occur. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss is immediately recognised in the Income Statement.

2.17.4 Derivative Financial Instruments

During the year, the Group obtained a USD denominated borrowing of USD 15,000,000 from an international impact investment fund, Enabling Qapital, with a tenor up to 05 March 2030. To manage the associated foreign currency and interest rate risks, the Group entered into a cross currency swap.

Under the terms of the swap, the Group exchanges USD-denominated cash flows for LKR-denominated cash flows over the tenor of the borrowing, thereby economically converting the foreign currency exposure into fixed LKR denominated cash flows. The arrangement includes the exchange of principal amounts and periodic interest payments, under which the Group receives USD cash flows at a fixed rate and pays LKR cash flows at a fixed rate.

The Group has designated the swap as a cash flow hedge. Accordingly, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement. Amounts recognised in the hedge reserve are reclassified to the Income Statement in the period in which the hedged cash flows affect earnings.

As at 31 March	Company & Group	
	2026	2025
	Rs. '000	Rs. '000
Cross Currency Swaps - Derivative Financial Assets	82,705	-
Cross Currency Swaps - Derivative Financial Liabilities	-	-
Net Derivative Financial Asset Position	82,705	-

Maturity analysis of derivative financial instruments is given in Note 3.3

2.17.5 Hedging Instruments and Hedged Items

Instrument	Line Item in the Statement of Financial Position	Company & Group	
		2026	2025
		Rs. '000	Rs. '000
Hedging Instrument			
Cross Currency Swap	Derivative Financial Asset	82,705	-
Hedged Item			
USD Borrowing	Debt Instruments Issued and Other Borrowed Funds	4,661,120	-

2.17.6 Impact of Hedge Accounting on the Income Statement and Other Comprehensive Income

During the year, the Group recognised interest expense on the USD denominated borrowing amounting to Rs. 24,555,272/- Under the cross currency swap arrangement, the Group recognised interest receivable from the swap counterparty amounting to Rs. 20,332,000/- and interest expense on the LKR leg of the swap amounting to Rs. 37,381,223/-. Accordingly, the swap arrangement economically converted the USD denominated borrowing into fixed LKR denominated cash flows.

Exchange losses arising on retranslation of the USD denominated borrowing amounted to Rs. 34,681,891/- and were recognised in the Income Statement in accordance with LKAS 21 (The Effects of Changes in Foreign Exchange Rates). In line with the designated cash flow hedge relationship, Rs. 33,715,529/- was released from the cash flow hedge reserve and recognised in the Income Statement in the same period in which exchange differences arose on the hedged borrowing.

The fair value gain arising on the cross currency swap amounting to Rs. 82,705,277/- was recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The hedge relationship was assessed to be highly effective throughout the reporting period and no material hedge ineffectiveness was recognised in the Income Statement during the reporting period. Refer Note 2.35.3 for movements in the cash flow hedge reserve.

2.17.7 Valuation Techniques Used

The fair value of derivative financial instruments and the cash flow hedge reserve is determined using the discounted cash flow method based on observable market inputs, including forward exchange rates and market interest rate curves.

2.18 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.

Notes to the Financial Statements

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	120,392,440	85,686,491	120,401,127	85,686,491
Lease Receivables (Note 2.18.1 (a))	39,056,144	37,528,724	59,206,499	37,528,724
Vehicle Loans	95,160,517	47,184,658	95,160,517	47,184,658
Term Loans	14,674,660	12,280,805	16,583,199	13,853,744
Mortgage Loans	4,959,786	3,949,755	4,959,786	3,949,755
Power Drafts	46,738,340	18,248,927	46,738,340	18,248,927
Gross Loans and Receivables	320,981,887	204,879,360	343,049,468	206,452,299
Rentals Received in Advance	-	(37)	-	(37)
Allowance for Impairment Losses (Note 2.18.5)	(8,321,582)	(7,112,632)	(10,050,652)	(7,181,215)
Net Loans and Receivables Subject to Fair Value (Note 2.18.3)	312,660,305	197,766,691	332,998,816	199,271,047
Fair Value	309,247,280	201,330,884	329,628,542	202,835,240

2.18.1 Lease Receivables

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Rentals Receivable				
- Within One Year	22,514,419	21,816,050	37,832,506	21,816,050
- One to Five Years	28,744,657	27,114,696	43,917,222	27,114,696
- Over Five Years	5,789	9,269	5,789	9,269
	51,264,865	48,940,015	81,755,517	48,940,015
Unearned Income				
- Within One Year	(6,399,499)	(6,003,797)	(12,505,872)	(6,003,797)
- One to Five Years	(5,808,940)	(5,406,985)	(10,042,864)	(5,406,985)
- Over Five Years	(282)	(509)	(282)	(509)
	(12,208,721)	(11,411,291)	(22,549,018)	(11,411,291)
2.18.1 **(a) Lease Receivables**	39,056,144	37,528,724	59,206,499	37,528,724
Rentals Received in Advance	-	(37)	-	(37)
Allowance for Impairment Losses	(1,158,811)	(1,493,487)	(2,779,937)	(1,493,487)
2.18.1 **(b) Net Lease Receivable**	37,897,333	36,035,200	56,426,562	36,035,200

2.18.2 Loans and Receivables Include Loans Granted to Employees, the Movement of which is as Follows;

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at the Beginning of the Year	516,804	424,410	614,462	512,241
Amounts Recognised on Acquisition	-	-	1,957	-
Loans Granted During the Year	1,086,377	1,349,604	1,094,651	1,361,851
Repayments During the Year	(961,196)	(1,257,210)	(972,428)	(1,259,630)
As at the End of the Year	641,985	516,804	738,642	614,462

2.18.3 Contractual Maturity Analysis of Loans and Receivables

2.18.3 (a) Company

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	120,392,440	-	-	120,392,440
Lease Receivables	16,114,920	22,935,717	5,507	39,056,144
Vehicle Loans	28,194,960	66,524,416	441,141	95,160,517
Term Loans	6,646,856	3,488,820	4,538,984	14,674,660
Mortgage Loans	2,330,855	2,399,791	229,140	4,959,786
Power Drafts	13,790,150	32,948,190	-	46,738,340
Gross Loans and Receivables	187,470,181	128,296,934	5,214,772	320,981,887
Rentals Received in Advance				-
Allowance for Impairment Losses (Note 2.18.5 (a))				(8,321,582)
Net Loans and Receivables				312,660,305

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	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	3,304,689	4,408,374	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	69,212,065	4,594,875	204,879,360
Rentals Received in Advance				(37)
Allowance for Impairment Losses (Note 2.18.5 (a))				(7,112,632)
Net Loans and Receivables				197,766,691

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

2.18.3 (b) Group

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	120,401,127	-	-	120,401,127
Lease Receivables	25,326,634	33,874,358	5,507	59,206,499
Vehicle Loans	28,194,960	66,524,416	441,141	95,160,517
Term Loans	8,262,146	3,777,567	4,543,486	16,583,199
Mortgage Loans	2,330,855	2,399,791	229,140	4,959,786
Power Drafts	13,790,150	32,948,190	-	46,738,340
Gross Loans and Receivables	198,305,872	139,524,322	5,219,274	343,049,468
Rentals Received in Advance				-
Allowance for Impairment Losses (Note 2.18.5(b))				(10,050,652)
Net Loans and Receivables				332,998,816

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	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 2.18.5 (b))				(7,181,215)
Net Loans and Receivables				199,271,047

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

2.18.4 Credit Exposure Movement - ECL Stage-wise

2.18.4 (a) Company

Loans and Receivables	2026			
	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Carrying Amount as at 1 April 2025	175,345,209	24,916,640	4,617,474	204,879,323
Transfer to Stage 01	4,218,718	(4,135,725)	(82,993)	-
Transfer to Stage 02	(11,251,011)	11,351,123	(100,112)	-
Transfer to Stage 03	(334,745)	(497,145)	831,890	-
New Assets Originated or Purchased	239,617,422	22,972,723	900,220	263,490,365
Financial Assets Derecognised or Repaid	(129,442,061)	(16,105,565)	(1,545,226)	(147,092,852)
Write-offs	-	-	(294,949)	(294,949)
As at 31 March 2026	278,153,532	38,502,051	4,326,304	320,981,887

Loans and Receivables	2025			
	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	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

2.18.4 (b) Group

Loans and Receivables	2026			
	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Carrying Amount as at 1 April 2025	176,805,434	24,917,910	4,728,918	206,452,262
Additions Resulting from Acquisitions	11,948,460	3,688,735	3,208,854	18,846,049
Transfer to Stage 01	4,886,267	(4,668,521)	(217,746)	-
Transfer to Stage 02	(14,983,612)	15,178,188	(194,576)	-
Transfer to Stage 03	(841,493)	(1,731,819)	2,573,312	-
New Assets Originated or Purchased	245,523,525	24,190,304	901,758	270,615,587
Financial Assets Derecognised or Repaid	(132,816,818)	(16,640,318)	(2,363,718)	(151,820,854)
Write-offs	-	-	(1,141,676)	(1,141,676)
Exchange Rate Variance on Foreign Currency Exposure	91,070	79	6,951	98,100
As at 31 March 2026	290,612,833	44,934,558	7,502,077	343,049,468

Loans and Receivables	2025			
	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	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 Exposure	(17,156)	(81)	(2,012)	(19,249)
As at 31 March 2025	176,805,434	24,917,910	4,728,918	206,452,262

2.18.5 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 Accounting 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 advances 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 borrower's 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 analysing 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 (Financial Instrument) 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 (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;

- Industry NPL
- Per Capita GDP
- Business Confidence Index
- Unemployment Rates
- Exchange Rates
- Balance of Payment
- Fuel Prices
- Budget Deficit as a Percentage of GDP
- GDP Growth Rate
- Interest Rates
- Inflation Rates
- Rainfall
- Purchasing Manager Index - Manufacturing
- Purchasing Manager Index - Services

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 and any accrued but unrecovered interest income is transferred immediately to interest in suspense 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.

2.18.5 (a) Stage-wise Analysis of the Allowance for Impairment Losses - Company

	2026				2025			
	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
As at the Beginning 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
Amounts Recognised on Amalgamation	-	-	-	-	451	100	266,514	267,065
Charge/(Reversal) for the Year	1,277,498	109,868	116,533	1,503,899	311,306	(24,711)	(282,225)	4,370
Amounts Written-Off	-	-	(294,949)	(294,949)	-	-	(468,055)	(468,055)
As at the End of the Year	4,572,767	607,563	3,141,252	8,321,582	3,295,269	497,695	3,319,668	7,112,632
Individual Impairment	-	-	3,141,252	3,141,252	-	-	3,319,668	3,319,668
Collective Impairment	4,572,767	607,563	-	5,180,330	3,295,269	497,695	-	3,792,964
Total	4,572,767	607,563	3,141,252	8,321,582	3,295,269	497,695	3,319,668	7,112,632
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	4,326,304	4,326,304	-	-	4,617,474	4,617,474
Gross Amount of Loans Collectively Assessed for the Impairment	278,153,532	38,502,051	-	316,655,583	175,345,209	24,916,640	-	200,261,849
Gross Receivables	278,153,532	38,502,051	4,326,304	320,981,887	175,345,209	24,916,640	4,617,474	204,879,323
Gross Amount of Loans Individually Determined to be Impaired				1.35%				2.25%

2.18.5 (b) Stage-wise Analysis of the Allowance for Impairment Losses - Group

	2026				2025			
	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
As at the Beginning 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
Additions Resulting from Acquisitions	119,020	256,177	1,266,302	1,641,499	-	-	-	-
Charge/(Reversal) for the Year	1,344,148	335,833	685,002	2,364,983	291,291	(15,174)	(277,704)	(1,587)
Amounts Written-Off	-	-	(1,141,676)	(1,141,676)	-	-	(469,195)	(469,195)
Exchange Rate Variance on Foreign Currency Provisions	1,701	285	2,645	4,631	(360)	(53)	(612)	(1,025)
As at the End of the Year	4,769,069	1,099,493	4,182,090	10,050,652	3,304,200	507,198	3,369,817	7,181,215
Individual Impairment	-	-	3,650,036	3,650,036	-	-	3,369,817	3,369,817
Collective Impairment	4,769,069	1,099,493	532,054	6,400,616	3,304,200	507,198	-	3,811,398
Total	4,769,069	1,099,493	4,182,090	10,050,652	3,304,200	507,198	3,369,817	7,181,215
Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	4,973,944	4,973,944	-	-	4,728,918	4,728,918
Gross Amount of Loans Collectively Assessed for the Impairment	290,612,833	44,934,558	2,528,133	338,075,524	176,805,434	24,917,910	-	201,723,344
Gross Receivables	290,612,833	44,934,558	7,502,077	343,049,468	176,805,434	24,917,910	4,728,918	206,452,262
Gross Amount of Loans Individually Determined to be Impaired				2.19%				2.29%

Notes to the Financial Statements

2.18.5 (c) Product-wise Analysis of the Allowance for Impairment Losses - Company

As at 31 March	2026				2025			
	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	2,385,205	20,351	37,600	2,443,156	1,648,977	33,049	31,704	1,713,730
Lease Receivables	323,980	125,168	709,663	1,158,811	383,613	141,366	968,508	1,493,487
Vehicle Loans	906,974	267,591	342,673	1,517,238	533,960	184,770	359,703	1,078,433
Term Loans	308,325	36,359	131,436	476,120	385,379	20,537	98,075	503,991
Mortgage Loans	127,362	59,652	1,514,611	1,701,625	119,476	52,301	1,600,069	1,771,846
Power Drafts	520,921	98,442	405,269	1,024,632	223,864	65,672	261,609	551,145
Total Allowance for Impairment Losses	4,572,767	607,563	3,141,252	8,321,582	3,295,269	497,695	3,319,668	7,112,632

2.18.5 (d) Product-wise Analysis of the Allowance for Impairment Losses - Group

As at 31 March	2026				2025			
	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	2,385,205	20,351	46,287	2,451,843	1,648,977	33,049	31,704	1,713,730
Lease Receivables	476,370	615,853	1,687,714	2,779,937	383,613	141,366	968,508	1,493,487
Vehicle Loans	906,974	267,591	342,673	1,517,238	533,960	184,770	359,703	1,078,433
Term Loans	352,237	37,604	185,536	575,377	394,310	30,040	148,224	572,574
Mortgage Loans	127,362	59,652	1,514,611	1,701,625	119,476	52,301	1,600,069	1,771,846
Power Drafts	520,921	98,442	405,269	1,024,632	223,864	65,672	261,609	551,145
Total Allowance for Impairment Losses	4,769,069	1,099,493	4,182,090	10,050,652	3,304,200	507,198	3,369,817	7,181,215

2.18.5 (e) Stage Movements in Allowance for Impairment Losses - Company

	2026				2025			
	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	3,295,269	497,695	3,319,668	7,112,632	2,983,512	522,306	3,803,434	7,309,252
Amounts Recognised on Amalgamation	-	-	-	-	451	100	266,514	267,065
Transfer to Stage 01	109,664	(95,788)	(13,876)	-	178,468	(95,007)	(83,461)	-
Transfer to Stage 02	(195,514)	210,278	(14,764)	-	(182,563)	202,512	(19,949)	-
Transfer to Stage 03	(6,687)	(11,672)	18,359	-	(7,548)	(26,984)	34,532	-
New Assets Originated or Purchased	4,039,386	386,061	715,999	5,141,446	2,824,971	301,165	735,588	3,861,724
Financial Assets Derecognised or Repaid	(2,669,351)	(379,011)	(589,185)	(3,637,547)	(2,502,022)	(406,397)	(948,935)	(3,857,354)
Write-offs	-	-	(294,949)	(294,949)	-	-	(468,055)	(468,055)
As at the End of the Year	4,572,767	607,563	3,141,252	8,321,582	3,295,269	497,695	3,319,668	7,112,632

2.18.5 (f) Stage Movements in Allowance for Impairment Losses - Group

	2026				2025			
	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	3,304,200	507,198	3,369,817	7,181,215	3,013,269	522,425	4,117,328	7,653,022
Additions Resulting from Acquisitions	119,020	256,177	1,266,302	1,641,499	-	-	-	-
Transfer to Stage 01	169,394	(130,536)	(38,858)	-	182,189	(95,066)	(87,123)	-
Transfer to Stage 02	(238,464)	267,891	(29,427)	-	(182,608)	202,566	(19,958)	-
Transfer to Stage 03	(14,918)	(121,490)	136,408	-	(7,890)	(27,116)	35,006	-
New Assets Originated or Purchased	4,136,058	494,124	718,895	5,349,077	2,833,562	310,868	759,988	3,904,418
Financial Assets Derecognised or Repaid	(2,706,780)	(174,462)	(102,500)	(2,983,742)	(2,533,962)	(406,426)	(965,617)	(3,906,005)
Write-offs	-	-	(1,141,676)	(1,141,676)	-	-	(469,195)	(469,195)
Exchange Rate Variance on Foreign Currency Provisions	559	591	3,129	4,279	(360)	(53)	(612)	(1,025)
As at the End of the Year	4,769,069	1,099,493	4,182,090	10,050,652	3,304,200	507,198	3,369,817	7,181,215

2.18.5 (g) Sensitivity Analysis of Allowance for Impairment Losses

The Company has estimated the impairment provision as at 31 March 2026 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 2026 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 2.18.5(h) to these Financial Statements.

Changed Criteria	Changed Factor	Sensitivity Effect on Impairment Allowance Increase		Sensitivity Effect on Income Statement	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loss Given Default (LGD)	Increase by 10%	137,652	135,364	137,652	135,364
Probability of Default (PD)	Increase by 1%	14,565	10,261	14,565	10,261

2.18.5 (h) 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. Given the inherent uncertainty in macroeconomic conditions, particularly in a post-crisis recovery environment, the estimation of ECL requires the incorporation of forward-looking information through multiple economic scenarios. Management judgement is applied to address limitations in data, model assumptions and emerging risk factors that may not be fully captured within quantitative models.

Methodology

The Group utilises a multi scenario framework incorporating Base, Upside and Downside scenarios, each applied at varying confidence levels, to capture a range of possible economic outcomes. These scenarios are derived using an internally developed econometric model in collaboration with the University of Colombo, incorporating key macroeconomic variables such as GDP growth, inflation, unemployment and interest rates. Machine learning techniques are applied to identify historical relationships and simulate forward looking credit risk impacts.

While macroeconomic conditions in Sri Lanka have shown signs of stabilisation and recovery following the economic crisis, forecasts remain subject to uncertainty due to external shocks, global economic conditions and the pace of structural reforms. Accordingly, management judgement continues to play a critical role in interpreting model outputs and ensuring that ECL estimates reflect current and emerging risks.

ECL Scenarios and Sensitivity Analysis of Allowance for Impairment Losses

The application of multiple economic scenarios results in varying ECL outcomes, which are considered reasonable and reflective of potential economic paths. The analysis assumes that historical relationships between macroeconomic variables and credit losses remain broadly valid. However, actual outcomes may differ due to changes in borrower behaviour, policy and regulatory interventions, sector specific dynamics and availability of credit in the financial system.

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	-19.02%			-20.36%		
At 99% Confidence		-38.09%	-2.61%		-39.42%	-8.87%
At 95% Confidence		-32.83%	-11.42%		-29.84%	-12.80%
At 90% Confidence		-26.21%	-13.12%		-27.54%	-14.48%
At 80% Confidence		-23.20%	-13.89%		-24.69%	-15.22%

Economic Factor Adjustment - Value Variance

	Upto 01 Year			Beyond 01 Year		
	Base	Upside	Downside	Base	Upside	Downside
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Forecast	(277,079)			(296,490)		
At 99% Confidence		(554,728)	(38,015)		(574,152)	(129,165)
At 95% Confidence		(478,169)	(166,306)		(434,606)	(186,366)
At 90% Confidence		(381,762)	(191,066)		(401,186)	(210,861)
At 80% Confidence		(337,868)	(202,268)		(359,544)	(221,679)

Scenario Analysis

Base Scenario

The Base Scenario reflects a gradual economic recovery, supported by macroeconomic stabilisation, improved fiscal discipline and easing monetary conditions. The Sri Lankan economy has transitioned from a period of contraction to moderate growth, with GDP expected to grow in the range of 4%–5%, while inflation is projected to stabilise around the Central Bank's target of approximately 5%.

Accordingly, the EFA model projects a reduction in non-performing advances, resulting in a positive impact on impairment provisions of 19.02% (2027) and 20.36% (2028). Continued progress in debt restructuring, improved external sector performance and policy reforms are expected to support borrower repayment capacity and credit quality in the medium term.

Upside Scenario

The Upside Scenario assumes a stronger than expected economic recovery, driven by the accelerated implementation of structural reforms, improved investor confidence, a stronger rebound in tourism and external inflows and enhanced credit growth.

Under this scenario, the EFA model estimates a significant reduction in impairment levels, with ECL decreasing by 38.09% in 2027 and 39.42% in 2028 at a 99% confidence level. This reflects improved borrower creditworthiness, lower default rates and strengthened asset quality across the portfolio.

Downside Scenario

The Downside Scenario reflects persistent vulnerabilities in the recovery path, including slower economic growth, exposure to external shocks such as global trade disruptions, commodity price volatility and geopolitical risks, as well as continued pressure on household income and business cash flows. Although macroeconomic conditions have shown signs of stabilisation, risks remain elevated in certain sectors, particularly those exposed to global demand fluctuations and cost pressures.

Under this scenario, the EFA model estimates an increase in credit risk, with impairment levels rising by 2.61% in 2027 and 8.87% in 2028 at a 99% confidence level. This reflects potential deterioration in borrower repayment capacity, delayed recovery in vulnerable sectors and continued stress in SME and retail portfolios.

Management Judgemental Adjustments

Management judgemental overlays are applied to address model limitations, data lags and emerging risks that are not fully captured within quantitative models. During the year, although overall economic conditions showed improvement, certain sectors continued to exhibit heightened risk due to uneven recovery patterns and external vulnerabilities. After considering all relevant factors, management decided to continue the sector specific overlays applied in the previous year for the construction, tourism and apparel sectors.

As a result, the Company applied a total management judgemental overlay of Rs. 1,490,764,891/- (2025: Rs. 881,635,847/-) 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. 415,852,079/- (2025: Rs. 271,685,436/-) were made for certain high value facilities considered potentially high-risk, as a precautionary measure based on management judgement.

Further, in line with the Company's 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. 460,511,301/- (2025: Rs. 510,097,210/-).

In addition, a separate management overlay was applied to the gold loan portfolio, amounting to Rs. 1,190,224,664/- (2025: Rs. 1,556,040,386/-), over and above the impairment derived from the VAR-based model. This overlay reflects the inherent volatility and uncertainty associated with gold prices, which are influenced by global market dynamics, exchange rate movements and investor sentiment. Given the sensitivity of gold-backed lending to fluctuations in collateral values and the potential lag in realisation under stressed market conditions, management considered it prudent to apply an additional buffer to capture potential downside risks not fully reflected in the quantitative model.

The total impact of all management judgemental adjustments made to the ECL calculation as at the reporting date amounted to Rs. 3,557,352,935/- (2025: Rs. 3,219,458,879/-). These adjustments will continue to be reviewed periodically and updated in response to credit performance trends, sector specific developments and broader economic shifts.

In determining economic factor adjustments, the Group has applied the Downside Scenario at a 95% confidence level, reflecting a prudent approach in light of residual uncertainties in the economic outlook. Management overlays are subject to robust internal review and challenge, applied consistently using a documented methodology and are periodically reassessed in line with evolving credit performance trends and macroeconomic conditions.

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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Equity Securities - Quoted (Note 2.19.1)	123,263	126,931	123,263	126,931
Equity Securities - Unquoted (Note 2.19.2)	70,232	38,093	82,970	38,093
	193,495	165,024	206,233	165,024

Notes to the Financial Statements

2.19.1 Equity Securities - Quoted

As at 31 March	Company & Group					
	2026			2025		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Capital Goods						
Central Industries PLC	10,016	150	2,053	10,016	150	1,467
Royal Ceramics Lanka PLC*	313,200	843	13,468	313,200	843	11,589
Samson International PLC	5,881	927	2,942	5,881	927	985
		1,920	18,463		1,920	14,041
Consumer Services						
The Fortress Resorts PLC*	4,051,100	82,014	87,504	4,051,100	82,014	99,252
		82,014	87,504		82,014	99,252
Food, Beverage and Tobacco						
Lanka Milk Foods PLC	54,010	245	4,326	54,010	245	2,344
		245	4,326		245	2,344
Diversified Financials						
Softlogic Finance PLC	2,090,000	79,656	12,958	2,090,000	79,656	11,286
Seylan Bank PLC (Voting)	118	5	12	115	-	8
		79,661	12,970		79,656	11,294
Total		163,840	123,263		163,835	126,931

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 2026 and 2025.

2.19.2 Equity Securities - Unquoted - Company

As at 31 March	2026			2025		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Credit Information Bureau of Sri Lanka	1,072	107	31,074	1,072	107	107
Finance House Association of Sri Lanka	20,000	200	1,372	20,000	200	200
National Credit Guarantee Institution Ltd	3,778,618	37,786	37,786	3,778,618	37,786	37,786
Total		38,093	70,232		38,093	38,093

Cost is assumed to be the best approximation for the fair value of unquoted shares at times where most recent exit price is not available.

Equity Securities - Unquoted - Group

As at 31 March	2026			2025		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Credit Information Bureau of Sri Lanka	1,263	126	36,610	1,072	107	107
Finance House Association of Sri Lanka	40,000	400	2,744	20,000	200	200
National Credit Guarantee Institution Ltd	3,778,618	37,786	37,786	3,778,618	37,786	37,786
Ranweli Holiday Resorts Limited	40,444	189	1,664	-	-	-
Comtrust Equity Fund	18,310	352	1,140	-	-	-
Nation Lanka Equities	800,005	8,786	1,184	-	-	-
Namal Unit Trust	19,608	115	1,375	-	-	-
Poltech (Ceylon) Ltd	12,715	125	467	-	-	-
Total		47,879	82,970		38,093	38,093

Cost is assumed to be the best approximation for the fair value of unquoted shares at times where most recent exit price is not available.

2.19.2 (a) Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at the Beginning of the Year	38,093	305	38,093	307
Remeasurement Recognised in Other Comprehensive Income	32,139	-	32,139	-
Amounts Recognised on Acquisition	-	-	12,738	-
Amounts Recognised on Amalgamation	-	2	-	-
Purchases	-	37,786	-	37,786
As at the End of the Year	70,232	38,093	82,970	38,093

2.20 Other Financial Assets

Accounting Policy

These financial assets comprise securities under Reverse Repurchase Agreements where the Group acts as the transferee, investments in government securities and treasury bills, commercial papers, fixed deposits with banks and other financial institutions, advance investments, insurance premium receivables, amounts due from subsidiaries and sundry debtors. Securities under Reverse Repurchase Agreements provide the Group with the ability to offset its 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, where the assets are held within a business model whose objective is to collect contractual cash flows. Any difference between the initial carrying amount and the amount receivable (including interest income) is recognised in the income statement over the period of the asset using the EIR method, in accordance with SLFRS 9 (Financial Instruments). Insurance premium receivables, amounts due from subsidiaries and sundry debtors are recognised at the amount expected to be received and subsequently measured at amortised cost.

The Group assesses its financial assets for impairment using the Expected Credit Loss (ECL) model at each reporting date, as specified by Sri Lanka Accounting Standard – SLFRS 9.

Notes to the Financial Statements

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Securities under Reverse Repurchase Agreements (Note 2.20.1)	7,988,467	2,541,436	9,837,179	2,541,436
Investment in Fixed Deposits (Note 2.20.2 and 2.20.3)	30,597,868	10,543,975	30,597,868	10,543,975
Investment in Treasury Bills	18,183	7,489,281	23,699	7,489,281
Investment in Commercial Papers	1,000,231	-	1,000,231	-
Advance Investment in Philippines (Note 2.20.4)	203,385	-	203,385	-
Insurance Premium Receivables	553,556	409,665	553,556	409,665
Due from Subsidiaries	56,032	13,072	-	-
Sundry Debtors	125,322	204,071	144,891	204,255
	40,543,044	21,201,500	42,360,809	21,188,612
Fair Value	40,543,062	21,229,829	42,360,827	21,216,941

2.20.1 The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2026 for the Company was Rs. 8,696,836,802/- (2025 - Rs. 2,719,380,186/-) and for the Group was Rs. 10,836,040,344/- (2025 - Rs. 2,719,380,186/-).

2.20.2 Investment in Fixed Deposits - Counterparty External Credit Ratings

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
AA	2,558,395	-	2,558,395	-
AA-	14,759,798	4,489,529	14,759,798	4,489,529
A+	1,812,764	-	1,812,764	-
A	8,671,813	6,056,210	8,671,813	6,056,210
BBB	2,799,652	-	2,799,652	-
Investment in Fixed Deposits	30,602,422	10,545,739	30,602,422	10,545,739
Allowance for Impairment Losses	(4,554)	(1,764)	(4,554)	(1,764)
Total	30,597,868	10,543,975	30,597,868	10,543,975

Ratings are based on Fitch Ratings Lanka Ltd

2.20.3 Investment in Fixed Deposits - By Currency

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lankan Rupee (LKR)	16,308,617	10,545,739	16,308,617	10,545,739
United States Dollar (USD)	14,293,805	-	14,293,805	-
Investment in Fixed Deposits	30,602,422	10,545,739	30,602,422	10,545,739
Allowance for Impairment Losses	(4,554)	(1,764)	(4,554)	(1,764)
Total	30,597,868	10,543,975	30,597,868	10,543,975

2.20.4 Advance Investment in Philippines

During the year, the Group incurred legal and related preliminary expenses in connection with a proposed greenfield investment project in the Philippines. As the investment structure had not been finalised as at the reporting date, these amounts have been classified under other financial assets as advance investment and not recognised as an investment in a subsidiary.

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.

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits, Advances and Prepayments	734,253	393,672	793,262	418,047
Gold Stock	1,514	1,514	1,514	1,514
Stationery Stock	29,106	18,252	29,106	18,252
Vehicle Stock	46,400	-	46,400	-
Withholding Tax Receivable	34,291	10,828	34,291	10,828
Sundry Debtors	10,022	10,252	52,772	26,570
Pre-Paid Staff Cost (Note 2.21.1)	5,219	4,957	5,219	4,957
	860,805	439,475	962,564	480,168

2.21.1 The Movement in the Pre-Paid Staff Cost

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at the Beginning of the Year	4,957	11,622	4,957	11,622
Adjustment for New Grants and Settlements	1,446	(4,779)	1,446	(4,779)
Charge to Personnel Expenses	(1,184)	(1,886)	(1,184)	(1,886)
As at the End of the Year	5,219	4,957	5,219	4,957

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 advances.

Notes to the Financial Statements

As at 31 March	Company					
	2026			2025		
	Holding	Cost/Caring Value	Market Value	Holding	Cost/Caring Value	Market Value
	%	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000
LB Microfinance Myanmar Company Limited (Note 2.22.1)	100.00	552,137	552,137	100.00	521,162	521,162
Associated Motor Finance Company PLC (Note 2.22.2)	73.11	4,142,446	4,225,532		-	-
		4,694,583	4,777,669		521,162	521,162

2.22.1 LB Microfinance Myanmar Company Limited

During the year, the Company infused additional capital amounting to Rs. 30,975,000/- to support the business operations and strengthen the capital base of the subsidiary.

Cost is considered to be the best approximation of the fair value of the investment in LB Microfinance Myanmar Company Limited due to the absence of recent observable market prices.

2.22.2 Acquisition of Associated Motor Finance Company PLC

On 17 November 2025, L B Finance PLC acquired 73.11% of the ordinary voting shares of Associated Motor Finance Company PLC for a total cash consideration of Rs. 4,142,446,400/-, thereby obtaining control of the entity. This acquisition was carried out pursuant to the approval granted by the Central Bank of Sri Lanka, which also approved the amalgamation of Associated Motor Finance Company PLC with LB Finance PLC, to be completed on or before 31 March 2027.

Associated Motor Finance Company PLC was incorporated in Kandy on 25 July 1962 as a Limited Liability Company and is a listed company on the Colombo Stock Exchange, following its listing on 01 April 2021. The principal activities of the Company include leasing, hire purchase and related financing activities.

The acquisition has been accounted for using the acquisition method in accordance with Sri Lanka Accounting Standard – SLFRS 3 (Business Combinations).

The acquisition is aligned with the Group's strategy to expand its presence in the leasing and asset financing sector and to strengthen its position within the non-bank financial services industry.

Acquisition-related costs incurred in connection with the business combination amounting to Rs. 11,664,653/- have been recognised in the Income Statement and disclosed under Professional and Legal Expenses. Issue costs that were not recognised as an expense have been accounted for in accordance with the applicable accounting requirements.

2.22.2 (a) Consideration Paid

	Control Holding Acquired	Cash and Cash Equivalents Paid	Intra Group Investment	Fair Value of the Consideration Paid	Fair Value of Previously Held Interest	Total Consideration of Acquisition
	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Associated Motor Finance Company PLC	73.11	4,142,446	-	4,142,446	-	4,142,446

2.22.2 (b) The Fair Values of the Identifiable Assets and Liabilities of the Associated Motor Finance Company PLC as at the Date of Acquisition were;

	Rs. '000
Assets	
Cash and Cash Equivalents	121,955
Financial Assets at Amortised Cost - Loans and Receivables	17,204,550
Financial Assets Measured at Fair Value Through Other Comprehensive Income	11,046
Other Financial Assets	3,266,604
Other Non Financial Assets	75,028
Property, Plant and Equipment and Right-of-Use Assets	1,300,474
Investment Properties	161,100
Intangible Assets	8,984
Total Assets	22,149,741
Liabilities	
Due to Banks	37,817
Financial Liabilities at Amortised Cost - Due to Depositors	15,793,151
Other Financial Liabilities	878,512
Other Non Financial Liabilities	568,331
Current Tax Liabilities	289,452
Deferred Tax Liabilities	54,595
Post Employment Benefit Liability	163,877
Total Liabilities	17,785,735
Fair Value of Identifiable Net Assets as at the Date of Acquisition	4,364,006

2.22.2 (c) Goodwill on Acquisition/(Gain on Bargain Purchase) is Recognised as a Result of the Acquisition as Follows;

	Rs. '000
Total Purchase Consideration	4,142,446
Fair Value of Identifiable Net Assets as at the Acquisition Date	4,364,006
Control Holding Acquired	73.11%
Fair Value of Identifiable Net Assets Acquired	3,190,524
Goodwill on Acquisition	951,922

The Group completed the purchase price allocation exercise in accordance with Sri Lanka Financial Reporting Standard (SLFRS) 3 – Business Combinations. Management concluded that no further material fair value adjustments were required upon completion of the purchase price allocation exercise.

The goodwill recognised on acquisition primarily represents expected synergies arising from the integration of operations, anticipated future business growth, the value of the assembled workforce and other intangible benefits that do not qualify for separate recognition under SLFRS 3.

As part of the acquisition accounting process, Management assessed the existence of separately identifiable intangible assets and concluded that no material intangible assets requiring separate recognition were identified, other than those already recognised by the acquiree at the acquisition date.

The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2.22.2 (d) Net Cash Used in Acquisition of Associated Motor Finance Company PLC

	Rs. '000
Purchase Consideration Paid	
Fair Value of the Consideration Paid	4,142,446
Less: Cash and Cash Equivalents Acquired	84,138
Net Cash Used in Acquisition	4,058,308

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.

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 subsidiary's outlook. Based on this assessment, no impairment was recognised as the recoverable amount exceeded the carrying value of the investment.

With respect to the investment in Associated Motor Finance Company PLC, the Company assessed the existence of any impairment indicators as at the reporting date, 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 subsidiary's outlook. Based on this assessment, no impairment was recognised as there were no indicators suggesting that the carrying amount of the investment exceeds its recoverable amount. The Company has obtained approval from the Central Bank of Sri Lanka to amalgamate Associated Motor Finance Company PLC with LB Finance PLC, which is required to be completed on or before 31 March 2027. This planned amalgamation has been considered in the overall assessment; however, it does not impact the impairment conclusion as at the reporting date.

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 Multi Finance PLC

During the previous financial year, the Company completed the amalgamation of Multi Finance PLC with and into LB Finance PLC in accordance with the provisions of the Companies Act No. 07 of 2007. The amalgamation was accounted for using merger accounting and has been fully reflected in the Financial Statements. There were no further impacts arising during the current financial year.

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 2026 are as follows;

Asset Category	Period (Years)	Depreciation % per Annum
Freehold Buildings and Edifices	40-50	2-2.5
Furniture and Fittings	6.67-10	10-15
Equipment	5-10	10-20
Motor Vehicles	5-8	12.50-20
Computer Hardware and Equipment	5	20
Leasehold Improvements	6.67	15
Fixtures and Fittings	5	20

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 - 2026

	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 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
Additions	2,532	48,404	114,898	224,679	291,333	339,548	64,329	303,510	856,429	2,245,662
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(19,479)	(28,369)	(62,428)	(141,160)	(4,147)	(20,716)	(259,641)	(535,940)
Balance as at 31 March 2026	5,038,518	1,315,616	642,263	1,613,102	653,038	1,856,566	1,098,915	1,982,172	3,546,517	17,746,707
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2025	-	237,283	386,044	1,025,290	309,161	1,146,916	762,413	1,134,289	1,310,076	6,311,472
Charge for the Year	-	29,268	51,396	146,676	37,322	184,317	86,836	229,304	376,845	1,141,964
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(18,413)	(27,241)	(60,393)	(140,672)	(3,986)	(20,385)	(179,127)	(450,217)
Balance as at 31 March 2026	-	266,551	419,027	1,144,725	286,090	1,190,561	845,263	1,343,208	1,507,794	7,003,219
Net Book Value as at 31 March 2026	5,038,518	1,049,065	223,236	468,377	366,948	666,005	253,652	638,964	2,038,723	10,743,488

2.23.2 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

2.23.3 Group - 2026

	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 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
Additions Resulting from Acquisitions	978,000	147,212	182,605	73,186	164,110	115,656	-	-	218,959	1,879,728
Additions	2,532	48,404	117,857	226,103	291,333	341,539	64,329	303,510	856,429	2,252,036
Transfers	-	-	(18)	18	-	-	-	-	-	-
Exchange Rate Variance	-	-	743	779	50	1,321	-	-	-	2,893
Disposals/Write-offs	-	(13,212)	(19,685)	(28,383)	(167,060)	(141,249)	(4,147)	(20,716)	(342,709)	(737,161)
Balance as at 31 March 2026	6,016,518	1,449,616	866,424	1,702,912	713,381	1,995,542	1,078,026	1,976,415	3,747,233	19,546,067
Accumulated Depreciation and Impairment Losses										
Balance as at 1 April 2025	-	237,283	409,440	1,032,220	309,609	1,156,282	744,874	1,132,039	1,375,240	6,396,997
Additions Resulting from Acquisitions	-	11,754	151,998	56,643	157,414	87,269	-	-	114,177	579,255
Charge for the Year	-	30,726	57,163	150,174	38,093	190,625	86,836	229,304	387,625	1,170,546
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	(11)	11	-	-	-	-	-	-
Exchange Rate Variance	-	-	327	393	30	736	-	-	-	1,486
Disposals/Write-offs	-	(13,212)	(18,597)	(27,255)	(165,018)	(140,761)	(3,986)	(20,385)	(207,896)	(597,110)
Balance as at 31 March 2026	-	266,551	600,320	1,212,186	340,128	1,294,151	827,724	1,340,958	1,669,146	7,551,174
Net Book Value as at 31 March 2026	6,016,518	1,183,065	266,104	490,726	373,253	701,391	250,302	635,457	2,078,087	11,994,893

2.23.4 Group - 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	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

Notes to the Financial Statements

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. 2,245,662,289/- (2025 - Rs. 1,825,628,954/-). Cash payments amounting to Rs. 1,389,233,270/- (2025 - Rs. 1,142,746,159/-) 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. 2,252,036,289/- (2025 - Rs. 1,846,093,391/-). Cash payments amounting to Rs. 1,395,607,270/- (2025 - Rs. 1,163,208,391/-) 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 2026, 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 2026 and 2025.

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. 3,801,298,272/- (2025 - Rs. 3,206,776,247/-) for the Company and Rs. 4,117,159,880/- (2025 - Rs. 3,214,513,769/-) 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			2026						2025
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent	Buildings	Fair Value	Net Book Value	Fair Value as a % of Net Book Value	Net Book Value
				Perches	Square Feet	Rs. '000	Rs. '000		Rs. '000
Company									
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	2,214,500	806,575	275	819,126
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	4,789,125	2,204,781	217	2,194,284
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	1,311,500	1,028,832	127	1,030,048
Kandy No 115B, KotugodellaVeediya, 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	603,500	558,431	108	558,854
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	97,000	68,089	142	69,517
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	80,500	28,550	282	28,721
Kandy No 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy.	Comparison method Price per Perch	Rs. 1,273,585 p.p.	-	42.40	-	55,000	34,085	161	34,085

As at 31 March Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	2026						2025
			Number of Buildings	Extent	Buildings	Fair Value	Net Book Value	Fair Value as a % of Net Book Value	Net Book Value
				Perches	Square Feet	Rs. '000	Rs. '000		Rs. '000
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	421,000	72,343	582	73,023
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	251,750	188,219	134	188,920
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	215,500	140,112	154	140,450
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	242,000	188,809	128	189,871
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	439,000	268,894	163	269,827
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	290,500	197,664	147	199,141
Nuwara Eliya No 35/4, Upper Lake Road, Nuwara Eliya.	Comparison method Price per Perch	Rs. 1,650,000 p.p.	-	359.00	-	610,000	64,906	940	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	133,162	101	133,651
Chilaw No 63V, Kurunegala Road, Chilaw.	Comparison method Price per Perch/ Price per Square Feet	Rs. 2,846,715 p.p./ Rs. 11,071 p.sq.ft.	1	20.55	2,800	92,500	91,265	101	58,600
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	21.10	1,300	48,000	12,870	373	12,892
Associated Motor Finance Company PLC									
Colombo 05 No 146, Havelock Road, Colombo 05	Contractor's Test method Price per Perch/ Price per Square Feet	Rs. 18,000,000 p.p/ Rs. 6,400 p.sq.ft.	1	19.85	14,752	376,000	376,000	100	-
Colombo 05 No 146/34, Havelock Road, Colombo 05	Contractor's Test method Price per Perch/ Price per Square Feet	Rs. 16,000,000 p.p/ Rs. 3,800 p.sq.ft.	1	20.12	6,901	348,000	348,000	100	-
Colombo 05 No 138, Havelock Road, Colombo 05	Residual method of Valuation Price per Perch	Rs. 17,500,000.00 p.p.	-	10.60	-	185,500	185,500	100	-
Kandy No. 321, D. S. Senanayaka Weediya, Kandy	Contractor's Test method Price per Perch/ Price per Square Feet	Rs. 12,000,000 p.p./ Rs. 2,200 p.sq.ft.	1	11.35	1,800	140,000	140,000	100	-
Matara No. 578, Anagarika Dharmapala Mawatha, Matara	Contractor's Test method Price per Perch/ Price per Square Feet	Rs. 3,000,000 p.p./ Rs. 5,082 p.sq.ft.	1	17.78	1,830	62,500	62,500	100	-

Valuation of freehold land and buildings of the Group was carried out as at 31 March 2026 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 Group 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 Buildings 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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	5,385	-	5,385	5,050
Amounts Recognised on Amalgamation	-	5,050	-	-
Amounts Recognised on Acquisition	-	-	161,100	-
Disposals during the Year	-	-	(161,100)	-
Fair Value Gains/(Losses)	(1,235)	335	(1,235)	335
Balance as at the End of the Year	4,150	5,385	4,150	5,385

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 2026 (2025 – Nil).

Notes to the Financial Statements

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	-	-
Lot No - 4, Plan No. 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	-	92.50	Bare Land	4,150	-
Total				4,150	-

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 Lot No. 1, Plan No 12/41, Atikelanda Road, Arangala South, Nattaranpotha, Kandy.	Comparison Method Price per Perch	-	-	-	(1,385)	-
H. B. Manjula Basnayake Lot No - 4, Plan No 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	Comparison Method Price per Perch	Rs. 45,000 p. p.	4,150	-	150	-
Total			4,150	-	(1,235)	-

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 Restrictions on the Realisability of Investment Properties

There were no restrictions on the realisability of investment properties of the Company & 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	5	20

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Computer Software (Note 2.25.1)	126,337	67,113	134,325	67,113
Goodwill arising on Business Combination (Note 2.25.3)	-	-	951,922	-
Total Intangible Assets	126,337	67,113	1,086,247	67,113

2.25.1 Computer Software

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost				
Cost as at the Beginning of the Year	285,230	214,344	303,449	248,439
Additions Resulting from Amalgamation	-	15,579	-	-
Additions Resulting from Acquisitions	-	-	73,762	-
Additions and Improvements	80,852	58,876	80,852	58,876
Disposals/Write-off	-	(3,569)	-	(3,569)
Exchange Rate Variance	-	-	-	(297)
Cost as at the End of the Year	366,082	285,230	458,063	303,449
Amortisation and Impairment Losses				
Amortisation as at the Beginning of the Year	218,117	193,643	236,336	225,837
Additions Resulting from Amalgamation	-	14,915	-	-
Additions Resulting from Acquisitions	-	-	64,778	-
Charge for the Year	21,628	13,128	22,624	14,355
Impairment Loss	-	-	-	-
Disposals/Write-off	-	(3,569)	-	(3,569)
Exchange Rate Variance	-	-	-	(287)
Accumulated Amortisation as at the End of the Year	239,745	218,117	323,738	236,336
Net Book Value as at 31 March	126,337	67,113	134,325	67,113

2.25.2 Restrictions on the Title of the Intangible Assets

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

	Company	
	2026	2025
	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	-	-
Additions Resulting from Acquisition of Associated Motor Finance PLC	951,922	-
Balance as at the End of the Year	951,922	-

The Group carried out its annual impairment assessment in March 2026 on the goodwill arising from the acquisition of Associated Motor Finance Company PLC. For the purpose of impairment testing, the goodwill was allocated to the relevant cash generating unit (CGU) and assessed by comparing the carrying amount of the CGU, including goodwill, with its recoverable amount as at 31 March 2026. The recoverable amount of the CGU was determined using a value-in-use methodology based on projected future cash flows. Key assumptions applied in the assessment included a discount rate of 12.63%, a projection period of five years, a terminal growth rate of 5% and a long-term growth rate ranging between 10% and 20%. Based on the assessment performed, the recoverable amount exceeded the carrying amount of the CGU and, accordingly, no impairment was recognised on goodwill as at 31 March 2026.

In addition, the investment in Associated Motor Finance Company PLC was separately assessed for impairment indicators in the Company's separate financial statements by considering the carrying amount of the investment and other relevant qualitative and quantitative factors as at 31 March 2026. Based on the assessment performed, no indicators of impairment were identified.

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	
	2026	2025	*Opening Adjustment	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	Rs. '000	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	611,617	424,714	31,435	623,528	424,714	186,903	62,485	167,379	62,485				
Depreciation of Leased Assets	-	-		-	-	-	(215,435)	-	(215,435)				
Depreciation of Property, Plant and Equipment	224,439	216,179	179,851	357,351	212,073	8,260	20,859	(34,573)	20,368				
Cash Flow Hedge Reserve	14,697	-		14,697	-					14,697	-	14,697	-
Revaluation of Land and Buildings	-	-	42,179	42,179	-					-	-	-	-
	850,753	640,893	253,465	1,037,755	636,787	195,163	(132,091)	132,806	(132,582)	14,697	-	14,697	-
Deferred Tax Assets													
Right-of-Use Assets	(684,504)	(572,540)	(37,419)	(698,805)	(572,540)	(111,964)	(70,142)	(88,846)	(70,142)				
Defined Benefit Obligation - Income Statement	(182,964)	(164,557)	(49,163)	(227,643)	(164,557)	(18,407)	(28,641)	(13,923)	(28,641)				
Defined Benefit Obligation - Other Comprehensive Income	(8,331)	(1,084)	327	(1,054)	(1,084)					(7,247)	4,917	(297)	4,917
Carried Forward Qualifying Payment	(874,203)	(20,173)	-	(874,203)	(20,173)	(854,030)	(20,173)	(854,030)	(20,173)				
Carried Forward Impairment Provision	(1,554,099)	(1,138,499)	(112,615)	(1,749,207)	(1,140,776)	(415,600)	(81,916)	(495,816)	(83,393)				
	(3,304,101)	(1,896,853)	(198,870)	(3,550,912)	(1,899,130)	(1,400,001)	(200,872)	(1,452,615)	(202,349)	(7,247)	4,917	(297)	4,917
Deferred Tax Charge/(Reversal)						(1,204,838)	(332,963)	(1,319,809)	(334,931)	7,450	4,917	14,400	4,917
Net Deferred Tax Liability/(Asset)	(2,453,348)	(1,255,960)	54,595	(2,513,157)	(1,262,343)								

*The amount recognised due to acquisition of Associated Motor Finance PLC during the year of 2025-26.

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank Overdrafts	1,376,232	1,165,574	1,401,248	1,165,574
Debt Funding from Banks (Note 2.27.1)	101,590,772	36,246,108	102,055,252	36,634,133
	102,967,004	37,411,682	103,456,500	37,799,707
Fair Value	101,847,678	38,547,452	102,298,308	39,186,427

2.27.1 Debt Funding from Banks

	As at 1 April 2025	Loans Obtained*	Interest Recognised	Repayments		As at 31 March 2026
				Capital	Interest	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loans - LB Finance PLC						
Commercial Bank of Ceylon PLC	14,400,900	14,481,667	1,743,825	(9,062,500)	(1,687,834)	19,876,058
DFCC Bank PLC	143,859	-	1,048	(142,857)	(2,050)	-
Sampath Bank PLC	5,418,963	12,915,147	686,087	(3,691,664)	(660,778)	14,667,755
Hatton National Bank PLC	5,512,727	39,523,747	1,069,012	(13,625,000)	(689,317)	31,791,169
Bank of Ceylon	4,995,753	2,495,000	730,160	-	(721,336)	7,499,577
Seylan Bank PLC	1,712,161	4,496,500	267,679	(3,831,900)	(260,325)	2,384,115
Pan Asia Bank PLC	212,834	-	4,034	(212,500)	(4,368)	-
Nations Trust Bank PLC	2,004,164	12,000,000	91,352	(13,000,000)	(93,898)	1,001,618
Habib Bank	776,139	499,019	71,723	(416,667)	(73,586)	856,628
Standard Chartered Bank	601,926	4,760,000	27,198	(4,560,000)	(28,110)	801,014
National Development Bank PLC	-	2,450,000	19,347	(1,950,000)	(18,687)	500,660
People's Bank	-	27,271,480	790,017	(5,620,000)	(671,395)	21,770,102
MCB Bank Limited	466,682	749,420	58,253	(774,997)	(57,282)	442,076
Total Debt Funding from Banks - Company	36,246,108	121,641,980	5,559,735	(56,888,085)	(4,968,966)	101,590,772
Term Loan - LB Microfinance Myanmar Company Limited						
UAB Bank	388,025	51,978	75,091	-	(50,614)	464,480
Total Debt Funding from Banks - Group	36,634,133	121,693,958	5,634,826	(56,888,085)	(5,019,580)	102,055,252

*Net of transaction cost

The Company and Group have unutilised borrowing facilities of Rs. 2,593,650,000/- as at 31 March 2026 (2025 - Rs. 1,793,650,000/-).

Details of the assets pledged as security for liabilities are disclosed in Note 3.7 to these Financial Statements.

As at 31 March 2026, 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.

Notes to the Financial Statements

2.27.2 Contractual Maturity Analysis of Debt Funding from Banks - Company

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loans	34,131,383	67,459,389	-	101,590,772

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loans	16,818,454	19,427,654	-	36,246,108

2.27.3 Contractual Maturity Analysis of Debt Funding from Banks - Group

As at 31 March 2026	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loans	34,595,863	67,459,389	-	102,055,252

As at 31 March 2025	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Term Loans	17,206,479	19,427,654	-	36,634,133

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Deposits	165,286,084	132,032,628	180,867,623	132,032,628
Savings Deposits	8,043,064	6,464,244	8,692,077	6,791,268
	173,329,148	138,496,872	189,559,700	138,823,896
Fair Value	173,432,460	141,651,088	190,041,978	142,128,942

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. 225,542,862/- as the premium of the said insurance scheme during the current financial year (2025 - Rs. 190,331,802/-).

2.28.2 Contractual Maturity Analysis of Customer Deposits - Company

As at 31 March	2026				2025			
	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
Fixed Deposits	122,381,349	42,904,735	-	165,286,084	102,038,367	29,994,261	-	132,032,628
Savings Deposits	8,043,064	-	-	8,043,064	6,464,244	-	-	6,464,244
	130,424,413	42,904,735	-	173,329,148	108,502,611	29,994,261	-	138,496,872

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	2026				2025			
	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
Fixed Deposits	133,263,707	47,603,916	-	180,867,623	102,038,367	29,994,261	-	132,032,628
Savings Deposits	8,692,077	-	-	8,692,077	6,791,268	-	-	6,791,268
	141,955,784	47,603,916	-	189,559,700	108,829,635	29,994,261	-	138,823,896

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.

As at 31 March	Company & Group	
	2026	2025
	Rs. '000	Rs. '000
Borrowings from International Financial Institutions (Note 2.29.1)	18,870,717	766,862
Securitised Borrowings (Note 2.29.2)	26,529,660	4,238,543
	45,400,377	5,005,405
Fair Value	45,370,179	5,217,194

2.29.1 Borrowings from International Financial Institutions

International Financial Institution	Interest Payable	Granted Date	Maturity Date	Company & Group	
				2026	2025
				Rs. '000	Rs. '000
Enabling Qapital	Biannually	5 March 2026	5 March 2030	4,661,120	-
BlueOrchard Covid-19 Emerging and Frontier Markets MSME Support Fund	Biannually	19 December 2025	19 December 2029	7,868,786	-
responsAbility Global Micro and SME Finance Fund (responsAbility)	Biannually	19 December 2025	19 December 2029	6,340,811	-
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Biannually	3 May 2021	21 April 2025	-	766,862
				18,870,717	766,862

2.29.2 Securitised Borrowings

Securitised Borrowing	Interest Payable	Granted Date	Maturity Date	Company & Group	
				2026	2025
				Rs. '000	Rs. '000
Securitisation Loan 1	At Maturity	13 March 2024	10 February 2026	2,130,261	4,238,543
Securitisation Loan 2	At Maturity	27 May 2025	26 May 2030	4,552,098	-
Securitisation Loan 3	At Maturity	30 June 2025	30 June 2030	18,369,442	-
Securitisation Loan 4	At Maturity	10 March 2026	10 September 2029	1,477,859	-
				26,529,660	4,238,543

2.29.2 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds

As at 31 March	2026				2025			
	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	2,546,485	16,324,232	-	18,870,717	766,862	-	-	766,862
Securitised Borrowings	8,299,316	18,230,344	-	26,529,660	2,340,948	1,897,595	-	4,238,543
	10,845,801	34,554,576	-	45,400,377	3,107,810	1,897,595	-	5,005,405

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	1,350,197	791,214	1,350,197	791,214
Insurance Premium Payables	1,055,899	374,138	1,323,461	374,138
Unclaimed Balances	891,591	920,083	893,853	921,754
Lease Liability (Note 2.30.1)	2,281,679	1,908,465	2,329,351	1,908,465
Interest Payable on Derivative Instruments	17,049	-	17,049	-
Other Payables	339,322	309,522	331,832	309,815
	5,935,737	4,303,422	6,245,743	4,305,386
Fair Value	5,935,737	4,303,422	6,245,743	4,305,386

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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	1,908,465	1,674,659	1,908,465	1,698,338
Amounts Recognised on Acquisition	-	-	124,730	-
Amounts Recognised on Amalgamation	-	26,593	-	-
Additions	746,683	545,464	746,683	545,464
Accretion of Interest	274,250	254,796	265,849	259,677
Terminations	(89,379)	(147,682)	(143,679)	(147,682)
Payments	(558,340)	(445,365)	(572,697)	(447,332)
Balance as at the End of the Year	2,281,679	1,908,465	2,329,351	1,908,465

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.

Increase/(Decrease) in Incremental Borrowing Rate	Company				Group			
	2026		2025		2026		2025	
	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year	Sensitivity Effect on Lease Liability Increase/ (Reduction) in the Liability	Sensitivity Effect on Interest Expense Increase/ (Reduction) in Profits for the Year
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1bp Up	(36,190)	10,535	(36,171)	11,061	(36,195)	10,530	(36,171)	11,061
1bp Down	35,227	(10,640)	38,179	(11,535)	35,232	(10,635)	38,179	(11,535)

2.30.3 Contractual Maturity Analysis of Lease Liability

As at 31 March	2026				2025			
	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
Company								
Lease Liability	316,903	1,108,445	856,331	2,281,679	292,748	985,371	630,346	1,908,465
Group								
Lease Liability	341,374	1,131,646	856,331	2,329,351	292,748	985,371	630,346	1,908,465

2.30.4 Undiscounted Maturity Analysis of Lease Liability

As at 31 March	2026				2025			
	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
Company								
Lease Liability	592,592	2,115,814	1,530,873	4,239,279	556,249	1,662,365	827,674	3,046,288
Group								
Lease Liability	623,827	2,145,427	1,530,873	4,300,127	556,249	1,662,365	827,674	3,046,288

Notes to the Financial Statements

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 expenses relating to any provision is presented in the Income Statement net of any reimbursement.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accrued Expenses	1,571,258	1,163,589	1,945,168	1,181,817
Stamp Duty Payable	53,994	74,297	55,266	74,297
EPF/ETF/APIT Payable	81,983	74,886	92,931	74,886
Crop Insurance Levy Payable	47,430	35,184	47,714	35,184
Withholding Tax Payable	280,402	243,689	290,530	243,689
Impairment Provision in Respect of Off-Balance Sheet Credit Exposures	21,685	15,981	21,685	15,981
Other Payables	70,609	64,363	243,813	93,115
	2,127,361	1,671,989	2,697,107	1,718,969

2.32 Current Tax Liabilities

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income Tax (Note 2.32.1)	2,993,906	1,653,551	3,485,818	1,659,583
Value Added Tax (VAT)	489,203	464,849	536,550	464,849
Social Security Contribution Levy (SSCL)	67,778	64,338	75,703	64,338
	3,550,887	2,182,738	4,098,071	2,188,770

2.32.1 Income Tax Liability

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	1,653,551	2,330,364	1,659,583	2,335,548
Amounts Recognised on Acquisition	-	-	289,452	-
Provisions for the Year	7,322,468	6,003,312	7,564,293	6,020,064
Under/Over Provision	86,897	(134,310)	168,655	(134,390)
Self Assessment Payments	(5,994,059)	(6,523,612)	(6,121,518)	(6,539,353)
Withholding Tax/Other Credits	(74,951)	(22,203)	(74,951)	(22,203)
Exchange Rate Variance	-	-	304	(83)
Balance as at the End of the Year	2,993,906	1,653,551	3,485,818	1,659,583

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 (Employee Benefit). 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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	552,135	473,058	552,135	475,109
Amounts Recognised on Acquisition	-	-	163,877	-
Amounts Recognised on Amalgamation	-	2,296	-	-
Amount Charged/(Reversed) for the Year	176,770	137,055	155,295	137,300
Payments Made During the Year	(91,255)	(60,274)	(108,986)	(60,274)
Balance as at the End of the Year	637,650	552,135	762,321	552,135

2.33.2 Amounts Recognised in the Income Statement

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Service Cost for the Year	86,356	94,315	88,048	94,560
Interest Cost on the Net Defined Benefit Liability for the Year	66,256	59,132	66,256	59,132
	152,612	153,447	154,304	153,692

2.33.3 Amounts Recognised in the Other Comprehensive Income

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liability (Gains)/Losses due to Changes in Financial Assumptions	(8)	(20)	(8)	(20)
Liability Experience (Gains)/Losses Arising During the Year	24,166	(16,372)	999	(16,372)
	24,158	(16,392)	991	(16,392)

2.33.4 Defined Benefit Obligation Reconciliation

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Benefit Obligation at the Beginning of the Year	552,135	473,058	552,135	475,109
Amounts Recognised on Acquisition	-	-	163,877	-
Amounts Recognised on Amalgamation	-	2,296	-	-
Current Service Cost for the Year	86,356	94,315	88,048	94,560
Interest Cost on the Net Defined Benefit Liability for the Year	66,256	59,132	66,256	59,132
Liability (Gains)/Losses due to Changes in Assumptions	(8)	(20)	(8)	(20)
Liability Experience (Gains)/Losses Arising During the Year	24,166	(16,372)	999	(16,372)
Payments Made During the Year	(91,255)	(60,274)	(108,986)	(60,274)
Balance as at the End of the Year	637,650	552,135	762,321	552,135

2.33.5 Assumptions

As at 31 March	Company		Group	
	2026	2025	2026	2025
Discount Rate	11.5%	12%	9.75%-11.5%	12%
Salary Increment	9.5%	10%	9%-9.5%	10%
Staff Turnover				
20 - 40 Years	25%	25%	25%	25%
41 - 50 Years	2%	2%	2%	2%
51 Years or Above	2%	2%	2%	2%
Retirement Age - Years	60	60	60	60
Average Duration of the Weighted Defined Benefit Obligation - Years	12.9	12.5	4.5-12.9	12.5

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 2026 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 (Employee Benefits).

Actuarial valuations of the gratuity of Associated Motor Finance Company PLC was carried out as at 31 March 2026 by Actuarial & Management Consultants (Pvt) Ltd 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 (Employee Benefits).

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		2026		2025	
Assumption	Rate Changed	Sensitivity Effect on Statement of Profit or Loss and Comprehensive Income - Increase/ (Reduction) in Results for the Year	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability	Sensitivity Effect on Statement of Profit or Loss and Comprehensive Income - Increase/ (Reduction) in Results for the Year	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company					
Increase/(Decrease) in Discount Rate	1%	65,422	(65,422)	54,546	(54,546)
	-1%	(78,631)	78,631	(65,617)	65,617
Increase/(Decrease) in Salary Increment	1%	(77,909)	77,909	(65,042)	65,042
	-1%	65,959	(65,959)	55,017	(55,017)
Group					
Increase/(Decrease) in Discount Rate	1%	69,594	(69,594)	64,546	(64,546)
	-1%	(71,048)	71,048	(65,617)	65,617
Increase/(Decrease) in Salary Increment	1%	(70,991)	70,991	(65,042)	65,042
	-1%	60,636	(60,636)	55,017	(55,017)

2.33.7 The Expected Benefit Payout in the Future Years for Retirement Gratuity

Year ended 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Within the Next 12 Months	71,616	17,841	88,853	17,841
Between 2 - 5 Years	301,676	280,255	388,989	280,255
Beyond 5 Years	412,535	370,909	432,656	370,909
	785,827	669,005	910,498	669,005

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		Company & Group	
	2026		2025	
	No. of Shares	Rs. '000	No. of Shares	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

As at 31st March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statutory Reserve (Note 2.35.1)	10,241,906	9,558,263	10,241,906	9,558,263
Fair Value Reserve (Note 2.35.2)	(8,437)	(36,902)	(7,439)	(36,902)
Cash Flow Hedge Reserve (Note 2.35.3)	34,293	-	34,293	-
Foreign Currency Translation Reserve (Note 2.35.4)	-	-	191,776	111,793
	10,267,762	9,521,361	10,460,536	9,633,154

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	
	2026	2025
	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	9,558,263	9,017,981
Transfers Made During the Year	683,643	540,282
Balance as at the End of the Year	10,241,906	9,558,263

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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	(36,902)	(45,551)	(36,902)	(45,551)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	28,465	8,649	29,463	8,649
Balance as at the End of the Year	(8,437)	(36,902)	(7,439)	(36,902)

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 Cash Flow Hedge Reserve

The Cash Flow Hedge Reserve comprises the cumulative effective portion of gains or losses arising from changes in the fair value of derivatives designated as cash flow hedges, including cross currency swaps used to hedge foreign currency and interest rate exposures. Amounts recognised in this reserve are reclassified to the Income Statement in the period in which the hedged cash flows affect earnings. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

	Company & Group	
	2026	2025
	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	-	-
Effective Portion of Changes in Fair Value of Cash Flow Hedges Recognised in OCI	82,705	-
Amount Reclassified from Cash Flow Hedge Reserve to Offset Exchange Differences on Hedged Borrowings	(33,715)	-
Deferred Tax Effect	(14,697)	-
Balance as at the End of the Year	34,293	-

2.35.4 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	
	2026	2025
	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	111,793	125,003
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	79,983	(13,210)
Balance as at the End of the Year	191,776	111,793

2.36 Retained Earnings

	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	40,906,355	33,815,357	41,118,709	33,975,540
Profit for the Year	13,672,850	10,805,634	13,970,976	10,860,002
Other Comprehensive Income, Net of Tax	(16,911)	11,475	(5,055)	11,475
Adjustments due to Amalgamation with Subsidiary (Note 2.37.1)	-	-	-	(2,197)
Transfers During the Year	(683,643)	(540,282)	(683,643)	(540,282)
Dividend Paid	(3,601,372)	(3,185,829)	(3,601,372)	(3,185,829)
Balance as at the End of the Year	50,277,279	40,906,355	50,799,615	41,118,709

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. Therefore, the Company has 100% controlling interest in LB Microfinance Myanmar Company Limited. The Company has non-controlling interest of 26.89% in Associated Motor Finance Company PLC as at the reporting date as follows;

	Group	
	2026	2025
	Rs. '000	Rs. '000
At the Beginning of the Year	-	96,738
Acquisition of Associated Motor Finance Company PLC	1,173,481	-
Profit for the year	71,834	1,932
Other Comprehensive Income, Net of Tax	4,728	-
Disposal of Shares	-	(98,670)
At the End of the Year	1,250,043	-

2.37.1 Gain or Loss on Disposal of Non Controlling Interest

	Company	
	2026	2025
	Rs. '000	Rs. '000
Non Controlling 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 as per the Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), 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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short-Term Employment Benefits	785,606	717,876	805,726	717,876
Directors' Fees and Expenses	34,332	28,800	37,890	28,800
Post Employment Benefit Liability	105,495	117,347	105,935	117,347
	925,433	864,023	949,551	864,023

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	
		2026	2025	2026	2025
	Reported Under	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Financial Position					
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	1,049,186	783,772	1,049,186	783,772
Savings Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	38,804	44,328	38,804	44,328
		1,087,990	828,100	1,087,990	828,100
Income Statement					
Interest Expense on Customer Deposits	Interest Expenses	85,828	85,241	85,828	85,241
Commission on Bill Payment	Fee & Commission Income	8	6	8	6
Other Operating Expenses	Other Operating Expenses	211	10,359	211	10,359
		86,047	95,606	86,047	95,606
Other Transactions					
Deposits Accepted During the Year	Financial Liabilities at Amortised Cost - Due to Depositors	240,592	459,038	240,592	459,038
Dividend Paid on Shareholdings	Retained Earnings	26,154	19,544	26,154	19,544
		266,746	478,582	266,746	478,582

3.1.3 Transactions, Arrangements and Agreements Involving Persons has Control or Joint Control and Their Close Members of the Family (CMFs)

		Company		Group	
		2026	2025	2026	2025
	Reported Under	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Financial Position					
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	-	503,146	-	503,146
		-	503,146	-	503,146
Income Statement					
Interest Expense on Customer Deposits	Interest Expenses	17,884	82,500	17,884	82,500
		17,884	82,500	17,884	82,500

Notes to the Financial Statements

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		Group	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	3,582	2,282	3,582	2,282
		3,582	2,282	3,582	2,282
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	6,854	6,205	6,854	6,205
		6,854	6,205	6,854	6,205
Income Statement					
Dividend Income	Other Operating Income	200	89	200	89
Interest Expense on Customer Deposits	Interest Expenses	676	711	676	711
Administration and Establishment Expenses	Other Operating Expenses	17,898	23,492	17,898	23,492
Fair Value Gains/Losses	Net Trading Income	1,299	915	1,299	915
		20,073	25,207	20,073	25,207
Other Transactions					
Purchase of Property, Plant and Equipment	Property, Plant and Equipment	15,541	59,588	15,541	59,588
		15,541	59,588	15,541	59,588

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		Group	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Other Transactions					
Dividend Paid on Shareholdings	Retained Earnings	1,863,742	1,648,695	1,863,742	1,648,695
		1,863,742	1,648,695	1,863,742	1,648,695

Transactions with Subsidiaries

	Reported Under	Company		Group	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Investment in Subsidiaries	4,694,583	521,162	-	-
Advance Investment in Philippines	Other Financial Assets	203,385	-	-	-
Loans Granted to Subsidiaries	Loans and Receivables	603,155	-	-	-
Due from Subsidiaries	Other Financial Assets	56,032	13,072	-	-
		5,557,155	534,234	-	-
Income Statement					
Interest on Receivables	Interest Income	12,896	1,072	12,896	1,072
Management Fee Income	Other Operating Income	28,229	3,450	28,229	3,450
		41,125	4,522	41,125	4,522
Other Transactions					
Counter Indemnity Issued to Banks for Guarantees	Contingent Liabilities	312,800	293,900	312,800	293,900
		312,800	293,900	312,800	293,900

3.1.6 Transactions with Group Entities

Transactions with Fellow Subsidiaries and Associate Companies of the Parent

	Reported Under	Company		Group	
		2026	2025	2026	2025
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Financial Position					
Assets					
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,540	4,984	4,540	4,984
Investment in Equity Securities	Financial Assets Measured at Fair Value Through Other Comprehensive Income	100,971	110,840	100,971	110,840
		105,511	115,824	105,511	115,824
Liabilities					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	259,193	515,048	259,193	515,048
		259,193	515,048	259,193	515,048
Income Statement					
Dividend Income	Other Operating Income	641	1,306	641	1,306
Interest Expense on Customer Deposits	Interest Expenses	18,037	37,235	18,037	37,235
Fair Value Gains/Losses	Net Trading Income	(444)	(39)	(444)	(39)
Fair Value Gains/Losses	Other Comprehensive Income	(9,869)	7,925	(9,869)	7,925
Operating Expenses	Other Operating Expenses	278	1,697	278	1,697
		8,643	48,124	8,643	48,124
Other Transactions					
Deposits Accepted During the Year	Financial Liabilities at Amortised Cost - Due to Depositors	160,000	200,000	160,000	200,000
Purchase of Property, Plant and Equipment	Property, Plant and Equipment	10,422	37,265	10,422	37,265
Dividend Paid on Shareholdings	Retained Earnings	939,204	830,834	939,204	830,834
		1,109,626	1,068,099	1,109,626	1,068,099

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.

	Company						Group					
	2026			2025			2026			2025		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets												
Cash and Cash Equivalents	18,718,916	-	18,718,916	9,024,016	-	9,024,016	19,108,410	-	19,108,410	9,074,745	-	9,074,745
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	-	4,250,311	718,402	-	718,402	4,250,311	-	4,250,311	718,402	-	718,402
Financial Assets at Amortised Cost - Loans and Receivables	183,219,893	129,440,412	312,660,305	127,567,009	70,199,682	197,766,691	192,457,713	140,541,103	332,998,816	128,986,740	70,284,307	199,271,047
Derivative Financial Assets	-	82,705	82,705	-	-	-	-	82,705	82,705	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193,495	-	193,495	165,024	-	165,024	206,233	-	206,233	165,024	-	165,024
Other Financial Assets	26,898,794	13,644,250	40,543,044	21,201,500	-	21,201,500	28,716,559	13,644,250	42,360,809	21,188,612	-	21,188,612
Other Non Financial Assets	860,805	-	860,805	439,475	-	439,475	962,564	-	962,564	480,168	-	480,168
Investment in Subsidiaries	-	4,694,583	4,694,583	-	521,162	521,162	-	-	-	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	-	10,743,488	10,743,488	-	9,725,513	9,725,513	-	11,994,893	11,994,893	-	9,751,574	9,751,574
Investment Properties	-	4,150	4,150	-	5,385	5,385	-	4,150	4,150	-	5,385	5,385
Intangible Assets	-	126,337	126,337	-	67,113	67,113	-	1,086,247	1,086,247	-	67,113	67,113
Deferred Tax Assets	-	2,453,348	2,453,348	-	1,255,960	1,255,960	-	2,513,157	2,513,157	-	1,262,343	1,262,343
Total Assets	234,142,214	161,189,273	395,331,487	159,115,426	81,774,815	240,890,241	245,701,790	169,866,505	415,568,295	160,613,691	81,370,722	241,984,413
Liabilities												
Due to Banks	35,507,615	67,459,389	102,967,004	17,984,028	19,427,654	37,411,682	35,997,111	67,459,389	103,456,500	18,372,053	19,427,654	37,799,707
Financial Liabilities at Amortised Cost - Due to Depositors	130,424,413	42,904,735	173,329,148	108,502,611	29,994,261	138,496,872	141,955,784	47,603,916	189,559,700	108,829,635	29,994,261	138,823,896
Debt Instruments Issued and Other Borrowed Funds	10,845,801	34,554,576	45,400,377	3,107,810	1,897,595	5,005,405	10,845,801	34,554,576	45,400,377	3,107,810	1,897,595	5,005,405
Other Financial Liabilities	3,970,961	1,964,776	5,935,737	2,687,705	1,615,717	4,303,422	4,257,766	1,987,977	6,245,743	2,689,669	1,615,717	4,305,386
Other Non Financial Liabilities	2,127,361	-	2,127,361	1,671,989	-	1,671,989	2,697,107	-	2,697,107	1,718,969	-	1,718,969
Current Tax Liabilities	3,550,887	-	3,550,887	2,182,738	-	2,182,738	4,098,071	-	4,098,071	2,188,770	-	2,188,770
Post Employment Benefit Liability	-	637,650	637,650	-	552,135	552,135	-	762,321	762,321	-	552,135	552,135
Total Liabilities	186,427,038	147,521,126	333,948,164	136,136,881	53,487,362	189,624,243	199,851,640	152,368,179	352,219,819	136,906,906	53,487,362	190,394,268
Maturity Gap	47,715,176	13,668,147	61,383,323	22,978,545	28,287,453	51,265,998	45,850,150	17,498,326	63,348,476	23,706,785	27,883,360	51,590,145
Cumulative Gap	47,715,176	61,383,323		22,978,545	51,265,998		45,850,150	63,348,476		23,706,785	51,590,145	

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 Receivables – Consisting of Gold Loans, Vehicle Loans, Mortgage Loans, Personal and Business Loans.
- Investment – Managing excess liquidity and investments.
- International Operation (Myanmar) – Serving low-income individuals and small enterprises.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2026 or 2025.

There were no transactions between reportable segments in 2026 or 2025.

	Leases		Loans and Receivables		Investment		International Operation (Myanmar)		Total	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	11,710,234	9,462,643	39,815,815	30,596,895	2,339,110	1,789,111	492,100	353,247	54,357,259	42,201,896
Less: Interest Expenses	3,534,498	2,730,167	17,207,879	12,330,625	2,154,023	1,634,831	132,409	88,084	23,028,809	16,783,707
Net Interest Income	8,175,736	6,732,476	22,607,936	18,266,270	185,087	154,280	359,691	265,163	31,328,450	25,418,189
Fee and Commission Income	637,071	680,013	7,149,021	3,919,352	161,400	5,530	85,315	38,019	8,032,807	4,642,914
Net Trading Income and Other Operating Income	203,039	5,332	40,368	128,611	271,545	177,174	(8,626)	333	506,326	311,450
Total Operating Income	9,015,846	7,417,821	29,797,325	22,314,233	618,032	336,984	436,380	303,515	39,867,583	30,372,553
Less: Impairment Charges/ (Reversals)	448,993	(424,873)	1,573,628	144,431	3,185	9,164	10,220	10,247	2,036,026	(261,031)
Net Operating Income	8,566,853	7,842,694	28,223,697	22,169,802	614,847	327,820	426,160	293,268	37,831,557	30,633,584
Less: Other Costs	1,976,149	1,696,999	8,675,996	7,065,142	73,525	54,680	272,304	219,317	10,997,974	9,036,138
Less: Depreciation and Amortisation	175,637	158,552	1,003,805	828,919	6,443	6,982	7,285	7,075	1,193,170	1,001,528
Operating Profits Before Taxes	6,415,067	5,987,143	18,543,896	14,275,741	534,879	266,158	146,571	66,876	25,640,413	20,595,918
Less: Taxes	2,907,320	2,834,556	8,404,122	6,758,714	242,409	126,010	43,752	14,704	11,597,603	9,733,984
Profits for the Year	3,507,747	3,152,587	10,139,774	7,517,027	292,470	140,148	102,819	52,172	14,042,810	10,861,934
Less: Non-Controlling Interest									71,834	1,932
Profit Attributable to Equity Holders of the Company									13,970,976	10,860,002
Segmental Assets	61,405,506	37,639,838	283,324,948	168,933,351	72,928,282	34,317,056	2,311,406	1,628,402	419,970,142	242,518,647
Elimination	-	-	(603,155)	-	(3,798,692)	(534,234)	-	-	(4,401,847)	(534,234)
Total Segmental Assets	61,405,506	37,639,838	282,721,793	168,933,351	69,129,590	33,782,822	2,311,406	1,628,402	415,568,295	241,984,413
Segmental Liabilities	51,297,287	29,848,936	243,742,567	133,966,593	56,586,826	25,808,713	1,252,326	783,098	352,879,006	190,407,340
Elimination	(612,493)	-	-	-	-	-	(46,694)	(13,072)	(659,187)	(13,072)
Total Segmental Liabilities	50,684,794	29,848,936	243,742,567	133,966,593	56,586,826	25,808,713	1,205,632	770,026	352,219,819	190,394,268
Cash Flows from Operating Activities	(12,390,289)	(1,629,876)	(57,047,078)	(7,315,131)	(13,948,840)	(1,462,860)	(50,581)	(15,035)	(83,436,789)	(10,422,902)
Cash Flows from Investing Activities	(1,334,997)	23,253	(6,146,563)	104,364	(1,502,924)	20,870	455,823	(20,195)	(8,528,663)	128,292
Cash Flows from Financing Activities	15,112,969	1,793,683	69,582,777	8,050,326	17,014,001	1,609,882	53,697	137,075	101,763,443	11,590,966
Capital Expenditure										
Property, Plant and Equipment	(206,425)	(178,954)	(950,417)	(803,175)	(232,391)	(160,617)	(6,374)	(20,462)	(1,395,607)	(1,163,208)
Intangible Assets	(12,014)	(9,220)	(55,313)	(41,381)	(13,525)	(8,275)	-	-	(80,852)	(58,876)

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Contingent Liabilities (Note 3.5.1)	326,300	307,693	13,500	60,768
Commitments (Note 3.5.2)	9,488,962	3,901,327	9,488,962	3,901,327
Total Commitments and Contingencies	9,815,262	4,209,020	9,502,462	3,962,095
Allowance for Impairment Losses	(21,685)	(15,981)	(21,685)	(15,981)
Net of Impairment	9,793,577	4,193,039	9,480,777	3,946,114

3.5.1 Contingent Liabilities

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Guarantees Issued to Banks and Other Institutions	13,500	6,600	13,500	6,600
Counter Indemnity Issued to Banks for Guarantees*	312,800	293,900	-	46,975
Import LC and Ordinary Guarantees	-	7,193	-	7,193
Total Contingent Liabilities	326,300	307,693	13,500	60,768

*The contingent liability as at 31 March 2026 includes a counter indemnity of Rs. 312,800,000/- 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 2026. The facility remains outstanding as at the reporting date.

3.5.2 Commitments

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Commitment for Unutilised Facilities	9,488,962	3,901,327	9,488,962	3,901,327
Total Commitments	9,488,962	3,901,327	9,488,962	3,901,327

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.

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cases Pending Against the Company and Group (Values Claimed)	523,336	206,908	523,336	206,908

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 has lodged an appeal against this assessment and as at 31 March 2026, the appeal process remains 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 and accordingly, no provision has been recognised in the financial statements.

3.6 Net Asset Value per Share

As at 31 March	Company		Group	
	2026	2025	2026	2025
Amounts Used as the Numerators:				
Total Equity Attributable to Equity Holders (Rs. '000)	61,383,323	51,265,998	62,098,433	51,590,145
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.)	110.79	92.53	112.08	93.11

3.7 Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Included Under	Carrying Amount Pledged			
			Company		Group	
			2026	2025	2026	2025
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables*	Debt Funding from Banks/ Debt Instruments Issued and Other Borrowed Funds	Loans and Receivables	122,631,097	46,995,805	122,631,097	46,995,805
Securities under Reverse Repurchase Agreements	Debt Funding from Banks	Other Financial Assets	118,514	119,149	118,514	119,149
Investment in Fixed Deposits	Debt Funding from Banks	Other Financial Assets	14,967,963	264,406	14,967,963	264,406
Freehold Land and Building	Debt Funding from Banks	Property, Plant and Equipment	5,096,227	819,126	5,096,227	819,126
			142,813,801	48,198,486	142,813,801	48,198,486

*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

Comparative information is reclassified wherever necessary to conform with the current year's classification in order to provide better presentation.

3.8.1 Income Statement

There were no reclassifications during the financial year.

3.8.2 Statement of Financial Position

There were no reclassifications during the financial year.

3.8.3 Statement of Cash Flows

There were no reclassifications during the financial year.

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	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	36,246,108	20,666,462	5,005,405	5,491,401
Net Cash Flows from Financing Activities	64,753,895	15,526,686	38,475,458	(950,587)
Non Cash Changes Net Accrual for Interest Expense	590,769	52,960	1,919,514	464,591
Balance as at the End of the Year	101,590,772	36,246,108	45,400,377	5,005,405
Within 12 Months	34,131,383	16,818,454	10,845,801	3,107,810
After 12 Months	67,459,389	19,427,654	34,554,576	1,897,595
Total	101,590,772	36,246,108	45,400,377	5,005,405

	Group			
	Debt Funding from Banks		Debt Instruments Issued and Other Borrowed Funds	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at the Beginning of the Year	36,634,133	20,917,412	5,005,405	5,491,401
Net Cash Flows from Financing Activities	64,805,873	15,667,787	38,475,458	(950,587)
Non Cash Changes Net Accrual for Interest Expense	615,246	48,934	1,919,514	464,591
Balance as at the End of the Year	102,055,252	36,634,133	45,400,377	5,005,405
Within 12 Months	34,595,863	17,206,479	10,845,801	3,107,810
After 12 Months	67,459,389	19,427,654	34,554,576	1,897,595
Total	102,055,252	36,634,133	45,400,377	5,005,405

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. 5.95 per share for the year ended 31 March 2026. 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 2026.

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 2026.

3.10.2 Proposed Amalgamation of Associated Motor Finance Company PLC

In furtherance of the Financial Sector Consolidation Plan of the Central Bank of Sri Lanka, the Boards of Directors of LB Finance PLC and its subsidiary, Associated Motor Finance Company PLC, have resolved to amalgamate Associated Motor Finance Company PLC with LB Finance PLC under Section 239 of the Companies Act No. 07 of 2007, whereby LB Finance PLC will be the Amalgamated Company, subject however to the approval of the shareholders of both Associated Motor Finance Company PLC and LB Finance PLC, by way of Special Resolutions at Extraordinary General Meetings of the respective companies.

The approval of the Governing Board of the Central Bank of Sri Lanka has been received for the said amalgamation. The shares of Associated Motor Finance Company PLC will not be converted to shares of LB Finance PLC. Instead, the shareholders of Associated Motor Finance Company PLC, except LB Finance PLC, will be paid a cash consideration of Rs. 55/- for each share held by the said shareholders in Associated Motor Finance Company PLC. Upon the amalgamation, the shares held by LB Finance PLC in Associated Motor Finance Company PLC will be cancelled in terms of Section 240(3)(a) of the Companies Act No. 07 of 2007.

3.10.3

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. Other than the matters disclosed above, no events have occurred subsequent to the reporting date that would require adjustments to or additional disclosures in these Financial Statements.

4. FINANCIAL RISK REVIEW

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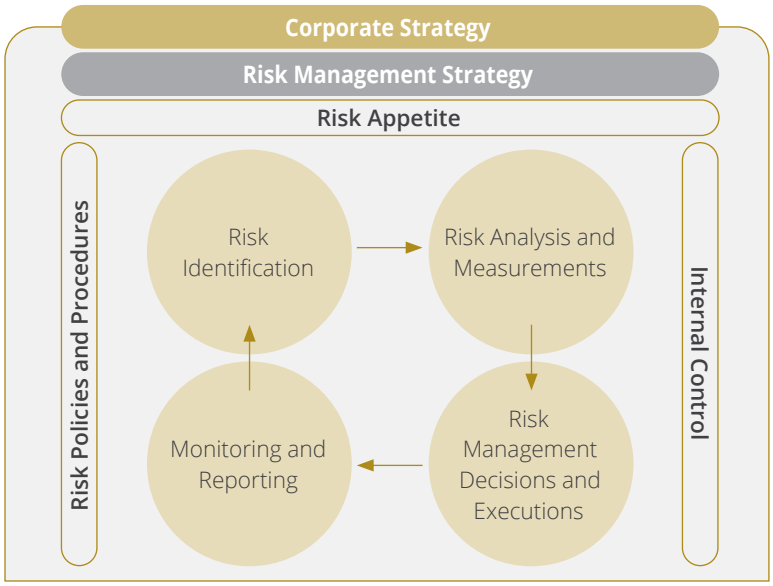
4.1 Introduction

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 Assets and Liability Committee, 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 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 disbursement 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 2.18.5 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, Executive Directors, Senior Deputy General Manager-Credit, Chief Financial Officer and Chief Risk Officer.

Impact Assessment of Stressed Economic Conditions:

The Group's Integrated Risk Management Framework aims to proactively manage the impact of unfavourable 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 behaviour 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	2026		2025	
	Maximum Exposure to Credit Risk	Net Credit Exposure	Maximum Exposure to Credit Risk	Net Credit Exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents	18,718,916	3,645,242	9,024,016	2,600,716
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	4,225,814	718,402	701,052
Derivative Financial Assets	82,705	82,705	-	-
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	320,981,887	14,047,980	204,879,323	12,811,901
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193,495	-	165,024	-
Other Financial Assets*	40,543,044	32,536,394	21,201,500	11,170,783
Total Financial Assets	384,770,358	54,538,135	235,988,265	27,284,452

*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2026, the net carrying value amount of those investments was Rs. 30,633,020,048/- (2025 - Rs. 10,543,975,137/-).

Notes to the Financial Statements

4.2.1 (b) Group

As at 31 March	2026		2025	
	Maximum Exposure to Credit Risk	Net Credit Exposure	Maximum Exposure to Credit Risk	Net Credit Exposure
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents	19,108,410	3,972,364	9,074,745	2,631,933
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	4,225,814	718,402	701,052
Derivative Financial Assets	82,705	82,705	-	-
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	343,049,468	17,616,921	206,452,262	14,384,839
Financial Assets Measured at Fair Value Through Other Comprehensive Income	206,233	-	165,024	-
Other Financial Assets*	42,360,809	32,499,931	21,188,612	11,157,895
Total Financial Assets	409,057,936	58,397,735	237,599,045	28,875,719

*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2026, the net carrying value amount of those investments was Rs. 30,597,868,054/- (2025 - Rs.10,543,975,137/-).

4.2.2 Collateral and Other Credit Enhancements

The below tables provide an analysis of the values of collateral held. 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 2026	Maximum Exposure to Credit Risk	Collateral Value	Exposure Subject to Collateral as a %	Collateral Nature
	Rs. '000	Rs. '000		
Financial Assets				
Cash and Cash Equivalents	18,718,916	12,598,119	67	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	-	0	
Derivative Financial Assets	82,705	-	0	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold loans	120,392,440	198,246,101	100	Gold
Lease Receivables	39,056,144	105,524,653	100	Vehicles and Machinery
Vehicle Loans	95,160,517	239,859,584	100	Vehicles
Term Loans	14,674,660	9,602,820	65	Guarantees and Other Collateral
Mortgage Loans	4,959,786	25,713,703	100	Immovable Properties
Power Drafts	46,738,340	124,369,744	100	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193,495	-	0	
Other Financial Assets	40,543,044	8,006,650	20	Secured by Government

As at 31 March 2025	Maximum Exposure to Credit Risk	Collateral Value	Exposure Subject to Collateral as a %	Collateral Nature
	Rs. '000	Rs. '000		
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 Machinery
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

4.2.2 (b) Group

As at 31 March 2026	Maximum Exposure to Credit Risk	Collateral Value	Exposure Subject to Collateral as a %	Collateral Nature
	Rs. '000	Rs. '000		
Financial Assets				
Cash and Cash Equivalents	19,108,410	12,598,119	66	Secured by Government
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	-	0	
Derivative Financial Assets	82,705	-	0	
Financial Assets at Amortised Cost - Loans and Receivables				
Gold loans	120,401,127	198,284,383	100	Gold
Lease Receivables	59,206,499	140,003,063	100	Vehicles and Machinery
Vehicle Loans	95,160,517	239,859,584	100	Vehicles
Term Loans	16,583,199	9,778,972	59	Guarantees and Other Collateral
Mortgage Loans	4,959,786	25,713,703	100	Immovable Properties
Power Drafts	46,738,340	124,369,744	100	Vehicles
Financial Assets Measured at Fair Value Through Other Comprehensive Income	206,233	-	0	
Other Financial Assets	42,360,809	9,860,878	23	Secured by Government

As at 31 March 2025	Maximum Exposure to Credit Risk	Collateral Value	Exposure Subject to Collateral as a %	Collateral Nature
	Rs. '000	Rs. '000		
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 Machinery
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

4.2.3 Credit Quality by Class of Financial Assets

4.2.3 (a) Company

As at 31 March 2026	Not Subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	18,718,916	-	-	-	-	18,718,916
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	-	-	-	-	4,250,311
Derivative Financial Assets	82,705	-	-	-	-	82,705
Financial Assets at Amortised Cost - Loans and Receivables	-	278,153,532	38,502,051	4,326,304	8,321,582	312,660,305
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193,495	-	-	-	-	193,495
Other Financial Assets	9,945,176	30,602,422	-	-	4,554	40,543,044
Total Financial Assets	33,190,603	308,755,954	38,502,051	4,326,304	8,326,136	376,448,776

Age Analysis of Loans and Receivables

As at 31 March 2026	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Current	231,480,800	35,497	124,993	231,641,290	72.17%
Overdue < 30 Days	46,672,732	544,327	88,447	47,305,506	14.74%
Overdue 30 to 90 Days	-	37,922,227	860,015	38,782,242	12.08%
Overdue > 90 Days	-	-	3,252,849	3,252,849	1.01%
Total	278,153,532	38,502,051	4,326,304	320,981,887	100.00%
	86.65%	12.00%	1.35%	100.00%	

As at 31 March 2025	Not Subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	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%	

4.2.3 (b) Group

As at 31 March 2026	Not Subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets						
Cash and Cash Equivalents	19,108,410	-	-	-	-	19,108,410
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	4,250,311	-	-	-	-	4,250,311
Derivative Financial Assets	82,705	-	-	-	-	82,705
Financial Assets at Amortised Cost - Loans and Receivables	-	290,612,833	44,934,558	7,502,077	10,050,652	332,998,816
Financial Assets Measured at Fair Value Through Other Comprehensive Income	206,233	-	-	-	-	206,233
Other Financial Assets	11,762,941	30,602,422	-	-	4,554	42,360,809
Total Financial Assets	35,410,600	321,215,255	44,934,558	7,502,077	10,055,206	399,007,284

Age Analysis of Loans and Receivables

As at 31 March 2026	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Current	240,275,603	1,348,360	150,167	241,774,130	70.48%
Overdue < 30 Days	50,337,230	1,256,913	95,556	51,689,699	15.07%
Overdue 30 to 90 Days	-	42,329,285	1,150,228	43,479,513	12.67%
Overdue > 90 Days	-	-	6,106,126	6,106,126	1.78%
Total	290,612,833	44,934,558	7,502,077	343,049,468	100.00%
	84.71%	13.10%	2.19%	100.00%	

As at 31 March 2025	Not Subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	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%	

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 2026	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Derivative Financial Assets	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	6,873	-	43,846,318	-	-	43,853,191
Manufacturing	-	8,122	-	46,261,057	22,789	-	46,291,968
Tourism	-	-	-	11,752,925	87,504	-	11,840,429
Transportation and Storage	-	-	-	20,841,631	-	-	20,841,631
Construction and Infrastructure Development	-	-	-	13,077,607	-	-	13,077,607
Wholesale and Retail Trade	-	-	-	58,468,901	-	-	58,468,901
Information Technology and Communication	-	-	-	6,651,562	-	-	6,651,562
Financial Services	18,718,916	4,235,316	82,705	9,139,223	83,202	40,543,044	72,802,406
Professional, Scientific and Technical Activities	-	-	-	14,204,211	-	-	14,204,211
Arts, Entertainment and Recreation	-	-	-	18,652,021	-	-	18,652,021
Education	-	-	-	10,187,419	-	-	10,187,419
Health Care, Social Services and Support Services	-	-	-	25,155,576	-	-	25,155,576
Consumption	-	-	-	34,421,854	-	-	34,421,854
Total	18,718,916	4,250,311	82,705	312,660,305	193,495	40,543,044	376,448,776

Sector-wise Breakdown

As at 31 March 2025	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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

Notes to the Financial Statements

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 2026	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Derivative Financial Assets	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	6,873	-	47,971,880	-	-	47,978,753
Manufacturing	-	8,122	-	50,044,529	22,789	-	50,075,440
Tourism	-	-	-	12,687,228	87,504	-	12,774,732
Transportation and Storage	-	-	-	21,709,480	-	-	21,709,480
Construction and Infrastructure Development	-	-	-	14,134,815	-	-	14,134,815
Wholesale and Retail Trade	-	-	-	61,643,363	-	-	61,643,363
Information Technology And Communication	-	-	-	7,446,636	-	-	7,446,636
Financial Services	19,108,410	4,235,316	82,705	9,398,571	95,940	42,360,809	75,281,751
Professional, Scientific and Technical Activities	-	-	-	15,286,328	-	-	15,286,328
Arts, Entertainment and Recreation	-	-	-	18,708,611	-	-	18,708,611
Education	-	-	-	12,443,314	-	-	12,443,314
Health Care, Social Services and Support Services	-	-	-	27,100,857	-	-	27,100,857
Consumption	-	-	-	34,423,204	-	-	34,423,204
Total	19,108,410	4,250,311	82,705	332,998,816	206,233	42,360,809	399,007,284

Sector-wise Breakdown

As at 31 March 2025	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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

4.2.4 (c) Geographical Concentration - Loans and Receivables

Province/Country-wise Break Down

As at 31 March	Company		Group	
	2026	2025	2026	2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka				
Central	27,252,464	17,283,629	28,654,052	17,283,629
Eastern	23,817,616	15,387,398	23,932,427	15,387,398
North Central	11,538,495	7,369,015	13,205,318	7,369,015
North Western	28,794,783	17,423,041	32,254,095	17,423,041
Northern	19,466,096	12,730,996	19,882,414	12,730,996
Sabaragamuwa	14,675,358	9,666,989	15,779,442	9,666,989
Southern	30,166,059	19,040,644	33,121,041	19,040,644
Uva	10,320,602	7,313,584	11,091,264	7,313,584
Western	146,628,832	91,551,395	152,961,759	91,551,395
	312,660,305	197,766,691	330,881,812	197,766,691
Overseas				
Myanmar	-	-	2,117,004	1,504,356
Total	312,660,305	197,766,691	332,998,816	199,271,047

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 mismatches , there by manage the liquidity risk of the group. ALCO is chaired by the Managing Director and comprises of Executive Directors, Assistant General Manager -Treasury, Senior Deputy General Manager-Fixed Deposits, the Chief Financial Officer and the Chief Risk Officer. 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.

Notes to the Financial Statements

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 2026.

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 2026 - 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	6,120,797	12,718,846	-	-	-	18,839,643
Financial Assets Recognised Through Profit or Loss	4,250,311	-	-	-	-	4,250,311
Derivative Financial Assets	-	-	-	173,347	-	173,347
Financial Assets at Amortised Cost - Loans and Receivables	15,446,584	70,731,631	136,246,851	158,152,930	8,427,439	389,005,435
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193,495	-	-	-	-	193,495
Other Financial Assets	-	9,360,452	18,458,565	14,764,809	-	42,583,826
Total Financial Assets	26,011,187	92,810,929	154,705,416	173,091,086	8,427,439	455,046,057
Financial Liabilities						
Due to Banks	1,376,232	17,925,338	23,947,505	78,181,191	-	121,430,266
Due to Depositors	8,043,065	58,271,916	71,273,564	48,941,717	-	186,530,262
Debt Instruments Issued and Other Borrowed Funds	-	2,224,116	10,271,309	42,234,111	-	54,729,536
Other Financial Liabilities	-	3,808,534	457,641	1,897,819	1,093,882	7,257,876
Total Financial Liabilities	9,419,297	82,229,904	105,950,019	171,254,838	1,093,882	369,947,940
Total Net Financial Assets/(Liabilities)	16,591,890	10,581,025	48,755,397	1,836,248	7,333,557	85,098,117
Cumulative Net Financial Assets/(Liabilities)	16,591,890	27,172,915	75,928,312	77,764,560	85,098,117	

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 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

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
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 **(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 2026.

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 2026 - 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	6,510,291	12,718,846	-	-	-	19,229,137
Financial Assets Recognised Through Profit or Loss	4,250,311	-	-	-	-	4,250,311
Derivative Financial Assets	-	-	-	173,347	-	173,347
Financial Assets at Amortised Cost						
- Loans and Receivables	16,499,500	75,918,488	147,887,607	173,638,577	8,431,941	422,376,113
Financial Assets Measured at Fair Value						
Through Other Comprehensive Income	206,233	-	-	-	-	206,233
Other Financial Assets	-	11,178,217	18,458,565	14,764,809	-	44,401,591
Total Financial Assets	27,466,335	99,815,551	166,346,172	188,576,733	8,431,941	490,636,732
Financial Liabilities						
Due to Banks	1,376,232	17,925,338	23,947,505	78,181,191	-	121,430,266
Due to Depositors	24,273,617	58,271,916	71,273,564	48,941,717	-	202,760,814
Debt Instruments Issued and						
Other Borrowed Funds	-	2,224,116	10,271,309	42,234,111	-	54,729,536
Other Financial Liabilities	310,006	3,808,534	457,641	1,897,819	1,093,882	7,567,882
Total Financial Liabilities	25,959,855	82,229,904	105,950,019	171,254,838	1,093,882	386,488,498
Total Net Financial Assets/(Liabilities)	1,506,480	17,585,647	60,396,153	17,321,895	7,338,059	104,148,234
Cumulative Net Financial Assets/ (Liabilities)	1,506,480	19,092,127	79,488,280	96,810,175	104,148,234	

Notes to the Financial Statements

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 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

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	

4.3.2 **Contractual Maturities of Commitments and Contingencies**

The table below shows the contractual expiry by remaining maturity of the Company/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 2026 - 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	-	4,300	9,050	150	-	13,500
Counter Indemnity Issued to Banks for Guarantees	-	-	312,800	-	-	312,800
Import LC and Ordinary Guarantees	-	-	-	-	-	-
Total Contingent Liabilities	-	4,300	321,850	150	-	326,300
Commitments						
Commitment for Unutilised Facilities	9,488,962	-	-	-	-	9,488,962
Total Commitments	9,488,962	-	-	-	-	9,488,962
Total Commitments and Contingencies	9,488,962	4,300	321,850	150	-	9,815,262

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 2026 - 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	-	4,300	9,050	150	-	13,500
Counter Indemnity Issued to Banks for Guarantees	-	-	-	-	-	-
Import LC and Ordinary Guarantees	-	-	-	-	-	-
Total Contingent Liabilities	-	4,300	9,050	150	-	13,500
Commitments						
Commitment for Unutilised Facilities	9,488,962	-	-	-	-	9,488,962
Total Commitments	9,488,962	-	-	-	-	9,488,962
Total Commitments and Contingencies	9,488,962	4,300	9,050	150	-	9,502,462

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

4.3.3 Liquidity Reserves

The table below sets out the components of the Company's liquidity reserves;

As at 31 March	2026		2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Notes and Coins Held	2,475,555	2,475,555	2,514,962	2,514,962
Balances with Banks	3,645,242	3,645,242	2,600,716	2,600,716
Securities under Reverse Repurchase Agreements (Less than 03 Months)	12,598,119	12,598,119	3,908,338	3,908,338
Securities under Reverse Repurchase Agreements (More than 03 Months)	7,869,953	7,869,953	2,541,436	2,541,436
Investment in Treasury Bills	18,183	18,201	7,489,281	7,517,610
Investment in Fixed Deposits	15,629,905	15,629,905	10,543,975	10,543,975
Total Liquidity Reserves	42,236,957	42,236,975	29,598,708	29,627,037

4.3.4 Financial Assets Available for Future Funding

The total financial assets recognised in the Statement of Financial Position as at 31 March 2026 and 2025 that can be use for the future funding is shown in the following tables;

As at 31 March 2026 - Company	Encumbered		Unencumbered		Total
	Pledged as Collateral	Other	Available as Collateral	Other	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Cash Equivalents	-	12,598,119	6,120,797	-	18,718,916
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	4,250,311	-	4,250,311
Financial Assets at Amortised Cost - Loans and Receivables	122,631,097	-	190,029,208	-	312,660,305
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	193,495	-	193,495
Other Financial Assets	15,086,477	7,869,953	15,629,905	1,956,709	40,543,044
Total	137,717,574	20,468,072	216,223,716	1,956,709	376,366,071

As at 31 March 2025 - Company	Encumbered		Unencumbered		Total
	Pledged as Collateral	Other	Available as Collateral	Other	
	Rs. '000	Rs. '000	Rs. '000	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

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	2026		2025	
Impact on Net Interest Income	Parallel Increase 100 bps	Parallel Decrease 100 bps	Parallel Increase 100 bps	Parallel Decrease 100 bps
Annual Impact (Rs. '000)	(+) 396,573	(-) 396,573	(+) 143,039	(-) 143,039

Notes to the Financial Statements

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 2026 - Company	Up to 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and Cash Equivalents	16,243,361	-	-	-	-	2,475,555	18,718,916
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	4,250,311	4,250,311
Derivative Financial Assets	-	-	-	82,705	-	-	82,705
Financial Assets at Amortised Cost - Loans and Receivables	142,467,500	93,019,880	54,909,493	21,920,998	342,434	-	312,660,305
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	193,495	193,495
Other Financial Assets	9,253,515	17,645,279	6,350,590	6,355,365	-	938,295	40,543,044
	167,964,376	110,665,159	61,260,083	28,359,068	342,434	7,857,656	376,448,776
Financial Liabilities							
Due to Banks	17,263,357	18,244,258	47,529,306	19,930,083	-	-	102,967,004
Financial Liabilities at Amortised Cost - Due to Depositors	64,706,696	65,717,718	39,403,752	3,500,982	-	-	173,329,148
Debt Instruments Issued and Other Borrowed Funds	1,979,065	8,866,736	22,011,864	12,542,712	-	-	45,400,377
Other Financial Liabilities	82,143	234,760	578,708	529,738	856,330	3,654,058	5,935,737
	84,031,261	93,063,472	109,523,630	36,503,515	856,330	3,654,058	327,632,266
Interest Sensitivity Gap	83,933,115	17,601,687	(48,263,547)	(8,144,447)	(513,896)	4,203,598	48,816,510
Cumulative Interest Sensitivity Gap	83,933,115	101,534,802	53,271,255	45,126,808	44,612,912	48,816,510	

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 2025 - Company	Up to 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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 **(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 2026 - Group	Up to 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets							
Cash and Cash Equivalents	16,570,483	-	-	-	-	2,537,927	19,108,410
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	4,250,311	4,250,311
Derivative Financial Assets	-	-	-	82,705	-	-	82,705
Financial Assets at Amortised Cost - Loans and Receivables	144,932,442	99,792,758	65,125,365	22,792,628	355,623	-	332,998,816
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	206,233	206,233
Other Financial Assets	9,253,515	19,463,044	6,350,590	6,355,365	-	938,295	42,360,809
	170,756,440	119,255,802	71,475,955	29,230,698	355,623	7,932,766	399,007,284
Financial Liabilities							
Due to Banks	17,263,357	18,733,754	47,529,306	19,930,083	-	-	103,456,500
Financial Liabilities at Amortised Cost - Due to Depositors	80,937,248	65,717,718	39,403,752	3,500,982	-	-	189,559,700
Debt Instruments Issued and Other Borrowed Funds	1,979,065	8,866,736	22,011,864	12,542,712	-	-	45,400,377
Other Financial Liabilities	82,143	259,231	578,708	529,738	879,531	3,916,392	6,245,743
	100,261,813	93,577,439	109,523,630	36,503,515	879,531	3,916,392	344,662,320
Interest Sensitivity Gap	70,494,627	25,678,363	(38,047,675)	(7,272,817)	(523,908)	4,016,374	54,344,964
Cumulative Interest Sensitivity Gap	70,494,627	96,172,990	58,125,315	50,852,498	50,328,590	54,344,964	

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 2025 - Group	Up to 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Over 5 Years	Non-Interest Sensitive	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	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
	90,437,718	47,480,877	38,505,807	6,484,690	630,345	2,394,957	185,934,394
Interest Sensitivity Gap	20,867,139	20,945,904	(2,919,092)	4,533,128	(593,394)	1,649,751	44,483,436
Cumulative Interest Sensitivity Gap	20,867,139	41,813,043	38,893,951	43,427,079	42,833,685	44,483,436	

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 piling 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	2026	2025
3 months VaR of Global Gold Price at 95% Confidence Level	24.14%	10.28%
3 months VaR of Exchange Rate at 95% Confidence Level	1.37%	2.97%
Expected Credit Loss (Rs. '000)	1,216,424	125,986

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 are hedged through a cross currency swap and other suitable hedging tools, resulting in a minimal level of transaction foreign currency risk as at 31 March 2026.

Translation Risk – This exposure arises from the effect of currency fluctuations on the financial statements, particularly when it has foreign subsidiaries and foreign borrowings. 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 program. 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 Committee (ORMC) is primarily responsible for the effective management of Operational Risk. ORMC is chaired by the Managing Director and comprises of Executive Directors and other member from the Senior Management including Chief Financial Officer, Chief Risk Officer, Compliance Officer and Chief Internal Auditor.

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 Assessment
- Risk Appetite and Tolerance Levels for Operational Risk
- Exception Monitoring
- Regular Monitoring of Key Risk Indicator
- Fraud Risk Assessment
- 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	2026		2025	
	Actual	Required	Actual	Required
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tier 1 Capital	56,426,217	26,060,527	49,654,357	16,304,696
Total Capital	55,755,717	36,484,737	51,046,073	22,826,575
Total Risk Weighted Assets	260,605,266		163,046,965	
Tier 1 Capital Ratio %	21.65%	10.00%	30.45%	10.00%
Total Capital Ratio %	21.39%	14.00%	31.31%	14.00%

As of 31 March 2026, 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 Information

Supporting the System with Transparency

Movement that Supports, Movement that Strengthens

At LB Finance PLC, every supporting detail adds force to the larger story. Supplementary information brings together the depth, context and clarity that reinforce understanding, allowing the full weight of our performance and value creation journey to be seen. These additional insights strengthen the foundation of what has been achieved.

Within a wind turbine, precision-engineered gears transfer and amplify rotational energy from the rotor, enabling the generator to produce electricity efficiently across varying wind conditions.



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506 Assurance Report on Sustainability Reporting | **508** Corporate Governance | **555** Organisation Chart
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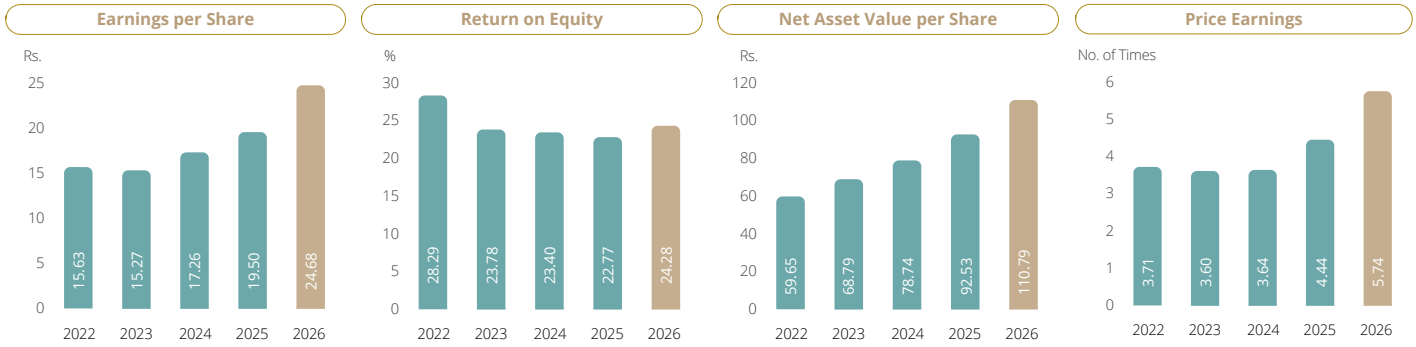
Investor Information

KEY INVESTOR INDICATORS



DELIVERING SUSTAINABLE SHAREHOLDER VALUE

Dear Investor,

LB Finance PLC continued to create long term shareholder value during the financial year 2025/26 through strong financial performance, disciplined risk management and strategic business expansion.

During the year, the Company achieved several key milestones including the acquisition of Associated Motor Finance Company PLC, expanded Group assets beyond Rs. 400 billion by the year end and expanding into the Philippines following the receipt of the necessary regulatory approvals. These developments strengthened the Company's growth outlook and enhanced investor confidence in the Company's future potential.

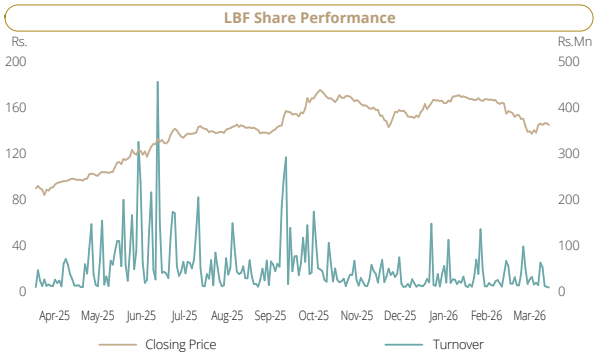
The Company's share recorded strong market performance during the year supported by improved earnings and positive market sentiment. The share price increased from Rs. 86.50 as at 31 March 2025 to Rs. 141.75 as at 31 March 2026, showcasing an outstanding year on year appreciation of 63.87%. The Company recorded Earnings per Share (EPS) of Rs. 24.68, Return on Equity (ROE) of 24.28% and Net Asset Value per Share (NAVPS) of Rs. 110.79 during the year under review.

SHAREHOLDER VALUE CREATION

The Colombo Stock Exchange experienced improved investor activity during the year supported by easing macroeconomic conditions and improving market sentiment. Against this backdrop, the LB Finance share demonstrated strong performance driven by earnings growth, strategic expansion initiatives and positive investor confidence.

The share reached a high of Rs. 174.00 during the year and closed at Rs. 141.75 as at 31 March 2026. Total turnover from share trading increased to Rs. 10.61 billion compared to Rs. 5.83 billion in the previous year, while average daily turnover improved to Rs. 44.01 million from Rs. 24.48 million while establishing enhanced market liquidity and trading activity.

As at 31 March	2026	2025
Diversified Financial Sector – P/E Ratio	7.71	6.91
Banking Sector – P/E Ratio	5.33	4.44
Diversified Financial Sector – P/B Ratio	0.97	0.92
Banking Sector – P/B Ratio	0.82	0.70
Beta Value against ASPI of LB Finance PLC	0.66	1.17



DIVIDEND AND CAPITAL MANAGEMENT

The Company continued its policy of balancing shareholder returns with capital retention to support future growth and regulatory capital requirements.

The Board of Directors declared and paid an interim dividend of Rs. 2.25 per share and proposed a final dividend of Rs. 5.95 per share, subject to shareholder approval at the forthcoming Annual General Meeting marking a total dividend of Rs. 8.20 per share for the financial year ended 31 March 2026.

The Company continued its policy of distributing approximately one-third of earnings as dividends while retaining sufficient capital to support future business expansion.

Investor Information

Share Trading Information

For the period ended	Quarterly Performance				Annual Performance		
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2025/26	2024/25	2023/24
Share Price							
Highest (Rs.)	130.00	159.00	174.00	170.00	174.00	95.20	73.00
Lowest (Rs.)	77.00	123.00	136.50	130.00	77.00	62.00	49.90
Last Traded (Rs.)	130.00	151.50	157.00	141.75	141.75	86.50	62.80
Share Trading Details							
Number of Transactions	9,263	13,073	11,124	9,120	42,580	23,903	14,084
Number of Shares Traded	31,596,635	26,282,055	12,935,062	9,118,998	79,932,750	74,351,248	63,588,580
Value of Shares Traded (Rs.Mn)	3,484	3,652	2,047	1,423	10,605	5,826	3,852
Number of Days Traded	58	63	61	59	241	238	238
Average Turnover (Rs.Mn)	60.07	57.96	33.56	24.12	44.01	24.48	65.88

Market Capitalisation

As at 31 March	2025/26	2024/25	2023/24
Number of Shares in Issue	554,057,136	554,057,136	554,057,136
Equity (Rs.Bn)	61.38	51.27	43.63
LFIN Market Capitalisation (Rs.Bn)	78.54	47.93	34.79
CSE Market Capitalisation (Rs.Bn)	8,425.24	5,606.37	4,534.65
LFIN Market Capitalisation as a Percentage of CSE Market Capitalisation (%)	0.93	0.85	0.77

The market capitalisation of LB Finance PLC increased significantly to Rs. 78.54 billion as at 31 March 2026 compared to Rs. 47.93 billion recorded in the previous financial year, indicating the strong appreciation in the Company's share price and enhanced investor confidence. The Company's contribution to the overall Colombo Stock Exchange market capitalisation increased to 0.93% during the year under review compared to 0.85% in the previous year.

Public Shareholding

As at 31 March	2025/26	2024/25	2023/24
Public Shareholding Percentage (%)	21.44	21.35	21.70
Number of Shareholders representing the Percentage	7,596	5,337	4,930

The Company continued to maintain compliance with the minimum public holding requirements of the Colombo Stock Exchange. The shareholder base expanded significantly during the year with the number of shareholders increasing to 7,596 compared to 5,337 in the previous year, reflecting increased investor participation and broader market interest in the Company's shares.

Float Adjusted Market Capitalisation

The Float adjusted market capitalisation as at 31 March 2026 – Rs. 16,838,335,647.00

The Float adjusted market capitalisation 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.

Largest Shareholders of the Company

	Shareholder		As at 31 March 2026		As at 31 March 2025	
			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	144,492,928	26.079	144,492,928	26.079
	Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	18,784,000				
3	Hatton National Bank PLC/Esna Holdings (Pvt) Ltd		15,248,000	2.752	15,248,000	2.752
4	Seylan Bank PLC/JN Lanka Holdings Company (Pvt) Ltd		7,969,446	1.438	8,314,886	1.501
5	Hatton National Bank PLC - Capital Alliance Quantitative Equity Fund		5,230,731	0.944	-	-
6	Mr. K.R.E.M.D.M.B. Jayasundara		5,000,000	0.902	5,000,000	0.902
7	Mr. K.D.A. Perera		4,289,735	0.774	4,289,735	0.774
8	Mr. W.G.D.C. Ranaweera		3,125,002	0.564	6,381,928	1.152
9	Mr. N. Udage		2,861,235	0.516	2,861,235	0.516
10	J.B. Cocoshell (Pvt) Ltd		2,812,962	0.508	1,635,407	0.295
11	Mr. Y.S.H.R.S. Silva		2,522,500	0.455	1,881,500	0.340
12	DFCC Bank PLC/J N Lanka Holdings Company (Pvt) Ltd		2,500,000	0.451	3,000,000	0.541
13	Mr. F.N. Herft		2,132,452	0.385	1,970,973	0.356
14	Rosewood (Pvt) Limited-Account No.1		2,000,000	0.361	1,963,807	0.354
15	Hatton National Bank PLC/JN Lanka Holdings Company (Pvt) Ltd		1,532,564	0.277	2,720,745	0.491
16	DFCC Bank PLC A/C 1		1,529,567	0.276	1,186,099	0.214
17	DFCC Bank PLC A/C No.02		1,469,029	0.265	2,227,260	0.402
18	Mr. M. Keil		1,365,000	0.246	1,300,000	0.235
19	Mr. A.A. Page		1,259,200	0.227	1,259,200	0.227
20	Mr. M.A.T. Raaymakers		1,112,029	0.201	1,270,922	0.229
			495,181,980	89.372	493,734,225	89.111
	Others		58,875,156	10.628	60,322,911	10.889
	Total		554,057,136	100.000	554,057,136	100.000

Distribution of Shareholdings

Range	As at 31 March 2026			As at 31 March 2025		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	5,301	1,196,338	0.22	3,237	803,609	0.15
1,001 - 10,000	1,630	5,923,637	1.07	1,418	5,299,034	0.96
10,001 - 100,000	543	17,105,142	3.08	560	16,766,330	3.02
100,001 - 1,000,000	108	32,501,022	5.87	110	33,194,103	5.99
Over 1,000,000	23	497,330,997	89.76	23	497,994,060	89.88
Total	7,605	554,057,136	100.00	5,348	554,057,136	100.00

Share Prices for the Year

Market Price per Share	2025/26	Date	2024/25	Date
	Rs.		Rs.	
Highest During the Year	174.00	22 October 2025	95.20	16 January 2025
Lowest During the Year	77.00	07 April 2025	62.00	03 September 2024
Last Traded During the Year	141.75	31 March 2026	86.50	28 March 2025

Investor Information

Composition of Shareholders

Category	2025/26			2024/25		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local	7,563	548,855,988	99.06	5,314	548,249,314	98.95
Foreign	42	5,201,148	0.94	34	5,807,822	1.05
Total	7,605	554,057,136	100.00	5,348	554,057,136	100.00
Individuals	7,313	61,150,654	11.04	5,106	66,172,006	11.94
Institutions	292	492,906,482	88.96	242	487,885,130	88.06
Total	7,605	554,057,136	100.00	5,348	554,057,136	100.00

Institutional investors continued to represent the majority shareholder segment of the Company accounting for 88.96% of total issued shares, proving sustained confidence among long term institutional investors in the Company's financial strength, governance standards and strategic direction.

Directors' Shareholdings

Names of Directors	As at 31 March 2026		As at 31 March 2025	
	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. 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	-	-	-	-
Mr. P D Hennayake	25,000	0.005	25,000	0.005
Mr. P B Talwatte	-	-	-	-
Mr. R D Tissera	150,000	0.027	N/A	N/A
Prof. T N L De Zoysa	-	-	N/A	N/A

Credit Ratings

During the year under review, the Company was reaffirmed with A-(lka) rating with a Stable Outlook by Fitch Ratings Lanka Limited and was assigned with an A+ rating with a Stable Outlook by Lanka Rating Agency Limited (LRA).
These ratings testify the Company's strong market position, prudent risk management framework, stable funding profile, healthy capitalisation levels and resilient earnings performance.

Investor Engagement and Communication

LB Finance PLC remains committed to maintaining timely, transparent and consistent communication with shareholders, regulators, analysts and the broader investment community.

The Company continued to provide quarterly financial disclosures, annual reports, investor announcements and material market disclosures in compliance with the Listing Rules of the Colombo Stock Exchange and other applicable regulatory requirements. Shareholders are encouraged to access investor related information through the Company's corporate website, Annual General Meetings, interim financial statements and published market disclosures. The Company remains focused on strengthening investor engagement and enhancing long term shareholder value through transparency, accountability and sustainable business practices.

Interim Financial Snapshot

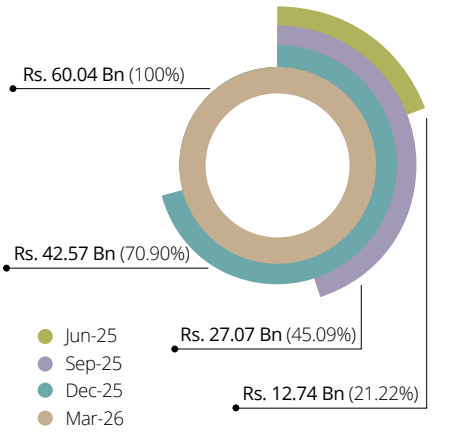
Consistent quarterly progression across earnings growth, portfolio expansion, funding mobilisation and asset quality improvement throughout FY2025/26.

LB Finance recorded consistent quarterly growth throughout FY2025/26, supported by portfolio expansion, earnings growth, funding mobilisation and improving asset quality. Loans and receivables surpassed Rs. 300 billion by Q4, while continued deposit growth supported balance sheet expansion and liquidity management. Profitability improved across all four quarters and capital adequacy levels remained above regulatory requirements supporting financial resilience and growth.

EARNINGS MOMENTUM

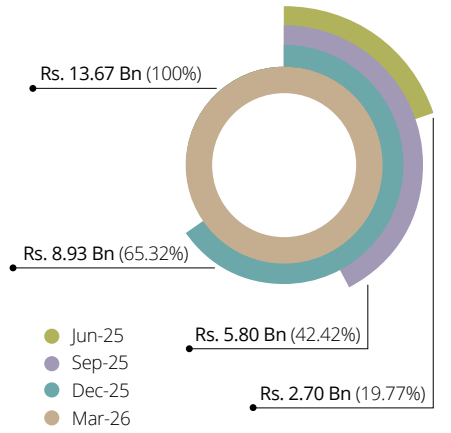
"Profitability improved progressively across all four quarters."

Income



Interest income and profitability recorded progressive quarterly growth throughout FY2025/26, reflecting continued lending portfolio expansion, growth in operating income and operating leverage across the business. Interest income increased from Rs. 12.74 billion in Q1 to Rs. 14.33 billion in Q2 and Rs. 15.50 billion in Q3, before reaching Rs. 17.47 billion in Q4.

Profit after Tax



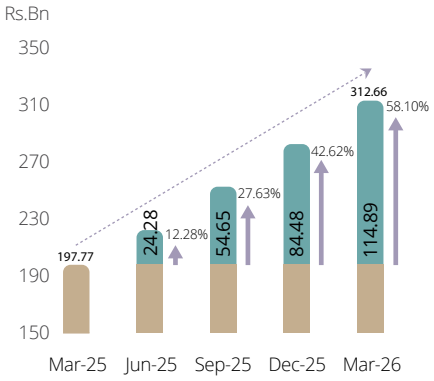
Profit after tax increased from Rs. 2.70 billion in Q1 to Rs. 3.10 billion in Q2 and Rs. 3.13 billion in Q3, before reaching Rs. 4.74 billion in Q4. The Q4 profitability performance was further supported by a tax credit arising from the acquisition of Associated Motor Finance Company PLC (AMF).

PORTFOLIO EXPANSION

"Loans and receivables surpassed Rs. 300 billion during Q4."

Loans and receivables demonstrated steady quarterly growth throughout FY2025/26, increasing from Rs. 222.05 billion in June 2025 to Rs. 252.41 billion in September 2025 and Rs. 282.25 billion in December 2025, before reaching Rs. 312.66 billion by March 2026. The continued expansion in the lending portfolio was supported by sustained lending demand, portfolio diversification and disciplined business expansion strategies across key lending segments.

Loans and Receivables



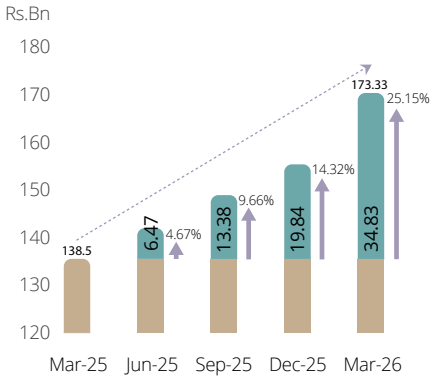
FUNDING STRENGTH

"Deposits increased steadily throughout FY2025/26."

Funding and liquidity levels strengthened progressively during the financial year, supported by sustained deposit mobilisation and continued customer confidence. Customer deposits increased from Rs. 144.97 billion in June 2025 to Rs. 151.88 billion in September 2025 and Rs. 158.33 billion in December 2025, before reaching Rs. 173.33 billion by March 2026. The continued expansion in the deposit base supported funding diversification, liquidity management and accelerated portfolio growth during the year.

Debt funding increased during the year through higher bank borrowings and other funding facilities. Due to Banks increased to Rs. 102.97 billion, whilst Debt Instruments Issued and Other Borrowed Funds rose to Rs. 45.40 billion, strengthening funding diversification and supporting continued lending growth.

Due to Depositors



CAPITAL STRENGTH AND ASSET QUALITY

"Asset quality indicators improved progressively during the year."

LB Finance maintained capital adequacy levels above regulatory requirements throughout FY2025/26 whilst continuing to improve asset quality indicators. Gross NPL levels improved progressively from 1.91% in Q1 to 1.35% by Q4, supported by prudent credit underwriting standards, portfolio monitoring and strengthened recovery efforts.

Interim Financial Statements

Income Statement - Company

For the 03 Months Ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2025	30.06.2024	30.09.2025	30.09.2024	31.12.2025	31.12.2024	31.03.2026	31.03.2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Income	12,741,864	11,109,025	14,327,267	11,743,681	15,496,622	11,693,722	17,469,551	12,184,527
Interest Income	11,227,010	10,210,023	12,411,883	10,571,311	13,470,136	10,577,284	14,696,094	10,456,840
Less : Interest Expenses	4,389,083	4,297,570	5,056,289	4,138,906	5,943,149	4,146,272	6,914,768	4,104,633
Net Interest Income	6,837,927	5,912,453	7,355,594	6,432,405	7,526,987	6,431,012	7,781,326	6,352,207
Fee and Commission Income	1,489,213	830,799	1,788,705	1,136,041	1,970,550	1,054,250	2,663,476	1,583,351
Net Trading Income	15,097	46,572	30,935	23,594	12,451	28,978	26,827	1,957
Other Operating Income	10,544	21,631	95,744	12,735	43,485	33,210	83,154	142,379
Total Operating Income	8,352,781	6,811,455	9,270,978	7,604,775	9,553,473	7,547,450	10,554,783	8,079,894
Less : Impairment Charges/(Reversals)	259,918	131,506	174,135	25,687	372,089	17,277	396,651	(430,707)
Net Operating Income	8,092,863	6,679,949	9,096,843	7,579,088	9,181,384	7,530,173	10,158,132	8,510,601
Less: Operating Expenses								
Personnel Expenses	1,354,504	1,192,487	1,423,254	1,272,369	1,450,273	1,286,553	1,783,329	1,394,848
Depreciation of Property, Plant and Equipment	264,574	233,799	282,397	241,951	294,023	247,788	300,970	256,415
Amortisation of Intangible Assets	4,126	1,964	4,782	3,155	5,472	3,872	7,248	4,137
Other Operating Expenses	945,489	869,921	1,126,302	958,593	1,099,828	922,650	1,168,181	897,925
Total Operating Expenses	2,568,693	2,298,171	2,836,735	2,476,068	2,849,596	2,460,863	3,259,728	2,553,325
Operating Profit before Tax on Financial Services	5,524,170	4,381,778	6,260,108	5,103,020	6,331,788	5,069,310	6,898,404	5,957,276
Less : Tax on Financial Services	1,155,722	871,907	1,275,949	1,065,858	1,291,866	1,057,636	1,413,556	1,174,308
Profit before Taxation	4,368,448	3,509,871	4,984,159	4,037,162	5,039,922	4,011,674	5,484,848	4,782,968
Less : Income Tax Expense	1,665,693	1,321,150	1,886,750	1,538,025	1,908,930	1,525,901	743,154	1,150,963
Profit for the Period	2,702,755	2,188,721	3,097,409	2,499,137	3,130,992	2,485,773	4,741,694	3,632,005
Quarterly Key Performance Indicators								
Profitability								
Return on Equity	21.01%	20.01%	21.88%	20.83%	21.82%	20.67%	24.28%	22.77%
Return on Assets	4.19%	4.26%	4.24%	4.54%	4.03%	4.55%	4.30%	4.88%
Capital Adequacy								
Tier 1	25.53%	28.90%	22.74%	27.83%	19.93%	25.79%	21.65%	30.45%
Total	26.43%	29.65%	23.66%	28.64%	19.86%	26.63%	21.39%	31.31%
Asset Quality								
NPL Ratio - Gross	1.91%	3.29%	1.55%	2.86%	1.46%	2.53%	1.35%	2.25%
NPL Ratio - Net	-1.34%	-0.93%	-1.36%	-1.19%	-1.29%	-1.42%	-1.24%	-1.22%

Statement of Financial Position - Company

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2025	30.06.2024	30.09.2025	30.09.2024	31.12.2025	31.12.2024	31.03.2026	31.03.2025
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets								
Cash and Cash Equivalents	20,656,618	11,101,443	19,251,562	6,324,223	14,620,752	5,138,336	18,718,916	9,024,016
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,924,883	1,953,991	949,818	819,467	928,583	1,117,445	4,250,311	718,402
Derivative Financial Assets	-	-	-	-	-	-	82,705	-
Financial Assets at Amortised Cost - Loans and Receivables	222,050,704	169,782,705	252,414,629	178,411,375	282,249,476	185,713,608	312,660,305	197,766,691
Financial Assets Measured at Fair Value Through Other Comprehensive Income	187,348	164,503	215,447	161,296	191,993	200,682	193,495	165,024
Other Financial Assets	18,026,018	14,950,762	20,360,037	13,824,667	33,884,836	14,677,214	40,543,044	21,201,500
Other Non Financial Assets	613,070	457,008	748,939	597,951	769,942	574,039	860,805	439,475
Investment in Subsidiaries	521,162	698,935	521,162	521,162	4,694,583	521,162	4,694,583	521,162
Property, Plant and Equipment and Right-of-Use Assets	9,826,491	9,046,632	10,216,186	9,205,514	10,453,467	9,378,788	10,743,488	9,725,513
Investment Properties	5,385	-	5,385	5,050	5,385	5,050	4,150	5,385
Intangible Assets	94,565	19,605	83,346	56,126	99,506	52,701	126,337	67,113
Deferred Tax Assets	1,309,250	927,914	1,355,483	927,914	1,469,555	927,914	2,453,348	1,255,960
Total Assets	275,215,494	209,103,498	306,121,994	210,854,745	349,368,078	218,306,939	395,331,487	240,890,241
Liabilities								
Due to Banks	46,523,028	23,810,816	63,465,106	22,916,093	83,347,335	23,950,021	102,967,004	37,411,682
Financial Liabilities at Amortised Cost - Due to Depositors	144,971,045	125,269,286	151,875,738	127,609,664	158,332,467	132,294,577	173,329,148	138,496,872
Debt Instruments Issued and Other Borrowed Funds	19,801,989	5,821,261	25,782,690	5,993,023	39,110,779	5,301,303	45,400,377	5,005,405
Other Financial Liabilities	5,264,848	3,898,156	5,557,063	4,190,298	5,693,510	4,165,695	5,935,737	4,303,422
Other Non Financial Liabilities	4,161,417	3,428,999	1,991,977	1,679,496	1,721,905	1,546,322	2,127,361	1,671,989
Current Tax Liabilities	2,321,346	2,493,853	2,134,931	1,561,613	2,728,510	1,631,151	3,550,887	2,182,738
Post Employment Benefit Liability	535,492	497,408	552,652	524,911	564,197	513,065	637,650	552,135
Total Liabilities	223,579,165	165,219,779	251,360,157	164,475,098	291,498,703	169,402,134	333,948,164	189,624,243
Equity								
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	9,678,818	9,089,995	9,861,787	9,211,743	9,994,883	9,375,418	10,267,762	9,521,361
Retained Earnings	41,119,229	33,955,442	44,061,768	36,329,622	47,036,210	38,691,105	50,277,279	40,906,355
Total Equity Attributable to Equity Holders of the Company	51,636,329	43,883,719	54,761,837	46,379,647	57,869,375	48,904,805	61,383,323	51,265,998
Total Liabilities and Equity	275,215,494	209,103,498	306,121,994	210,854,745	349,368,078	218,306,939	395,331,487	240,890,241

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)

Year ended 31 March	Company			Group		
	2026	2025	Change	2026	2025	Change
	USD '000	USD '000	%	USD '000	USD '000	%
Income	191,929	149,395	28	201,075	150,755	33
Interest Income	165,617	133,681	24	173,776	134,917	29
Less: Interest Expenses	71,302	53,348	34	73,622	53,656	37
Net Interest Income	94,315	80,333	17	100,154	81,261	23
Fee and Commission Income	25,294	14,720	72	25,680	14,843	73
Net Trading Income	273	323	(16)	309	323	(4)
Other Operating Income	745	671	11	1,310	672	95
Total Operating Income	120,627	96,047	26	127,453	97,099	31
Less: Impairment Charges/(Reversals)	3,845	(819)	>100	6,509	(834)	>100
Net Operating Income	116,782	96,866	21	120,944	97,933	23
Less: Operating Expenses						
Personnel Expenses	19,218	16,452	17	20,545	16,841	22
Depreciation of Property, Plant and Equipment	3,651	3,133	17	3,742	3,156	19
Amortisation of Intangible Assets	69	42	65	72	46	58
Other Operating Expenses	13,874	11,666	19	14,615	12,047	21
Total Operating Expenses	36,812	31,293	18	38,974	32,090	21
Operating Profit before Tax on Financial Services	79,970	65,573	22	81,970	65,843	24
Less: Tax on Financial Services	16,423	13,330	23	16,574	13,374	24
Profit before Taxation	63,547	52,243	22	65,396	52,469	25
Less: Income Tax Expense	19,835	17,698	12	20,502	17,745	16
Profit for the Year	43,712	34,545	27	44,894	34,724	29
Profit Attributable to:						
Equity Holders of the Company	43,712	34,545	27	44,664	34,718	29
Non-Controlling Interest	-	-	-	230	6	>100
Profit for the Year	43,712	34,545	27	44,894	34,724	29
Earnings per Share: Basic/Diluted (USD)	0.08	0.06	27	0.08	0.06	29
Dividend per Share (USD)						
Dividend per Share : Gross (USD)	0.03*	0.02	26			
Dividend per Share : Net (USD)	0.02*	0.02	26			

*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 312.80 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		
	2026	2025	Change	2026	2025	Change
	USD '000	USD '000	%	USD '000	USD '000	%
Profit for the Year	43,712	34,545	27	44,894	34,724	29
Other Comprehensive Income that will be Reclassified to Income Statement						
Changes in Fair Value of Hedge Reserve	157	-	100	157	-	100
Less: Deferred Tax Charge/(Reversal) on above Items	47	-	100	47	-	100
Changes in Fair Value of Hedge Reserve, Net of Tax	110	-	100	110	-	100
Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	-	-	-	256	(42)	>100
Net Other Comprehensive Income that will be Reclassified to Income Statement	110	-	100	366	(42)	>100
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	91	28	>100	95	28	>100
Actuarial Gains/(Losses) on Defined Benefit Plans	(77)	52	(>100)	(3)	52	(>100)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	(23)	16	(>100)	(1)	16	(>100)
Net Actuarial Gains/(Losses) on Defined Benefit Plans	(54)	36	(>100)	(2)	36	(>100)
Net Other Comprehensive Income that will never be Reclassified to Income Statement	37	64	(43)	93	64	45
Other Comprehensive Income for the Year, Net of Tax	147	64	>100	459	22	>100
Total Comprehensive Income for the Year, Net of Tax	43,859	34,609	27	45,353	34,746	31
Attributable to:						
Equity Holders of the Company	43,859	34,609	27	45,108	34,740	30
Non-Controlling Interest	-	-	-	245	6	>100
Total Comprehensive Income for the Year, Net of Tax	43,859	34,609	27	45,353	34,746	31

A common exchange rate LKR 312.80 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

Financial Statements in USD

Statement of Financial Position (US Dollars)

As at 31 March	Company			Group		
	2026	2025	Change	2026	2025	Change
	USD '000	USD '000	%	USD '000	USD '000	%
Assets						
Cash and Cash Equivalents	59,843	28,849	>100	61,088	29,011	>100
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	13,588	2,297	>100	13,588	2,297	>100
Derivative Financial Assets	264	-	100	264	-	100
Financial Assets at Amortised Cost - Loans and Receivables	999,553	632,246	58	1,064,574	637,056	67
Financial Assets Measured at Fair Value Through Other Comprehensive Income	619	528	17	659	528	25
Other Financial Assets	129,613	67,780	91	135,425	67,739	100
Other Non Financial Assets	2,753	1,405	96	3,077	1,533	100
Investment in Subsidiaries	15,008	1,666	>100	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	34,346	31,092	10	38,347	31,175	23
Investment Properties	13	17	(23)	13	17	(23)
Intangible Assets	404	215	88	3,473	215	>100
Deferred Tax Assets	7,843	4,015	95	8,034	4,036	99
Total Assets	1,263,847	770,110	64	1,328,542	773,607	72
Liabilities						
Due to Banks	329,178	119,603	>100	330,743	120,843	>100
Financial Liabilities at Amortised Cost - Due to Depositors	554,121	442,765	25	606,009	443,810	37
Debt Instruments Issued and Other Borrowed Funds	145,142	16,002	>100	145,142	16,002	>100
Other Financial Liabilities	18,976	13,758	38	19,967	13,764	45
Other Non Financial Liabilities	6,801	5,345	27	8,622	5,495	57
Current Tax Liabilities	11,352	6,978	63	13,101	6,997	87
Post Employment Benefit Liability	2,039	1,765	15	2,437	1,765	38
Total Liabilities	1,067,609	606,216	76	1,126,021	608,676	85
Equity						
Stated Capital	2,680	2,680	-	2,680	2,680	-
Reserves	32,825	30,439	8	33,442	30,797	9
Retained Earnings	160,733	130,775	23	162,403	131,454	24
Total Equity Attributable to Equity Holders of the Company	196,238	163,894	20	198,525	164,931	20
Non-Controlling Interest	-	-	-	3,996	-	100
Total Equity	196,238	163,894	20	202,521	164,931	23
Total Liabilities and Equity	1,263,847	770,110	64	1,328,542	773,607	72
Commitments and Contingencies	31,379	13,456	>100	30,379	12,667	>100
Net Asset Value per Share (USD)	0.35	0.30	20	0.36	0.30	20

A common exchange rate LKR 312.80 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

Horizontal and Vertical Analysis

HORIZONTAL ANALYSIS OF INCOME STATEMENT

Income Statement	CAGR	2025/26		2024/25		2023/24		2022/23		2021/22	
	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Income	19	60,035	28	46,731	(5)	49,230	15	42,756	42	30,160	1
Interest Income	17	51,805	24	41,815	(9)	45,730	15	39,644	44	27,511	0
Interest Expenses	26	22,303	34	16,687	(22)	21,379	4	20,616	>100	8,847	(23)
Net Interest Income	12	29,502	17	25,128	3	24,350	28	19,028	2	18,664	17
Other Operating Income	33	8,230	67	4,916	40	3,500	12	3,113	18	2,649	15
Total Operating Income	15	37,732	26	30,044	8	27,851	26	22,141	4	21,313	17
Impairment Charges/ (Reversals)	4	1,203	>100	(256)	(>100)	373	(32)	546	(47)	1,026	(39)
Total Operating Expenses	17	11,515	18	9,788	13	8,670	21	7,178	15	6,240	12
Tax on Financial Services	25	5,137	23	4,170	15	3,628	36	2,670	25	2,137	28
Profit Before Tax	14	19,877	22	16,342	8	15,180	29	11,747	(1)	11,910	28
Income Tax Expense	18	6,204	12	5,536	(1)	5,616	71	3,287	1	3,248	30
Profit For The Year	12	13,673	27	10,806	13	9,564	13	8,460	(2)	8,662	27

*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. 30.16 billion to Rs. 60.03 billion during this period, reflecting a robust Compound Annual Growth Rate (CAGR) of 19%.This growth is underpinned by strong performance across key income streams, including net interest income, which increased at a CAGR of 12% to Rs. 29.50 billion in 2025/26 and other operating income, which posted a solid 33% CAGR. Operating expenses rose moderately from Rs. 6.24 billion to Rs. 11.51 billion over the same period, indicating prudent cost management despite business expansion and economic fluctuation. This disciplined expense growth has supported the Company's profitability, with profit for the year reaching a record Rs. 13.67 billion in 2025/26, representing a 12% CAGR. LBF's consistent financial performance highlights its strong fundamentals and effective navigation of market challenges.

VERTICAL ANALYSIS OF INCOME STATEMENT

Income Statement	2025/26		2024/25		2023/24		2022/23		2021/22	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Income	60,035	100	46,731	100	49,230	100	42,756	100	30,160	100
Interest Income	51,805	86	41,815	89	45,730	93	39,644	93	27,511	91
Interest Expenses	22,303	37	16,687	36	21,379	43	20,616	48	8,847	29
Net Interest Income	29,502	49	25,128	53	24,350	50	19,028	45	18,664	62
Other Operating Income	8,230	14	4,916	11	3,500	7	3,113	7	2,649	9
Total Operating Income	37,732	63	30,044	64	27,851	57	22,141	52	21,313	71
Impairment Charges/ (Reversals)	1,203	2	(256)	(1)	373	1	546	1	1,026	3
Total Operating Expenses	11,515	19	9,788	21	8,670	18	7,178	17	6,240	21
Tax on Financial Services	5,137	9	4,170	9	3,628	7	2,670	6	2,137	7
Profit Before Tax	19,877	33	16,342	35	15,180	31	11,747	28	11,910	40
Income Tax Expense	6,204	10	5,536	12	5,616	11	3,287	8	3,248	11
Profit For The Year	13,673	23	10,806	23	9,564	20	8,460	20	8,662	29

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 from 86% to 93% over the past five years, underscoring the Company's strategic focus on interest generating activities. Meanwhile,interest expense as a percentage of total income declined from a peak of 48% in 2022/23, which was impacted by challenging macroeconomic conditions during the period and has since reduced to 43% and 36% over the subsequent years, before marginally increasing to 37% in the latest year, indicating a gradual recovery and stabilisation in cost efficiency. Taxes on financial services and income tax expenses collectively accounted for a moderate portion of total income, averaging around 18% (income tax approximately 10% and financial services tax approximately 8%), reflecting the Company's consistent contribution to government revenue. Importantly, LBF has maintained a consistently strong level of profitability, with profit margins averaging over 23% 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.

Horizontal and Vertical Analysis

HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	CAGR	2025/26		2024/25		2023/24		2022/23		2021/22	
	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Assets											
Cash and Cash Equivalents	7	18,719	>100	9,024	22	7,406	86	3,981	(72)	14,459	>100
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	>100	4,250	>100	718	(63)	1,923	>100	554	>100	13	22
Derivative Financial Assets	100	83	100	-	-	-	-	-	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables	24	312,660	58	197,767	23	161,291	11	145,190	8	134,396	18
Financial Assets Measured at Fair Value Through Other Comprehensive Income	22	193	17	165	39	119	1	117	36	86	11
Other Financial Assets	64	40,543	91	21,202	4	20,375	(6)	21,686	>100	5,599	(46)
Other Non Financial Assets	17	861	96	439	2	431	(9)	474	5	454	(51)
Investment in Subsidiary	50	4,695	>100	521	(25)	699	(24)	922	0	921	77
Property, Plant and Equipment and Right-of-Use Assets	6	10,744	10	9,726	8	8,984	4	8,633	3	8,422	2
Investment Properties	100	4	(23)	5	100	-	-	-	-	-	-
Intangible Assets	71	126	88	67	>100	21	(9)	23	52	15	(43)
Deferred Tax Assets	100	2,453	95	1,256	35	928	21	767	100	-	-
Total Assets	25	395,331	64	240,890	19	202,177	11	182,347	11	164,365	17
Liabilities											
Due to Banks	40	102,967	>100	37,412	72	21,702	12	19,370	(28)	26,859	63
Financial Liabilities at Amortised Cost - Due to Depositors	18	173,329	25	138,497	13	122,808	8	114,012	28	89,144	4
Debt Instruments Issued and Other Borrowed Funds	52	45,400	>100	5,005	(9)	5,491	41	3,882	(55)	8,565	>100
Other Financial Liabilities	16	5,936	38	4,303	15	3,759	15	3,256	(1)	3,305	9
Other Non Financial Liabilities	17	2,127	27	1,672	8	1,549	42	1,089	(4)	1,135	10
Current Tax Liabilities	17	3,551	63	2,183	(21)	2,770	23	2,256	20	1,882	1
Deferred Tax Liabilities	(100)	-	-	-	-	-	-	-	(100)	111	(83)
Post Employment Benefit Liability	19	638	15	552	17	473	29	366	15	317	(13)
Total Liabilities	26	333,948	76	189,624	20	158,551	10	144,231	10	131,318	17
Equity											
Stated Capital	0	838	-	838	-	838	-	838	-	838	-
Reserves	6	10,268	8	9,522	6	8,973	6	8,493	6	8,039	6
Retained Earnings	20	50,277	23	40,906	21	33,815	17	28,785	19	24,170	22
Total Equity	17	61,383	20	51,266	18	43,626	14	38,116	15	33,047	17
Total Liabilities and Equity	25	395,331	64	240,890	19	202,177	11	182,347	11	164,365	17

*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 24%, reflecting its strategic focus on expanding core business operations. This growth is further underpinned by a robust 17% CAGR in internal capital generation, which increased from Rs. 33.05 billion to Rs. 61.38 billion during the period. In parallel, the Company has upheld a stable dividend policy, consistently distributing 1/3 of its earnings to shareholders. The Company's total liabilities have grown significantly over the period, mainly driven by increases in amounts due to banks, customer deposits and borrowings. Amounts due to banks increased from LKR 26.86 billion to LKR 102.97 billion, reflecting a CAGR of approximately 40%, while deposits grew from LKR 89.14 billion to LKR 173.33 billion at a CAGR of around 18%. Borrowings recorded the highest growth, rising from LKR 8.56 billion to LKR 45.40 billion, with a CAGR of approximately 52%. The Company's total liabilities and assets have both grown steadily over the period, reflecting continued business expansion. This balanced growth in assets, liabilities and equity underscores LBF's strong financial position and effective financial resource management.

VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	2025/26		2024/25		2023/24		2022/23		2021/22	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Assets										
Cash and Cash Equivalents	18,719	5	9,024	4	7,406	4	3,981	2	14,459	9
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	4,250	1	718	0	1,923	1	554	0	13	0
Derivative Financial Assets	83	0	-	-	-	-	-	-	-	-
Financial Assets at Amortised Cost - Loans and Receivables	312,660	79	197,767	82	161,291	80	145,190	80	134,396	82
Financial Assets Measured at Fair Value Through Other Comprehensive Income	193	0	165	0	119	0	117	0	86	0
Other Financial Assets	40,543	10	21,202	9	20,375	10	21,686	12	5,599	3
Other Non Financial Assets	861	0	439	0	431	0	474	0	454	0
Investment in Subsidiary	4,695	1	521	0	699	0	922	1	921	1
Property, Plant and Equipment	10,744	3	9,726	4	8,984	5	8,633	5	8,422	5
Investment Properties	4	0	5	0	-					
Intangible Assets	126	0	67	0	21	0	23	0	15	0
Deferred Tax Assets	2,453	1	1,256	1	928	0	767	0	-	-
Total Assets	395,331	100	240,890	100	202,177	100	182,347	100	164,365	100
Liabilities										
Due to Banks	102,967	26	37,412	16	21,702	11	19,370	11	26,859	16
Financial Liabilities at Amortised Cost - Due to Depositors	173,329	44	138,497	57	122,808	61	114,012	62	89,144	54
Debt Instruments Issued and Other Borrowed Funds	45,400	11	5,005	2	5,491	3	3,882	2	8,565	5
Other Financial Liabilities	5,936	2	4,303	2	3,758	2	3,256	2	3,305	2
Other Non Financial Liabilities	2,127	0	1,672	1	1,549	0	1,089	1	1,135	1
Current Tax Liabilities	3,551	1	2,183	1	2,770	1	2,256	1	1,882	1
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	111	0
Post Employment Benefit Liability	638	0	552	0	473	0	366	0	317	0
Total Liabilities	333,948	84	189,624	79	158,550	78	144,231	79	131,318	79
Equity										
Stated Capital	838	0	838	0	838	0	838	0	838	1
Reserves	10,268	3	9,522	4	8,973	4	8,493	5	8,039	5
Retained Earnings	50,277	13	40,906	17	33,815	17	28,785	16	24,170	15
Total Equity	61,383	16	51,266	21	43,626	22	38,116	21	33,047	21
Total Liabilities and Equity	395,331	100	240,890	100	202,177	100	182,347	100	164,365	100

The vertical analysis of LBF's Statement of Financial Position provides a comprehensive view of the Company's asset 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 over 90% 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 44%, demonstrating LBF's commitment to prioritising customer deposits. From the financial year 2021/22 to 2025/26, total equity has consistently grown from Rs. 33.05 billion to Rs. 61.38 billion, while its contribution to the company's funding mix has remained relatively stable, ranging between 16% and 22%, suggesting that the company continues to maintain a balanced approach between debt and equity. This stability reflects prudent financial management, demonstrating a balanced capital strategy that maintains appropriate leverage while progressively strengthening the equity base to support long term growth.

Decade at a Glance

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Key Indicators		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Results											
Net Interest Margin (NIM)	%	10.91	11.15	11.87	11.96	12.15	13.28	11.88	13.72	12.22	9.94
Interest Spread	%	9.59	9.65	10.32	10.46	10.62	11.98	9.19	11.05	10.35	8.66
Cost to Income	%	39.01	37.37	34.22	33.44	30.56	29.28	32.42	31.13	32.58	30.52
Financial Position											
Total Assets to Equity	No. of times	8.21	7.87	7.40	6.26	4.99	4.97	4.78	4.63	4.70	6.44
Debt to Equity	No. of times	6.89	6.58	6.02	5.01	3.74	3.77	3.60	3.44	3.53	5.24
Equity to Deposits	%	20.71	21.04	22.14	25.77	32.83	37.07	33.43	35.52	37.02	35.41
Investor Information											
Return on Equity (ROE)	%	34.09	30.52	29.93	25.04	26.58	28.29	23.78	23.40	22.77	24.28
Return on Assets (ROA)	%	4.18	3.80	3.93	3.70	4.78	5.68	4.88	4.97	4.88	4.30
Equity to Assets	%	12.17	12.70	13.51	15.98	20.05	20.11	20.90	21.58	21.28	15.53
Net Assets Value per Share	Rs.	22.58	27.70	33.26	41.51	50.88	59.65	68.79	78.74	92.53	110.79
Earnings per Share (EPS)	Rs.	7.07	7.67	9.12	9.36	12.28	15.63	15.27	17.26	19.50	24.68
Dividend per Share (DPS)	Rs.	9.00	11.00	12.00	-	7.00	5.00	5.00	5.75	6.50	8.20
Dividend Cover	No. of times	3.14	2.79	3.04	-	1.75	3.13	3.05	3.00	3.00	3.01
Dividend Yield	%	7.60	9.25	9.99	-	14.77	8.62	9.09	9.16	7.51	5.78
Dividend Payout	%	31.82	35.84	32.88	-	57.01	31.98	32.74	33.31	33.33	33.23
Price Earning Ratio (PE)	No. of times	4.19	3.87	3.29	3.22	3.86	3.71	3.60	3.64	4.44	5.74
Price to Book Value (PBV)	No. of times	1.31	1.07	0.90	0.73	0.93	0.97	0.80	0.80	0.93	1.28
Market Price per Share	Rs.	118.40	118.90	120.10	120.50	47.40	58.00	55.00	62.80	86.50	141.75
Market Capitalisation	Rs. Million	16,400	16,469	16,636	16,691	26,262	32,135	30,473	34,795	47,926	78,538
Interest Cover	No. of times	1.72	1.56	1.60	1.56	1.81	2.35	1.57	1.71	1.98	1.89
Growth											
Income	%	23.76	29.35	16.90	6.64	(4.67)	1.32	41.77	15.14	(5.08)	28.47
Interest Income	%	24.13	30.62	16.97	6.57	(5.84)	0.19	44.10	15.70	(8.56)	23.89
Interest Expense	%	40.52	41.74	12.64	5.13	(15.37)	(23.23)	133.03	3.71	(21.95)	33.65
Net Interest Income	%	13.20	21.41	21.16	7.86	2.51	17.13	1.95	28.69	3.19	17.41
Profit before Taxation	%	10.33	10.26	19.50	(1.68)	22.29	27.98	(1.38)	29.23	7.65	21.64
Profit after Taxation	%	5.39	8.49	18.91	2.62	31.15	27.33	(2.33)	13.04	12.99	26.53
Total Assets	%	21.59	17.57	12.89	5.55	(2.35)	16.92	10.94	10.87	19.15	64.11
Lending Portfolio	%	24.59	14.80	10.85	4.78	(3.98)	17.75	8.03	11.09	22.61	58.10
Customer Deposits	%	13.16	20.76	14.08	7.26	(3.81)	3.82	27.90	7.72	12.78	25.15
Equity	%	19.37	22.70	20.06	24.81	22.56	17.23	15.34	14.46	17.51	19.73
Employee											
Profit before Tax per Employee	Rs. '000	1,823	1,883	2,139	2,110	2,631	3,116	3,298	3,674	3,708	4,261
Profit after Tax per Employee	Rs. '000	1,216	1,235	1,397	1,438	1,923	2,266	2,375	2,315	2,452	2,931
Total Assets per Employee	Rs. '000	31,904	35,112	37,697	39,923	39,755	43,005	51,192	48,929	54,661	84,744
No. of Branches		154	159	163	165	169	181	192	200	216	225
No. of Employees		3,221	3,441	3,618	3,606	3,536	3,822	3,562	4,132	4,407	4,665
Employees per Branch		21	22	22	22	21	21	19	21	20	21

Financial Statements - Company

	2017 Rs. '000	2018 Rs. '000	2019 Rs. '000	2020 Rs. '000	2021 Rs. '000	2022 Rs. '000	2023 Rs. '000	2024 Rs. '000	2025 Rs. '000	2026 Rs. '000
Income Statement										
Income	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	60,035,304
Interest Income	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	51,805,123
Interest Expenses	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	22,303,289
Net Interest Income	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	29,501,834
Other Operating Income	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	8,230,181
Total Operating Income	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	37,732,015
Impairment Charges/(Reversals)	(40,064)	670,623	983,154	1,831,057	1,691,734	1,025,981	545,744	373,236	(256,236)	1,202,793
Total Operating Expenses	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	11,514,752
Tax on Financial Services	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	5,137,093
Profit before Taxation	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	19,877,377
Income Tax Expense	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	6,204,527
Profit for The Year	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	13,672,850
Statement of Financial Position										
Assets										
Cash and Cash Equivalents	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	18,718,916
Financial Assets Recognised Through										
Profit or Loss - Measured at Fair Value	10,068	9,683	6,866	4,648	10,862	13,208	554,309	1,923,016	718,402	4,250,311
Derivative Financial Assets	-	-	-	-	-	-	-	-	-	82,705
Financial Assets at Amortised Cost										
- Loans and Receivables	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	312,660,305
Financial Assets Measured at Fair Value										
Through Other Comprehensive Income	118,021	121,624	89,710	59,141	77,789	86,102	117,388	118,587	165,024	193,495
Other Financial Assets	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	40,543,044
Other Non Financial Assets	305,047	815,808	1,067,360	967,469	920,406	454,711	474,347	430,651	439,475	860,805
Investment in Subsidiaries	-	152,915	318,999	521,162	521,162	921,162	921,998	698,935	521,162	4,694,583
Property, Plant and Equipment and										
Right-of-Use Assets	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	10,743,488
Investment Properties	-	-	-	-	-	-	-	-	5,385	4,150
Intangible Assets	49,189	48,119	39,847	41,809	26,021	14,875	22,628	20,701	67,113	126,337
Deferred Tax Assets	-	-	-	-	-	-	767,186	927,914	1,255,960	2,453,348
Total Assets	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	395,331,487
Liabilities										
Due to Banks	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	102,967,004
Financial Liabilities at Amortised Cost										
- Due to Depositors	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	173,329,148
Debt Instruments Issued and										
Other Borrowed Funds	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	45,400,377
Other Financial Liabilities	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	5,935,737
Other Non Financial Liabilities	673,436	852,715	2,070,632	909,266	1,028,054	1,134,771	1,090,091	1,547,570	1,671,989	2,127,361
Current Tax Liabilities	691,091	633,058	1,395,971	766,752	1,872,154	1,882,242	2,255,830	2,770,496	2,182,738	3,550,887
Deferred Tax Liabilities	503,488	1,058,750	1,309,722	1,037,580	637,073	111,486	-	-	-	-
Post Employment Benefit Liability	153,621	231,240	256,512	345,456	365,265	316,973	365,557	473,058	552,135	637,650
Total Liabilities	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	333,948,164
Equity										
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	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	10,267,762
Retained Earnings	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	50,277,279
Total Equity	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	61,383,323
Total Liabilities and Equity	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	395,331,487

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 2026.

GRI Standard	Disclosure	Page	Explanation
GRI 1	**GRI 1: Foundation 2021**		
GRI 2	**General Disclosures 2021**		
2-1	Organisational details	23, 555	
2-2	Entities included in the organisation's sustainability reporting	19	
2-3	Reporting period, frequency and contact point	19, 20	
2-4	Restatements of information	19	
2-5	External assurance	19, 560-561	
2-6	Activities, value chain and other business relationships	62	
2-7	Employees	178-179	
2-8	Workers who are not employees	178-179	
2-9	Governance structure and composition	265	
2-10	Nomination and selection of the highest governance body	285	
2-11	Chair of the highest governance body	268	
2-12	Role of the highest governance body in overseeing the management of impacts	287	
2-13	Delegation of responsibility for managing impacts	287	
2-14	Role of the highest governance body in sustainability reporting	291	
2-15	Conflicts of interest	288	
2-16	Communication of critical concerns	287	
2-17	Collective knowledge of the highest governance body	286	
2-18	Evaluation of the performance of the highest governance body	289	
2-19	Remuneration policies	175, 290	
2-20	Process to determine remuneration	290	
2-21	Annual total compensation ratio		Does not disclose due to confidential reasons
2-22	Statement on sustainable development strategy	81, 88	
2-23	Policy commitments	67, 81, 142, 155, 161, 180, 188, 211	
2-24	Embedding policy commitments	67, 81	
2-25	Processes to remediate negative impacts	176	
2-26	Mechanisms for seeking advice and raising concerns	194, 562-564	
2-27	Compliance with laws and regulations	304	
2-28	Membership associations	561	
2-29	Approach to stakeholder engagement	67	
2-30	Collective bargaining agreements		N/A
GRI 3	**Material Topics 2021**		
3-1	Process to determine material topics	75	
3-2	List of material topics	75-80	
3-3	Management of material topics	142, 155, 161, 180, 188, 211	
GRI 200	**ECONOMIC**		
GRI 201	**Economic Performance 2016**		
201-1	Direct economic value generated and distributed	34, 38	
201-2	Financial implications and other risks and opportunities due to climate change	118	
201-3	Defined benefit plan obligations and other retirement plans	386	
201-4	Financial assistance received from government		None

GRI Standard	Disclosure	Page	Explanation
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	32	
GRI 205	**Anti-Corruption 2016**		
205-1	Operations assessed for risks related to corruption	562-564	
205-2	Communication and training about anti-corruption policies and procedures	562-564	
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	55	
207-2	Tax governance, control and risk management	202	
207-3	Stakeholder engagement and management of concerns related to tax	202	
207-4	Country-by-country reporting	389	
GRI 300	**ENVIRONMENT**		
GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	218	
305-2	Energy indirect (Scope 2) GHG emissions	218	
305-3	Other indirect (Scope 3) GHG emissions	218	
305-4	GHG emissions intensity	215, 216, 217	
305-6	Emissions of ozone-depleting substances (ODS)		N/A
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	218	
GRI 400	**SOCIAL**		
GRI 401	**Employment 2016**		
401-1	New employee hires and employee turnover	178-179	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	168	
401-3	Parental leave	175	
GRI 403	**Occupational Health and Safety 2018**		
403-1	Occupational health and safety management system	169	

GRI Content Index

GRI Standard	Disclosure	Page	Explanation
GRI 404	**Training and Education 2016**		
404-1	Average hours of training per year per employee	178-179	
404-2	Programmes for upgrading employee skills and transition assistance programmes	178-179	
404-3	Percentage of employees receiving regular performance and career development reviews	168	
GRI 405	**Diversity and Equal Opportunity 2016**		
405-1	Diversity of governance bodies and employees	178-179	
405-2	Ratio of basic salary and remuneration of women to men	178-179	
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	204-209	
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	16
1D	1.11	Quantitative and qualitative information	18
1G	1.2	An integrated report should include a statement from those charged with governance	13, 18
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	58, 142-233
2B	2.4	Value created, preserved or eroded by an organisation over time manifests	62
2C	2.17 - 2.19	Categories and descriptions of the capitals	142-233
2D	2.23	Business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs	62
3. Guiding Principles			
3A	3.3	Strategic focus and future orientation	81-86
3B	3.6	Connectivity of information - An integrated report should show a holistic picture	Maintained throughout the report
3C	3.10	Stakeholder relationships	67-73
3D	3.17	Materiality	75-80
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	81-85, 252-328, 142-233
3F	3F	Reliability and completeness	506-507
4. Content Elements			
4A	4.4, 4.5, 4.6, 4.7	Organisational overview and external environment	22, 58
4B	4.8, 4.9	Governance	252-326
4C	4.10, 4.11, 4.12, 4.13, 4.14, 4.15, 4.16, 4.17, 4.18. 4.19	Business model	62
4D	4.24, 4.25, 4.26	Risks and opportunities	109-140
4E	4.28, 4.29	Strategy and resource allocation	81-85
4F	4.31, 4.32, 4.33	Performance	36-39, 498-499
4G	4.35, 4.36, 4.37, 4.38, 4.39	Outlook	44-52, 86
4H	4.41, 4.42, 4.43, 4.44, 4.45, 4.46, 4.47	Basis of preparation and presentation	17, 75-80

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 opportunities.	113-118
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 and business model • Climate transition plan	118-134
Risk Management	S1: 43–44, S2: 24–26	Disclose the processes used to identify, assess, prioritise and monitor sustainability-related and climate-related risks and opportunities, including integration with the overall risk management process	134-137
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 achievement	17-140
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.	221-224
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	131
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	75-80

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.

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	176
Principle 2 :	Businesses should make sure that they are not complicit in human rights abuses	176
Labour		
Principle 3 :	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining Declarations of the International Labour 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	131
Principle 8 :	Businesses should undertake initiatives to promote greater environmental responsibility	14, 159, 221
Principle 9 :	Businesses should encourage the development and diffusion of environmentally friendly technologies	215
Anti-Corruption		
Principle 10 :	Businesses should work against corruption in all its forms, including extortion and bribery	562

Independent Sustainability Assurance Report

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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 – 2025/26

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 Standards on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative) issued by the Global Sustainability Standards Board, SLFRS S1 and S2 issued by IFRS Foundation and adapted by the Institute of Chartered Accountants of Sri Lanka, SASB (Sustainability Accounting Standards Board) Standards issued by the IFRS Foundation, and the Integrated Reporting <IR> Framework issued by the IFRS Foundation ("Information") in its Integrated Annual Report for the year ended 31 March 2026 (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 Management

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 behaviour. The firm applies Sri Lanka Standards on Quality Management (SLSQM) 1 and accordingly maintains a comprehensive system of quality management 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 the content of the Report against the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> framework.
- Inquiring relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data.

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

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- 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 organisation on a sample basis through recalculation.

Additional procedures will be performed as considered necessary, based on the assessed risk and complexity of the relevant disclosures.

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 2026, is not presented, in all material respects, with reference to the GRI, SLFRS S1 and S2, SASB standards and the Integrated Reporting <IR> Framework.

Disclosures covered by our Limited Assurance engagement

The selected Sustainability Related Disclosures pertaining to sustainability standards (Notwithstanding the <IR> Framework) covered by our Limited assurance engagement are:

Sustainability Related Disclosures	LB Finance PLC's sections	Page Number
SASB Standards	SASB Content Index	140
GRI Standards	GRI Content Index	500 to 502
SLFRS S1. Paragraph 26 – 27	Governance	113 to 117
SLFRS S1. Paragraph 28 – 40 SLFRS S2. Paragraph 08 – 21	Strategy	118 to 134
SLFRS S1. Paragraph 43 – 44 SLFRS S2. Paragraph 24 – 26	Risk management	134 to 137
SLFRS S1. Paragraph 45 – 53 SLFRS S2. Paragraph 27 – 37	Metrics & Targets	137 to 140

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 including forward-looking statements and growth-related projections.

Deloitte Partners Sri Lanka
Chartered Accountants

Colombo
4th June 2026

Corporate Governance

COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTION

Compliance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka

Direction Reference	Governance Principle and Implementation	Compliance Status
1	**BOARD'S OVERALL RESPONSIBILITIES**	
1.1	**Overall Responsibility and Accountability**	Complied
	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 been 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 organisation. The Board functions are listed in Direction 1.2 to 1.7 on pages 508 to 512 and Corporate Governance Report on page 252.	
1.2	**Business Strategy and Governance Framework**	
a)	**Approving and overseeing the implementation of strategic objectives and overall business strategy**	Complied
	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 organisation. 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 2025/26 to 2027/28 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.	
b)	**Approving and implementing Governance Framework**	Complied
	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 the Board in March 2026.	
c)	**Periodic assessment of the effectiveness of Governance Framework**	Complied
	A structured 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 and the Board oversees the implementation of agreed actions through periodic reports to the BAC and BIRMC.	
d)	**Appointing the Chairperson and the CEO and define the Roles and Responsibilities**	Complied
	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. The 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 279.	
1.3	**Corporate Culture and Values**	
a)	**Sound Corporate Culture**	Complied
	The Company has established a sound corporate culture which encourages ethical, prudent and professional behaviour of employees of the Company. Various policies, procedures and processes such as HR Policy, Code of Conduct, Anti-Bribery and Anti-Corruption Policy, Whistleblowing Policy, Corporate Communication Policy, Share Trading Policy, Financial Consumer Protection Policy, Policy of Managing of Conflicts of Interest are in place by the Board to strengthen the corporate culture which encourage ethical, prudent and professional behaviours. Processes are in place to communicate the Company's corporate values and to effectively monitor compliance with them.	

Direction Reference	Governance Principle and Implementation	Compliance Status
b)	**Establishing the corporate culture and values, code of conduct and managing conflicts of interest** The Board approved Policy on Code of Conduct and Policy on Managing Conflicts 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 behaviours and ethical standards that shape the Company's culture. The Company's Code of Conduct was reviewed and approved by the Board during the year. 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 a 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 Managing Conflicts of Interest also clearly provide guidance on avoiding, managing and disclosing conflicts of interest. The Directors' interests are disclosed to the Board at 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 provide oversight of the management committee functions. Refer Board Sustainability Committee report on page 323, Integrated Sustainability Report on page 88 for ESG initiatives executed by the Company during the period and Corporate Governance report on page 252.	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 was last reviewed and approved by the Board in January 2026.	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 (7) days of each meeting. The Integrated Risk Management Report on pages 331 provides further insight in this regard.	Complied

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Direction Reference	Governance Principle 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 operation is supported by an established policy, process, or other measure, along with appropriate controls to confirm that such policies, processes, or measures are effectively implemented and operated as intended. The Board Audit Committee has been delegated to regularly review the Company's internal control systems and 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. Frequent BCM drills are conducted covering core business units of the organisation to ensure the effectiveness of the Company's business continuity and disaster recovery planning. The Board approved business continuity plan and disaster recovery plan are in place and regularly reviewed by the Board to ensure stability, financial strength and preserve critical operations and services under unforeseen circumstances. Business continuity management and disaster recovery related TORs, policies, procedures and plans were reviewed and approved by the Board during the year. A Board approved business continuity and disaster recovery framework, comprising relevant terms of reference, policies, procedures and plans, is in place and was reviewed during the year. The Board continues to monitor this framework periodically to ensure operational stability, financial resilience and the continuity of critical 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 Nominations 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 266 to 272.	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 and agrees on 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 287.	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 and Sub-Committees are detailed in the Corporate Governance report on page 288.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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 the Company's expense to discharge their duties. However, no such instances have occurred during the year when discharging their duties effectively.	Complied
1.6	**Oversight of Senior Management**	
a)	**Identifying and designating Senior Management** The positions that can significantly influence 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 organisation chart on page 555.	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 and the procedure to select and appoint new Directors and Senior Management Personnel. 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)	**Ensuring that the Company does not act in a manner that is detrimental or prejudicial to the interests and obligations to 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. Financial Consumer Protection Policy was reviewed and further strengthened during the year. 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 that the Company carries out its activities in adherence to the relevant laws, regulations, directions and ethical standards. The Compliance Officer reports periodically to BIRMC and BAC on status of the compliance. The BAC 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

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Direction Reference	Governance Principle and Implementation	Compliance Status
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 integrity to drive the Company towards sustainable growth.	Complied
2	**GOVERNANCE FRAMEWORK**	
2.1	**Development of a Governance Framework** The Board has developed and implemented a 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 2026. (a) Roles and responsibilities of the Board on page 277 (b) Matters assigned for the Board on page 278 (c) Delegation of authority on page 287 (d) Board composition on page 265 (e) Board independence on page 265 (f) Nomination, election, appointment of Directors and Senior Management on page 285 (g) Management of conflict of interest on page 288 (h) Access to information and obtaining independent advice on pages 283 to 284 (i) Capacity building of Board members on page 287 and 292 (j) Board's performance evaluation on page 289 (k) Role and responsibilities of Chairman and MD/CEO on page 279 (l) Role of Company Secretary on page 280 (m) Board's Sub-Committees, their role and performance evaluation on pages 280, 281 and 288 to 289 (n) Limits on related party transactions on pages 288, 318 and 525	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 266 to 272.	Complied
3.2	**Number of Directors on the Board** As at 31 March 2026, the Board of Directors comprised of 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 Non-Executive Directors Composition of the Board members are detailed in the Corporate Governance report on page 265	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 of the Company. Ms. Bhaskaran has completed nine-year term during the financial year 2024-25 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 of this Direction. Service period of all Directors is disclosed on page 283.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
3.5	**Executive Directors**	
a)	**Appointment of Executive Directors** The responsibility of nominating, electing and appointing of Executive Director to the Board is delegated to the BNGC. A clearly defined process is in place for such appointments and the BNGC followed this process in appointing Executive Director Mr. Ravindra Tissera during the year. As at 31 March 2026, Four (4) of the Twelve (12) Directors are Executive Directors, which is in compliance with the requirements of this Direction.	Complied
b)	**Shareholding of Executive Directors and Senior Management** Executive Directors or Senior Management do not hold more than 10% of the voting rights of the Company.	Complied
c)	**Appointment of an Executive Director as MD/CEO** Mr. Niroshan Udage is an Executive Director and is designated as MD 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 organisation chart on page 555 for more details.	Complied
e)	**Reporting lines of Executive Directors to Board of Directors** The Executive Directors report to the Board of Directors through the MD/CEO of the Company. Refer the organisation chart on page 555 for more details.	Complied
f)	**Holding Executive Directorships and Senior Management positions in other companies by Executive Directors** All the Executive Directors have declared that they do not hold any Executive Directorships or Senior Management positions in any other entity, except MD/CEO Mr. Niroshan Udage who also serves as Executive Deputy Chairman for Associated Motor Finance Company PLC (AMF). However, CBSL has granted approval to waive off the applicability of this Direction until completion of the merger, on or before 31 March 2027.	Complied
3.6	**Non-Executive Directors**	
a)	**Skills, experience and credible track records of Non-Executive Directors** All Non-Executive Director 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 conduct. 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 266 to 272.	Complied
b)	**Non-Executive Directors cannot function in the capacity of CEO/ Executive Director** An Executive Director functions as the MD/CEO of the Company. No Non-Executive Director has been appointed or functioned as MD 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 Non-Executive Directors which is in compliance with the requirement of this direction.	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 266 to 272 and collective expertise are given in Corporate Governance Report on page 286.	Complied

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Direction Reference	Governance Principle and Implementation	Compliance Status
c)	**Independence criteria for 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. Three (3) Independent Non-Executive Directors of LBF serve as Independent Non-Executive Directors of AMF. However, CBSL has granted approval to waive off the applicability of Section 3.7 (c) (vii) of this Direction until completion of the merger, on or before 31 March 2027. As at 31 March 2026, the Board determined Four (4) out of Eight (8) Non-Executive Directors 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 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 due to illness, nor did any Director fail to attend three consecutive Board meetings due to being overseas.	Complied
e)	**Independent requirement for Alternate Director appointed for an Independent Director** When an 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 2025/26.	Complied
3.9	**Cooling off Periods**	
a), b)	**Cooling off period for Directors and Independent Directors** BNGC and the Board monitor the requirement of cooling off period as per this Direction. Mr. Ravindra Tissera was appointed to the Board on 29 September 2025, following the completion of the cooling off period as defined in this Direction.	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, except for appointments made within subsidiaries of LBF. During the financial year, Six (6) LBF Board members were appointed to the Board of AMF following acquisition of majority shareholding. CBSL has granted approval to waive off the applicability of Section 3.5 (f) of the Direction until completion of the merger, on or before 31 March 2027.	Complied
3.11	**Limit on holding Directorships by a Director of the Company** No Director holds Directorships or any equivalent positions in more than 20 companies/societies, bodies including Subsidiaries of the Company. Directorships held by Board Members are disclosed in Profiles of the Board of Directors in pages 266 to 272.	Complied
4	**ASSESSMENT OF FITNESS AND PROPRIETY 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 / 4.3	**Maximum age of existing and new Directors** All the Directors of the Company are below 70 years of age. The ages of Board Members are disclosed in Attendance Matrix of the Board and Board Sub-Committees on page 283.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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 Persons. 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 MD/CEO** Board approved Governance Framework provides clear division of responsibilities between the Chairperson and the MD/ CEO. Refer Corporate Governance Report on page 252 for more details.	Complied
6.2	**Independence of Chairperson** The Chairperson 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
6.3	**Appointment of a Senior Director when the chairperson is not independent** 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 based on Board approved Governance Framework which includes a comprehensive set of the Chairman's responsibilities.	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 organisation 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 279 for more details on the Chairman's responsibilities.	Complied
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 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 279 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 Fourteen (14) occasions during the year 2025/26. 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 enables 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

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Direction Reference	Governance Principle and Implementation	Compliance Status
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 sufficient 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** The Board ensures that a meeting shall not be duly constituted unless one fourth (1/4) of the number of Directors constituting the quorum being Independent Directors. All Board meetings held during the financial year were duly constituted, with the required number of Directors present to form a quorum. In addition, one-fourth (1/4) of the Directors present to constitute the quorum were 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 enhances the overall governance and decision-making processes.	Complied
7.7	**Director abstains from voting relating to matters relating to him/her** Board approved Policy on Managing Conflicts of Interest 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 2025/26. Refer page 283 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. Twelve (12) Board meetings were held physically and Two (02) special meeting were held virtually. Directors' attendance details of the Board meetings are disclosed on page 283.	Complied
8	**COMPANY SECRETARY**	
8.1	**a) Appointment of a Company Secretary** In house Company Secretary was appointed who has been designated as a KRP 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. The Company Secretary is not an employee of any other institution except that she also serves as the Company Secretary of AMF, which became a subsidiary during the year. However, CBSL has granted approval to waive the applicability of this Direction until the completion of the merger, on or before 31 March 2027.	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 prepare Board Agenda** 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 opened 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 Meeting Minutes in an orderly manner** The Company Secretary maintains the Board meeting minutes in an orderly manner and in accordance with the procedures outlined in the Company's Articles of Association.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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 with the Board strategies and policies, adherence to 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 meeting 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 Senior Management, on behalf of the Company.	Complied
9.2	**Absence of Board Sub Committees** All mandated Sub-Committees and two voluntary Board Sub-Committees are in place with Board approved TORs as required by the Direction. Refer Board Sub-Committee reports on page 305 to 325.	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 and Operational Risk Management Committee to assist Board in effective decision making. Management Committees, related tasks and composition are disclosed on page 282.	Complied
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 252 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 July 2025.	Complied

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Direction Reference	Governance Principle and Implementation	Compliance Status
10	**BOARD SUB-COMMITTEES**	
10.1	**Board Sub-Committees on Asset Base**	
	FCs with asset base of more than Rs. 20 bn	
a)	**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 305 (2) Board Integrated Risk Management Committee on page 310 (3) Board Nominations and Governance Committee on page 313 (4) Board Human Resource and Remuneration Committee on page 316 (5) Board Related Party Transactions Review Committee on page 318 (6) Board Information Security Committee on page 320 (7) Board Sustainability Committee on page 323 Recommendations of these Committees are communicated 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 Board approved TOR of the Sub-Committee. BAC meetings are held on monthly basis and BIRMC meetings are held every other month. All other committees met more frequently than mandated in this Direction.	Complied
b)	**Terms of Reference (TOR)** Board Approved TOR is available for each Board Sub Committee which clearly specifies its authorities and duties.	Complied
c)	**Report on performance of duties and functions of Sub-Committees** The Company has presented a report on the performance, duties and functions of each Board Sub-Committee in the Annual Report for the financial year 2025/26 Refer respective Board Sub-Committee reports for more details on pages 305 to 325.	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 Chief Risk Officer 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 of 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 281 of the Annual Report.	Complied
f)	**Occasional rotation of members** Occasional rotation of members and Chairpersons of the Board Sub-Committees is considered, as and when required, to avoid undue concentration of power and to promote new perspectives.	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, auditing and information technology.	Complied
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 266 to 272.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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** BAC makes recommendations to the Board on matters relating to the External Auditor, including the provision of audit services in compliance with relevant statutory and regulatory requirements, the auditor's tenure, audit fees and any resignation or removal of the 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 2026/27 subject to the provisions stipulated in this direction and other regulatory requirements.	Complied
II)	**Service period of the External Audit firm and audit partner** Engagement period of the External Audit firm and audit partner has not exceeded the stipulated period.	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 and maintained independence throughout the audit.	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. To safeguard the objectivity and independence of the External Auditor, the BAC reviewed the nature and scope taking into account of the applicable regulations, guidelines and best practices.	Complied
V)	**Provision of non-audit services by the External Auditor** The BAC has developed and implemented a Board approved Policy for Engagement of External 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. The Policy was last reviewed and approved by the Board in December 2025.	Complied
VI)	**Determine the nature and scope of the audit** The Auditor made 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. Refer Board Audit Committee report on page 305 for details.	Complied
VII)	**Review of financial information of the Company by the BAC** 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 adjustments arising from the audit, going concern assumptions and compliance with accounting standards and other legal requirements take place and required clarifications are obtained in respect of all areas before being recommended for Board approval.	Complied
VIII)	**Discussion of issues, problems and reservations arising from the interim and final audits** The BAC met the External Auditors without the presence of the Executive Directors and Senior Management in Two (2) times during the financial year 2025/26 to discuss issues, 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 2024/25 and Senior management responses thereto at very next BAC monthly meeting, but not later than three months of its submission and reported it to the Board.	Complied

Corporate Governance

Direction Reference	Governance Principle and Implementation	Compliance Status
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 validated the compliance and effectiveness of the Internal control system of the Company through Internal Audit Department. A report of such review is included in the pages 327 to 328 in the Annual Report.	Complied
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 and other problems.	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 has 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 August 2025	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 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 the 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 IAD 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 IAD 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 Examination Report) has been reviewed at its monthly meetings by BAC and ensured whether corrective actions are taken in a timely and effective manner.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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 Twelve (12) times during the year and the attendance at those meetings is set out on page 283 in the Attendance Matrix of the Board and Board Sub-Committees.	Complied
II)	**Participants of the Board Audit Committee meetings** In addition to the Members of the BAC, MD, Executive Directors, Chief Financial Officer, Chief Risk Officer and Compliance Officer attended to the meetings by invitation. Other Senior Management personnel attend the meetings by invitation, as when a related matter is taken up for discussion.	Complied
III)	**Private Meetings with the External Auditor** Two (2) meetings were held with the External Auditor during the year without the presence of any other Directors, Senior Management or employees. Refer Board Audit Committee Report on page 305.	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 practices. Majority of the Committee members are Independent Non-Executive Directors. The MD, Executive Directors, Chief Risk Officer and relevant Senior Management personnel attend by invitation. The Committee closely works 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 BIRMC** Chief Risk Officer functions as the Secretary to the Committee.	Complied
c)	**Risk Assessment** The 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 risks are in place by the Committee. Reports on quantitative as well as qualitative risks are presented 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 310 for more details.	Complied
d)	**Development of a Risk Appetite Statement (RAS)** 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 and qualitative measures to address reputational and compliance risks as well as money laundering and unethical practices. The RAS defined the boundaries and business considerations which the Company expected to operate. Risk appetite is monitored by the Chief Risk Officer regularly and reports to the BIRMC with identified risks. A Compliance Officer is appointed 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

Corporate Governance

Direction Reference	Governance Principle and Implementation	Compliance Status
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 282 and Board Integrated Risk Management Committee Report on page 310.	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 310 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 Chief Risk Officer 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
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; ⊛ Minimising 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 designing new products or systems, ensuring conformity with regulatory, internal compliance and ethical standard requirements. ⊛ Addressing serious or persistent compliance issues within acceptable timeline, in concurrence with the management ⊛ Maintaining good working relationships 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 led by Chief Risk Officer for managing risk-taking activities across the Company.	Complied
II)	**Risk Management Department (RMD) and dedicated Chief Risk Officer (CRO)** Separate RMD is established with a dedicated CRO to carry out risk management functions and reports to the BIRMC directly.	Complied
III)	**Implementing risk management policies and processes including RAS** The CRO of the Company has taken measures to implement the Risk management policies and monitor the risk appetites based on the Board approved RAS. The CRO ensures that Company's risk management function is robust and effective to support the strategic objectives and to fulfill broader responsibilities to various stakeholders.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
IV)	**Developing and implementing a Board approved Integrated Risk Management Framework** The Committee has Board approved policies on credit risk management, operational risk management and overall enterprise risk management which provide a framework for management and assessment of risks. Accordingly, 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 risks, controls and mitigating factors and accountabilities. The BIRMC reviews and updates the framework at least on annual basis.	Complied
V)	**CRO participating in decision making related to capital and liquidity planning and new product/service development** CRO participates for ALCO meetings where capital and liquidity is planned. Further, new products and services are reviewed by CRO in order to identify and mitigate the risks.	Complied
VI)	**Maintaining a risk register** The updated risk register is submitted to the BIRMC at each BIRMC meeting which is held every other month.	Complied
VII)	**Submission or risk assessment report by BIRMC to the Board Meeting** The Committee has kept the Board informed of their risk assessment of the Company by forwarding regular risk reports to the Board meeting.	Complied
10.4	**Board Nomination Committee**	
a)	**Composition of the Board Nominations Committee** The Board has established Board Nominations and Governance Committee (BNGC) which comprised of Three (3) Non-Executive Directors out of whom majority are independent. Independent Non-Executive Director was appointed as the Chairman of the Committee. The MD/CEO attended the meetings by invitation.	Complied
b)	**Secretary of the Board Nomination Committee** 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 and BNGC ensures the compliance of laid down procedure. The Senior Management are appointed with the recommendation of relevant Executive Directors and the CEO/MD, except CIA, CRO and Compliance Officer where such appointments are recommended by respective Sub Committees.	Complied
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 fitness 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 and Senior Management 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 (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 and its Sub Committees are not dominated 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)	**Set up criteria on qualification, experience and key attributes required to be appointed to the post of CEO and Senior Management** The Board approved Procedure for qualifications, experience and key attributes for the appointment of MD/CEO and Senior Management Personnel is in place. The procedure was last reviewed and approved by the Board in April 2025.	Complied

Corporate Governance

Direction Reference	Governance Principle and Implementation	Compliance Status
h)	**Disclosures to Shareholder upon the appointment of a new Director** During the year, the Company appointed Independent Non-Executive Director Prof. T.N.K. De Zoysa and Executive Director Mr. Ravindra Tissera 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. The Committee recommended succession plan, was approved by the Board in November 2025.	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, the Chairman of the Board abstains from the meeting when matters related to his/her successor is discussed.	Complied
10.5	**Board Human Resources and Remuneration Committee (BHRRC)**	
a)	**Composition of the BHRRC** The Board has established BHRRC of which all the Three (3) members are Non-Executive Directors and Two (2) of them are Independent Non-Executive 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 316 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 BHRRC and approved by the Board of Directors. Refer BHRRC Report on page 316 for more details on the Remuneration Policy of the Company.	Complied
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)	**Prudent and strategic remuneration structure** 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 conflicts of interest. The Committee is mindful to abstain from incentivising employees for taking excessive risks or act in self-interests.	Complied
g)	**Review of performance of the Senior Management** The Committee reviews the performance of the Senior Management excluding CIA, Compliance Officer and CRO against the set targets and goals and recommend the basis for revising remuneration and other performance-based benefits for the Senior Management. The performance evaluation of the CIA, Compliance Officer and CRO are performed by the BAC and BIRMC respectively.	Complied

Direction Reference	Governance Principle and Implementation	Compliance Status
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 ensured compliance with 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 organisation structure and segregation of duties, clear reporting lines for management and operational procedures and policies for all the required areas of the Company 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 pages 327 to 328. Refer the organisation structure on page 555.	Complied
11.2	**Expected outcomes of an 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, minimising 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 pages 327 to 328 and the External Auditor has provided an independent assurance on the Directors' Statement on Internal Control over Financial Reporting on pages 329 to 330.	Complied
11.3	**Responsibilities of employees on Internal Controls** All employees were made accountable and responsible for internal controls as part of their routine functions through various Board approved policies and procedures of the Company. Adherence to these 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 in place.	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 whom majority are Independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director.	Complied
b)	**Prior review and approval of Related Party Transactions (RPT)** As defined in the Policy, all related party transactions are prior reviewed and recommended by BRPTRC.	Complied
c)	**Types of RPT** The 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
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 452. 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

Corporate Governance

Direction Reference	Governance Principle and Implementation	Compliance Status
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 into 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 consists of two subsidiary companies, LB Microfinance Myanmar Company Limited and Associated Motor Finance Company PLC. The Board approved Governance Framework provides guidelines on the responsibilities of the Company in providing oversight of the affairs of subsidiary companies. Adequate oversight is in place to ensure the compliance with independent legal, regulatory and governance responsibilities applicable to them.	Complied
b)	**Responsibility of the Board of 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 legal and regulatory requirements for each Company are properly understood by the Board and included in the Group Governance Framework.	Complied
III)	**Risk Management and Reporting Framework** The reporting arrangement that promotes 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, 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 ensures that Company specific risks are identified and addressed adequately.	Complied
e)	**Avoiding setting up complicated structures** The Company has not set up complicated group structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	Complied
13.2	**Responsibility as a Subsidiary** Company is not a subsidiary of another financial institution	Not applicable

Direction Reference	Governance Principle and Implementation	Compliance Status
14	**CORPORATE CULTURE**	
14.1	**Code of Conduct** Board approved Code of Conduct and Policy on Managing Conflicts of Interest are in place issuing guidelines on appropriate conduct on confidentiality, conflicts 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 and addresses such breaches if any in a manner with high standard of integrity.	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 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 in March 2026 and communicated to the staff in all three languages.	Complied
15	**CONFLICTS OF INTEREST**	
15.1	**Avoiding Conflicts of Interest**	
a)	**Avoiding conflicts of interest by Directors** A Board approved conflicts of interest policy 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 a conflict of interest and he/ she is not to be counted in the quorum. The Company Secretary 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)	**Policy on Managing Conflicts of Interest** A Board approved Policy on Conflicts of Interest is in place covering all aspects of this Direction and best practices.	Complied
16	**DISCLOSURES**	
16.1	**Preparation and Publishing of Annual and 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 297. Statement of Directors' Responsibility for Financial Reporting on page 326.	Complied
II)	**Chairperson, CEO and Board Related Disclosures** Details of the Directors are given in the profiles of the Board of Directors on pages 266 to 272. Details of the Senior Director is stated on page 268 Attendance of Board Meetings and Sub-Committee meetings are given on page 283.	Complied
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 288 and each Sub-Committee report on pages 305 to 325.	Complied

Corporate Governance

Direction Reference	Governance Principle and Implementation	Compliance Status

IV) Remuneration Policy — Complied

A statement on remuneration policy has been disclosed in Board Human Resource and Remuneration Committee Report on page 316 of the Annual Report.

Aggregate remuneration paid to Directors and Senior Management

Form of Remuneration	2025/26 (Rs.'000)
Basic Salary	321,231
Board and Sub-Committee sitting Fees	34,332
Fixed Allowances	-
Variable Allowances	5,221
Bonuses	686,136
Reimbursed Expenses	12,067
Other Monetary Benefits (if any)	-
Non-Monetary Benefits (Converted into Monetary Terms)	2,400
Total Remuneration Paid to Directors and Senior Management	1,061,387
Total Remuneration Paid to Directors	819,938
Total Remuneration Paid to Senior Management	241,449

V) Related Party Transaction — Complied

Nature of any relationship between Chairman and MD/CEO and the relationships among the members of the Board are given in the Annual report of the Board of Directors on the affairs of the Company on pages 297 to 304.

Net accommodations granted to related parties and related outstanding

	Category of related party transactions	2025/26 (Rs.'000) Net accommodation granted	Net accommodation outstanding as at 31 March 2026	Percentage of the core capital
1	Directors and Senior Management	4,561	7,967	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 exerts control over or vice versa	1,500,000	603,077	1
4	Directors and Senior Management of legal persons above item 2 and 3	-	-	-
5	Relatives of a natural person described in 1, 2 and 4	1,947	3,736	0.01
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	-	-	-

Aggregate value of transactions with Senior Management

For the year ended	2025/26 Rs. '000
Accommodations granted	6,508
Deposits/investments made	60,581

Direction Reference	Governance Principle and Implementation	Compliance Status
VI)	**Board Appointed Committees** Details of Chairperson, members and the attendance of the below mentioned Sub-Committees are stated in respective Sub-Committee reports as follows. ⊛ Board Audit Committee Report – page 305 ⊛ Board Integrated Risk Management Committee Report – page 310 ⊛ Board Nominations and Governance Committee Report – page 313 ⊛ Board Human Resources and Remuneration Committee Report – page 316 ⊛ Board Related Party Transaction Review Committee Report – page 318 ⊛ Board Information Security Committee Report – page 320 ⊛ Board Sustainability Committee Report – page 323	Complied
VII)	**Group Structure** The Group Structure of the Company is stated on page 28. The Group Governance Framework is disclosed in Corporate Governance report on page 256 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 297 to 304 for the following disclosures; ⊛ Declaration on not engaging in any activity, which contravenes laws and regulations ⊛ Director's declaration on all RPTs with the Company and abstained voting on matters in which they were materially interested ⊛ Fair treatments to all stakeholders, in particular the depositors ⊛ Going concern with supporting assumptions ⊛ Review of internal controls covering material risks to the Company and have obtained reasonable assurance of their effectiveness	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 is disclosed in the Directors' Statement on Internal Control on page 327 to 328. External Auditor's Assurance statement on effectiveness of the internal control mechanism is disclosed in the Independent Assurance Report to the Board of Directors on page 329 to 330. Report on compliance with prudential requirements, regulations, laws and internal controls is disclosed in the Directors' Statement on Internal Control on page 328 A statement on regulatory and supervisory concerns is disclosed in the Directors' Statement on Internal Control on page 328.	Complied
X)	**Corporate Governance Report** The Corporate Governance Report is set out on pages 252 to 296 of the Annual Report of the Company. The Company has obtained an independent assurance 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. There were no violations of any of the provisions of this code by the Company. Refer Corporate Governance Report on page 294 for more details.	Complied
XII)	**Management report** Refer "Management Discussion and Analysis" on page 87 of this Annual Report.	Complied
XIII)	**Communication with Shareholders** A Board approved Corporate 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 in Corporate Governance Report on page 291.	Complied

Corporate Governance

COMPLIANCE WITH LISTING RULES

Compliance with the Colombo Stock Exchange Listing Rule No. 7.6 - Contents of the Annual Report

Section	Governance Principle	Compliance	Page Reference
7.6	**Contents of Annual Report**		
7.6(i)	Names and profiles of persons who were Directors of the Company during the financial year	Complied	266-272
7.6(ii)	Principal activities of the Company and its subsidiaries during the year	Complied	298
7.6(iii)	Information on 20 largest Shareholders at the end of the year	Complied	487
7.6(iv)	The public shareholding percentage (%)	Complied	486
7.6(v)	Details of each Directors' and Chief Executive Officer's holding in shares of the Company	Complied	488
7.6(vi)	Information pertaining to material foreseeable risk factors of the Company	Complied	303
7.6(vii)	Details of material issues pertaining to employees and industrial relations of the Company	Complied	303
7.6(viii)	Information on buildings/land holdings and investment properties as at the end of the year	Complied	432
7.6(ix)	Number of shares representing the stated capital as at the end of the year	Complied	302
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and related information	Complied	487
7.6(xi)	Ratios and market price information on equity, debt, change in credit rating	Complied	487-488
7.6(xii)	Significant changes in the Company's or Subsidiaries' fixed assets including substantial differences between market value and book value of lands	Complied	302
7.6(xiii)	Details of funds raised through Initial Public Offering and/or a further issue of Securities during the year (a) the manner in which the funds of such issue/s have been utilised in conformity with the format provided by the CSE from time to time (b) if any shares or debentures have been issued, the number, class of shares or debenture and consideration received and the reason for the issue (c) any material change in the use of funds raised through an issue of Securities There were no share issues, rights issues or private placements during the year.	N/A	N/A
7.6(xiv)	Information in respect of Employee Share Option Schemes or Stock Purchase Schemes The Company does not have any Employee Share Option Schemes or Stock Purchase Schemes at present.	N/A	N/A
7.6(xv)	Disclosure pertaining to Corporate Governance practice in terms of Section 9 of the Listing Rules	Complied	531
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	528

COMPLIANCE WITH LISTING RULES

Compliance with the Colombo Stock Exchange Listing Rule No. 9 - Corporate Governance

Section	Governance Principle and Implementation	Compliance status
9.1	**Applicability of Corporate Governance Rules**	
9.1.1/9.1.2	**Applicability** The Company complies with the rules set out in Rule 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
	CORPORATE GOVERNANCE REQUIREMENTS APPLICABLE IN RESPECT OF ENTITIES SPECIFIED IN RULE 9.1.1	
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 Anti-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 during the year.	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, Board-approved policies are disclosed on the Company's website incorporating any amendments approved by the Board 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 Rule 9.2.1, to the Shareholders upon making a written request to the Company.	Complied
9.3	**Board Committees**	Complied
9.3.1	**Establish minimum of following Board committees** ⊛ **Nominations and Governance Committee** ⊛ **Remuneration Committee** ⊛ **Audit Committee** ⊛ **Related Party Transactions Review Committee** The Board has established Seven (7) Board Sub-Committees including the 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. Governance Structure is disclosed on page 262 of this Annual Report.	Complied

Corporate Governance

Section	Governance Principle and Implementation	Compliance status
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 Rule 9.11, 9.12, 9.13, 9.14 of this report on pages 534, 535 and 536. Respective Committee reports are disclosed on pages 313, 316, 305 and 318 of this Annual Report.	Complied
9.3.3	**Separation of Chairperson and Committee Leadership** 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.	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 Rule 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 is in place to provide copies of above information to SEC or CSE upon request.	Complied
9.4.2	**Communication and relations with Shareholders and Investors** 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. 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. Furthermore, this process has been disclosed in Financial Capital of this Annual Report on page 142 and on the Company website. 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 Rule 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. This Policy, inter alia, addresses Board composition and balance, the roles and functions of the Chairperson and MD/CEO, performance evaluations of the Board and MD/CEO, succession planning, diversity and limits on directorships. It also sets out requirements relating to the frequency of Board meetings, attendance, trading in securities and mechanisms to ensure ongoing compliance with the Listing Rules. In addition, the Policy outlines provisions relating to the role of the Senior Independent Director, safeguards in the event of role duality and the facilitation of Board and Committee meetings.	Complied
9.5.2	**Compliance Confirmation with Section 9.5.1 requirements** The Company has complied with all the requirements set out in the policy referred to in Rule 9.5.1 of this Rule. Relevant disclosures are also provided in the Annual Report of the Board of Directors on the Affairs of the Company on pages 297.	Complied
9.6	**Chairperson and CEO**	
9.6.1	**Separation of the Roles of Chairperson and MD/CEO** Chairperson of the Company is Non-Executive Director. The roles of Chairperson and MD/CEO are held by separate individuals, ensuring a clear separation of responsibilities. Corporate Governance Report given on page 252 of this Annual Report.	Complied
9.6.2	**Immediate market disclosure in the case of non-compliance with Rule 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. Hence, such market announcement is not required.	Not Applicable

Section	Governance Principle and Implementation	Compliance status
9.6.3	**The requirement for Senior Independent Director** 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 Non-Executive Director. In accordance with Finance Business Act Directions 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. Report of the Senior Independent Director given on page 253 and roles and responsibilities are given on Corporate Governance Report on page 279.	Not Applicable
9.6.4	**Annual report disclosure to explain the reasons for Non-Compliance with Rule 9.6.1 of the Listing rules** The Chairperson of the Company is Non-Independent Non-Executive Director. As the positions of Chairperson and MD/CEO are held by separate individuals, the disclosure requirement does not arise.	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 MD/CEO.	Complied
9.7.2	**Recommendations by the Nominations and Governance Committee that Directors are Fit and Proper** A process is in place to obtain a declaration from persons whose names are recommended by the BNGC as Directors confirming they comply with the fit and proper criteria set out in the Rule 9.7.3 of the Listing Rules.	Complied
9.7.3	**Fit and Proper Assessment Criteria** All Directors and the MD/CEO have confirmed their compliance with the fit and proper criteria outlined in Rule 9.7.3 of the Listing Rules, which include: a) Honesty, integrity and reputation b) Competence and capability 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 MD/CEO, confirming their continuous compliance with the fit and proper assessment criteria stipulated in the CSE Listing Rules as at 31 March 2026.	Complied
9.7.5	**Disclosures in the Annual Report on Fit and Proper** The Company confirms that all Directors and the MD/CEO satisfy the Fit and Proper Assessment Criteria stipulated in the Listing Rules of the Colombo Stock Exchange. No instances of non-compliance were identified during the financial year. Refer the Annual Report of the Board of Directors on the Affairs of the Company on page 297 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 consists of Twelve (12) Directors.	Complied
9.8.2	**Minimum Number of Independent Directors** As at 31 March 2026, the Company's Board of Directors comprises of Four (4) Independent Non-Executive Directors, representing 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 March 2026.	Complied
9.8.5	**Annual declaration of independence of the Directors/disclosure of independence of the Directors** A 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 the 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 Rule 9.8.3 of the Listing Rules.	Complied

Corporate Governance

Section	Governance Principle and Implementation	Compliance status
9.9	**Alternate Directors**	Complied
	None of the Directors of the Board has appointed an Alternate Director during the year.	
9.10	**Disclosures relating to Directors**	
9.10.1	**Maximum number of directorships**	Complied
	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 limited to Twenty (20). Accordingly, no Director holds Directorships of more than Twenty (20) companies, entities, institutions inclusive of Subsidiary Companies of LBF.	
9.10.2	**Appointment of a new Director to the Board**	Complied
	The BNGC reviews and recommends all new appointments to the Board. During the year Mr. Niroshan Udage was appointed as the Managing Director, further Independent Non-Executive Director, Prof. T N K De Zoysa and Executive Director, Mr. Ravindra Tissera, were appointed 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 BNGC.	
9.10.3	**Market Announcement on changes to the composition of the Board Sub-Committees.**	Complied
	During the year under review the Company reconstituted several Board Sub-Committees and necessary market announcements were made with the relevant information.	
9.10.4	**Disclosure of information relating to Directors**	Complied
	All disclosure requirements relating to Directors stipulated under this Rule are disclosed in the reports listed below. - The Board Profiles on page 266 - Attendance Matrix of the Board and Sub Committees on page 283 - Board Sub Committee Reports on pages 305 to 325 in this Annual Report - Annual Report of the Board of Directors on the Affairs of the Company on page 297 - Terms of Reference of Senior Independent Director on page 279	
9.11	**Nominations and Governance Committee (BNGC)**	
9.11.1	**Availability of Nominations and Governance Committee**	Complied
	The Board has appointed a BNGC that conforms to the requirements set out in Rule 9.11 of Listing Rules. The Board Nominations and Governance Committee Report is disclosed on page 313 in this Annual Report.	
9.11.2	**Board appointments through Nomination and Governance Committee**	Complied
	A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC. The Board approved Policy on the Selection and Appointment of New Director and Senior Management Personnel is in place in this regard.	
9.11.3	**Terms of Reference of Nominations and Governance Committee**	Complied
	The Board approved Terms of Reference for BNGC is available that defines scope, authority, duties and matters pertaining to the quorum of meetings. Report of the BNGC is available on page 313 of this Annual Report.	
9.11.4	**Composition of the Board Nominations and Governance Committee**	Complied
	(1) The Committee consists of Three (3) Non-Executive Directors of whom Two (2) are independent. (2) The Chairperson of the Committee is an Independent Non-Executive Director. (3) The Report of the BNGC is disclosed on page 313 of this Annual Report.	
9.11.5	**Functions of the Board Nominations and Governance Committee**	Complied
	The BNGC functions in accordance with Board approved TOR which encompass all functions stipulated in Section 9.11.5. A detailed report on the activities and functions of the BNGC is provided in the Report of BNGC on page 313.	
9.11.6	**Disclosures in Annual Report**	Complied
	Refer the Board Nominations and Governance Committee Report included all stipulated disclosure requirements on page 313 of this Annual Report.	

Section	Governance Principle and Implementation	Compliance status
9.12	**Remuneration Committee (BHRRC)**	
9.12.1/9.12.2	**Availability of Remuneration Committee** The Board has appointed a BHRRC that conforms to the requirements set out in rule 9.12 of Listing Rules. The BHRRC Report is disclosed on page 316 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. No Director involves in fixing their own remuneration. The BHRRC Report is disclosed on page 316 for more information.	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. The BHRRC Report is disclosed on page 316 for more information.	Complied
9.12.5	**Terms of Reference of BHRRC** The Board approved Terms of Reference for BHRRC is available that defines the scope, authority, duties and matters pertaining to the quorum of meetings. The BHRRC Report is disclosed on page 316 for more information.	Complied
9.12.6	**Composition of the BHRRC** The Committee consists of Three (3) Non-Executive Directors of whom Two (2) are independent. The Chairperson of the Committee is an Independent Non-Executive Director. The BHRRC Report is disclosed on page 316 for more information.	Complied
9.12.7	**Functions of BHRRC** Board approved Terms of Reference of BHRRC covers the functions highlighted in Rule 9.12.7 of the Listing Rules. The BHRRC Report is disclosed on page 316 for more information.	Complied
9.12.8	**Disclosures in the Annual Report** All disclosure requirements stipulated under this Rule are included in the BHRRC Report on page 316 of this Annual Report. The aggregate remuneration of the Executive and Non-Executive Directors are disclosed on page 528 of this Annual Report.	Complied
9.13	**Audit Committee (BAC)**	
9.13.1	**Availability of Committee to perform audit and risk function** The audit functions specified in Rule 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 Rule 9.13.4. Refer the BAC Report is disclosed on page 305 and Report of the BIRMC on page 310 of this Annual Report.	Complied
9.13.2	**Terms of Reference of Board Audit Committee** Board approved Terms of Reference for BAC is available that defines scope, authority, duties and matters pertaining to the quorum of meetings. The Report of Board Audit Committee is on page 305 of this Annual Report.	Complied
9.13.3	**Composition of the Board Audit Committee** (1) The Committee comprises Three (3) Non-Executive Directors out of which Two (2) of them are independent. Further, the Committee does not comprise Executive Directors. (2) As per the TOR of the BAC, quorum for a meeting requires that the majority of attendees shall be Independent Directors. (3) The BAC meets at least monthly intervals which is in compliance with the requirements. (4) Independent Non-Executive Director functions as Chairman of the Committee. (5) The MD/CEO, Executive Directors, CFO, CRO and Compliance Officer of the Company attend the BAC/BIRMC meetings by invitation. (6) 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. The Report of BAC is on page 305 of this Annual Report.	Complied

Corporate Governance

Section	Governance Principle and Implementation	Compliance status
9.13.4	**The functions of the Audit Committee** A Board approved Terms of Reference of BAC includes the audit related functions specified in Rule 9.13.4 of the Listing Rules. The risk related functions specified in Rule 9.13.4 are included in the Terms of Reference of BIRMC. The Report of BAC and Report of BIRMC are disclosed on page 305 and 310 respectively.	Complied
9.13.5	**Disclosures in Annual Report** All disclosure requirements stipulated under this Rule are included in the Report of BAC on page 305 and Report of BIRMC on page 310 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 to the requirements set out in Rule 9.14 of Listing Rules. The Report of BRPTRC is on page 318 in this Annual Report.	Complied
9.14.2	**Composition of Board Related Party Transactions Review Committee** The Committee comprises Three (3) Non-Executive Directors of which Two (2) of them are independent. Executive Directors are invited to the meetings as and when required. The Chairperson of the Committee is an Independent Non-Executive Director. The Report of BRPTRC is on page 318 on 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 Rule 9.14.3 of the Listing Rules. The Report of BRPTRC is on page 318 in this Annual Report.	Complied
9.14.4	**General Requirements of Board Related Party Transactions Review Committee**	
	(1) The Committee met Six (6) times during the year (2) The members of the BRPTRC have enough knowledge and expertise to assess all aspects of proposed related party transactions. Where necessary, Committee obtains appropriate professional and expert advice from an appropriately qualified persons (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 is obtained prior to entering into the relevant Related Party Transaction (4) As stipulated in 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 The Report of BRPTRC is on page 318 of this Annual Report.	Complied
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 prior to the completion of the transaction (3) 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 Rule 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 Rule 9.14.6 (1) of the Listing Rules. However, there were no such transactions occurred during the year.	Complied

Section	Governance Principle and Implementation	Compliance status
9.14.7	**The Company shall make an immediate Market Announcement to the Exchange for Related Party Transactions listed in Rule 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 Rule 9.14.7 of the Listing Rules. There were no transactions which required immediate market announcements as set out in Rule 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 Rule 9.14.8 of the Listing Rules. Details of RPT are included in Note No. 3.1 to the Financial Statements on page 452 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 Rule 9.14.8 of the Listing Rules. (3) The Report of BRPTRC included the requirement stipulated in this Rule and is disclosed on page 318 of this Annual Report. (4) The Report of Annual Report of the Board of Directors on the Affairs of the Company on page 297 in this Annual Report.	Complied
9.14.9	**Acquisition and disposal of Assets from/to Related Parties** During the year there were no acquisitions or disposals of substantial assets from/to related parties.	Complied
9.14.10	**Exempted Related Party Transactions** Exemptions mentioned in this Rule have 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 Rule 9.16 are declared by the Board of Directors in the Annual Report of the Board of Directors on the Affairs of the Company on page 297 in this Annual Report.	Complied

Corporate Governance

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 Principle and Implementation	Compliance Status
SECTION I	**THE COMPANY**	
A	**DIRECTORS**	
A.1	**The Board**	Complied
	The Board comprises of Twelve (12) Directors as at 31 March 2026, 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 implements 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 established several Sub Committees to assist in discharging Board's collective responsibilities.	
A.1.1	**Board Meetings**	Complied
	The Board meets at monthly intervals and with additional Board meetings convened as and when required to effectively discharge its responsibilities. The Board met fourteen (14) times during the year. The frequency of Board Meetings, along with the structure and process for submitting information, is formally agreed and documented. The Board receives comprehensive and timely information including financial and operational performance against approved key performance indicators, comparisons with budgets and prior periods, key risk exposures and mitigation actions, compliance with applicable laws and regulations, internal control breaches or frauds (if any) and other significant matters requiring the Board's attention. Attendance at meetings is disclosed in Attendance Matrix of the Board and Sub-Committees on page 283.	
A.1.2	**Role and Responsibilities of the Board**	Complied
	The Board of Directors operates within a clearly defined Governance Framework that sets out its roles, responsibilities and powers, ensuring effective oversight, accountability and decision-making. The Board provides strategic direction by formulating and approving a well-defined business strategy and closely monitors its implementation. During the year, a three-year strategic plan covering the period 2025/26 to 2027/28 was reviewed and approved. The Board ensures that the MD/CEO and Senior Management possess the requisite skills, experience and competence to execute the approved strategy, supported by a robust succession planning process. Mr. Ashane Jayasekara, Independent Non-Executive Director, serves as the Senior Independent Director, providing leadership to the independent element of the Board. To facilitate the effective discharge of its duties, the Board has established a structured delegation framework, with specific responsibilities entrusted to Board Sub-Committees under approved terms of reference, while operational authority is delegated to Senior Management within clearly defined limits. The Board ensures the availability of an information and communication technology (ICT) roadmap aligned with the Company's business strategy and monitors its implementation through appropriate oversight mechanisms, including ICT dashboards. It also recognises sustainable business development and integrates environmental, social and governance (ESG) risks and opportunities into strategy, decision-making and operations, while considering the adoption of integrated reporting practices. In addition, the Board ensures the maintenance of effective systems and controls to safeguard the integrity of information, internal controls, risk management, business continuity, cybersecurity and compliance with applicable laws, regulations and ethical standards. In discharging its responsibilities, the Board remains mindful of stakeholder interests and promotes values that support sustainable and responsible business practices. The Directors Statement on Internal Controls over Financial Reporting - page 327 The Corporate Governance Report - page 252 The Integrated Risk Management Report - page 331 The Board Audit Committee Report - page 305 The Board Integrated Risk Management Committee Report - page 310 The Board Nominations and Governance Committee Report - page 313 The Board Human Resource and Remuneration Committee Report - page 316 The Board Related Party Transactions Review Committee Report - page 318 The Board Information Security Committee Report - page 320 The Board Sustainability Committee Report - page 323 Integrated Sustainability Report - page 88	

Code Ref	Governance Principle and Implementation	Compliance Status
A.1.3	**Act in accordance with laws and seek professional advice** The Board collectively and Directors individually recognise their duty to comply with laws, regulations and guidelines issued by different regulators and best practices. The Board of Directors assures 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 outlines 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. The appointment and removal of the Company Secretary are matters reserved for the Board as a whole, ensuring appropriate oversight and independence of the role.	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 and capability required in discharging the responsibilities of Board members, comprehensive knowledge sharing sessions were conducted, as disclosed in Corporate Governance Report on page 287 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 the 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

Corporate Governance

Code Ref	Governance Principle 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 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 266 to 272.	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 of 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 Four (4) out of Eight (8) Non-Executive Directors are independent as at 31 March 2026 in terms of this Code. The BNGC continues to reveiw the Board composition in light of applicable regulatory provisions.	Complied
A.5.3	**Evaluating independence of the 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 management and free from any business or other relationship that could interfere with the exercise of their unfettered and independent judgment. Independent evaluation in line with CBSL Directions is disclosed on page 284.	Complied
A.5.4	**Signed declaration of independence by the Non-Executive Directors** All NEDs provided the signed declarations of independence for the financial year 2025/26 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, Four (4) are independent as at 31 March 2026.	Complied
A.5.5	**Determination of independence of Non-Executive Directors** Independence of each NED has been reviewed by the Board during the financial year 2025/26 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 discussions with other Directors** 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. The Report of Senior Independent Director on page 253 of this Annual Report.	Complied

Code Ref	Governance Principle 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. The Report of Senior Independent Director on page 253 of this Annual Report.	Complied
A.5.9	**Meetings held by the Chairman with Non-Executive Directors** 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.	Complied
A.6	**Supply of 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 (7) 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	**Appropriate and Timely Information for Board Meetings** 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 process for the appointment of new Directors and Senior Management by Policy for Procedures to select and appoint new Director and Senior Management Personnel.	Complied
A.7.1	**Board Nomination and Governance 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 comprises Three (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 313 of the Annual Report.	Complied
A.7.2	**Assessment of Board composition by the BNGC** 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. The Committee recommended succession plan was approved by the Board in November 2025.	Complied

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
A.7.4	**Disclosure requirements when appointing new Directors to the Board** During the year Mr. Niroshan Udage was appointed as the Managing Director, further an Independent Non-Executive Director, Prof. T N K De Zoysa and an Executive Director, Mr. Ravindra Tissera, 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
A.7.5	**Report of the BNGC in the Annual Report** Requirements stipulated in this code are disclosed in the Report of the Board Nomination and Governance Committee on page 313 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 (3) years as to the Articles of Association of the Company.	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. During the year, One (1) resignation was recorded in conformity with this code.	Complied
A.9	**Appraisal of Board** 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 and Sub Committees' 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. The responses are collated by the Company Secretary 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 2025/26 and areas identified for improvements are also discussed at their respective meetings and updated the Board by respective Sub-Committee 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 Governance Framework 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 288 of this Annual Report.	Complied

Code Ref	Governance Principle and Implementation	Compliance Status
A.10	**Disclosure of information in respect of Directors** Shareholders are kept informed about the relevant details in respect of Directors.	Complied
A.10.1	**Disclosure of information in the Annual Report with respect to Directors** Profiles of the Board of Directors are given on pages 266 to 272 including other Directorships held by the Directors and memberships of Board Committees. Directors' attendance on Board and Sub-Committee meetings is disclosed on page 283.	Complied
A.11	**Appraisal of CEO/MD** As required in this code, the Board assesses the performance of CEO/MD at least annually.	Complied
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 each 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 were involved in deciding their own remuneration.	Complied
B.2	**Board Human Resources and Remuneration Committee** The remuneration levels for both Executive and Non-Executive Directors are adequate to attract and retain 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 BHRRC** The Board has established a BHRRC, in accordance with the agreed terms of reference, to oversee the Company's remuneration framework for MD/CEO, 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 was involved in setting their own remuneration.	Complied
B.2.2	**Composition of BHRRC** The Committee consists of Three (3) NEDs of whom Two (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

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
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.	Complied
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
B.2.11/B.2.12	**Early Termination of Service of EDs** Consideration of termination of service of the MD/CEO and EDs will be in accordance with their contract of service. Further, the committee takes into 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 316 of this Annual Report	Complied
B.2.16	A Board approved TOR is in place to govern the BHRRC. The Report of the Board Human Resource and Remuneration Committee is disclosed on page 316 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 BHRRC is given on page 316 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 452 and Corporate Governance Report on page 252.	Complied
B.3.2	**Aggregate remuneration paid to Senior Management** The aggregate remuneration paid to the Senior Management who is directly reporting to MD/CEO and EDs are disclosed in Note 3.1 to the Financial Statements on page 452 and Corporate Governance Report on page 252.	Complied
C.	**RELATIONS WITH SHAREHOLDERS**	
C.1	**Constructive use of the AGM and Conduct of 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. Participation of Shareholders and their representatives to the AGM is disclosed in Corporate Governance Report on page 252.	Complied

Code Ref	Governance Principle and Implementation	Compliance Status
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). The LBF proposes 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 of 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
C.1.5	**Procedures of Voting at General Meetings** The Company circulates 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 Communication** 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 and 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, utilising multiple channels of communication. Stakeholder Engagement is disclosed on pages 67 to 74 in the Annual Report.	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. Stakeholder Engagement is disclosed on pages 67 to 74 in the Annual Report.	Complied

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Code Ref	Governance Principle and Implementation	Compliance Status
C.2.4	**Disclosure of the contact person** 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 listed in detail 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's attention to the Board or individual Director/s as applicable.	Complied
C.2.6	**Contact Person for Shareholders** 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 in September 2025 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
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 understandable assessment of the Company's financial position and prospects.	Complied
D.1.1/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 31 March 2026 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. Refer Responsibility Statement of Managing Director and Chief Financial Officer on page 358.	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 297 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 326, Auditors Reporting Responsibility is given in the Independent Auditor's Report on page 365 and Report on Risk Management is given on page 331 of this Annual Report.	Complied

Code Ref	Governance Principle and Implementation	Compliance Status
D.1.6	**Management Discussion and Analysis** ⊛ Management discussion and analysis is given on page 141 ⊛ Business model on page 62 ⊛ Industry structure and developments on page 57 ⊛ Opportunities and threats on page 60 ⊛ Risks and concerns - Risk Management report on page 331 ⊛ Internal control systems and their adequacy on page 327 ⊛ Corporate and enterprise governance on page 252 ⊛ Stakeholder relationships on page 67 ⊛ Social and environmental protection activities carried out by the Company on page 88 ⊛ Financial performance on pages 53 and 142 ⊛ Investment in physical and intellectual capital on page 180 ⊛ Human Resource Management on page 161 ⊛ Prospects for the future on page 86	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 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 452. 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. CBSL Corporate Governance table on page 525 contains more details on the process adopted.	Complied
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. The Risk Management Framework was last reviewed and approved by the Board in July 2025.	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. CRO periodically carries out robust risk assessments 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 310.	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. The Report of the Board Integrated Risk Management Committee is on page 310 of this annual report.	Complied
D.2.1.5	**Composition of the BIRMC** The Committee comprises of Three (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 in July 2025.	Complied

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
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 a detailed report of the committee is disclosed in the annual report. Report of the Board Integrated Risk Management Committee is disclosed on page 310 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. The process is regularly reviewed and further strengthened by Risk Management Department while IAD ensures the compliance.	Complied
D.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 controls and risk management practices of the Company. The BAC annually reviews the effectiveness of internal controls and risk management processes 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 sound and effective system of internal control to achieve the corporate objectives of the Company. Directors Statement on Internal Control on page 327 of this Annual Report.	Complied
D.3	**Board Audit Committee** The Board has established a formal and transparent arrangement for considering how they should select and apply accounting policies for financial reporting, determining structures and content of corporate reporting, implementing internal control and risk management principles, compliance with laws and regulations and maintaining an appropriate relationship with the Company's Auditor.	Complied
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 305 and Board Profiles on page 266. The Board is satisfied that the members of the Committee have 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 305 of this Annual Report.	Complied
D.3.3	**Disclosures made in the Annual Report about BAC** The Board Audit Committee Report given on page 305 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** The Board has established BIRMC which comprises of Three (3) NEDs of whom majority are independent. The Chairperson of the Committee is an Independent Non-Executive Director. MD/CEO, EDs, CFO, CIO, CIA, Compliance Officer and heads of strategic business units are invited to attend BIRMC meetings where necessary. CRO functions as the Secretary to BIRMC.	Complied
D.4.2	**TOR of the Committee** The Board approved TOR is in place which covered the 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 310.	Complied

Code Ref	Governance Principle and Implementation	Compliance Status
D.4.3	**BIRMC Meetings** The Committee met Six (6) times during the financial year as stipulated in the TOR. CRO functions as the Secretary to BIRMC.	Complied
D.4.4	**Seeking External Professional Advice** The Committee seeks external professional advice as and when required.	Complied
D.4.5	**Disclosures made in the Annual Report about BIRMC** The Board Integrated Risk Management Committee Report has been prepared in accordance with the provisions set out in Schedule K of this Code and is disclosed on page 310 of the Annual Report.	Complied
D.5	**Related Party Transactions Review Committee** The Board approved policy is 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 (RPT)** All RPTs 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 452 and Code D.1.8 on page 547 for more details.	Complied
D.5.2	**Composition of BRPTRC** The Board has established BRPTRC which comprises of Three (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 Six (6) times during the financial year.	Complied
D.5.3	**TOR of the Committee** A Board-approved Terms of Reference (TOR) is in place, which covers the minimum requirements stipulated in this Code and is aligned with the definitions set out in LKAS 24 and the CSE Listing Rules. The Committee acts in accordance with its TOR and assists the Board in the effective discharge of its responsibilities. The Committee responsibilities and activities performed during the period are given in BRPTRC Report on page 318.	Complied
D.6	**Code of Business Conduct and Ethics** The Board has adopted the Board approved 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 Anti-Corruption Policy (ABC)/Gender based Violence and Harassments (GBVH) Policy** The Board approved policies on Code of Conduct, whistleblowing, ABC and GBVH Policy for Directors, KMPs and all staff members are in place covering the major areas of; conflicts 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 including insider trading laws 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 other regulators where necessary.	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 shareholding 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 on a quarterly basis through the Compliance Officer.	Complied

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
D.6.5	**Training on Code of Conducts** All new employees are provided with a comprehensive training on Code of Conduct, Whistleblowing, ABC and GBVH Policies 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 Three (3) languages, training arrangements, violation/ non-compliances with respective action taken. No any waivers or exceptions are allowed in deviating from the Code of Conduct.	Complied
D.6.7	**Chairman's confirmation on implementing Code of Conduct** 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 252 to 296 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. A summary of Shareholders and their representatives participated in the last AGM was summarised in Corporate Governance Report on page 291.	Complied
E.1.1	**Regular and structured dialogues with Shareholders** The Company has 7,605 ordinary voting shareholders of which 88.96% 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 to the Board structure and composition when evaluating the Company.	Complied
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 / data leakage risks that may affect the business. The Chief Information Security Officer (CISO) and CRO continuously monitor the potential risks and the mitigation factors to minimise the cyber security and data leakage risks. Refer Intellectual Capital on page 180 of this annual report for more details.	Complied

Code Ref	Governance Principle and Implementation	Compliance Status
G.2	**Appoint a CISO and allocate budget to implement a Cybersecurity Policy** A dedicated CISO with sufficient skills and authority has been appointed to oversee the implementation of Information Security Policy which was approved by the Board. The Information Security Policy, which was reviewed and approved in September 2025 incorporating the requirements of this Code, addresses key aspects including cybersecurity risk management, incident response, vendor management, disaster recovery, ICT audit arrangements and governance structures. These matters are further disclosed in the IT Governance on page 295 of this Annual Report.	Complied
G.3	**Include Cyber Risk Management on Board Agenda** The BISC oversees the Information and cybersecurity risk management processes 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, in compliance with regulations. The Committee also reviews compliance with the cybersecurity risk management framework, incident reports and findings and recommendations from independent reviewers. A comprehensive update is given to the Board by the Chairperson at the next Board meeting. The report of Board Information Security Committee is disclosed on page 320 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 the BISC. These matters are further disclosed in Information Security Governance in Corporate Governance Report on page 295 of this Annual Report.	Complied
G.5	**Disclosures in Annual Report** The process followed to identify and manage the information and cybersecurity risks are disclosed in report of the Board Information Security Committee on page 320 of this annual report.	Complied
H	**SUSTAINABILITY : ESG RISK AND OPPORTUNITIES**	
H.1	**ESG Risks 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. Sustainability related risks and opportunities are disclosed on page 119 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. The Report of BSC on page 323 and Integrated Risk Management Report on page 331 are disclosed in this Annual Report	Complied
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 Sustainability/ ESG risks and opportunities, given the increasing expectations regarding environmental protection and other ESG issues. Report of BSC on page 323 and Integrated Sustainability Report are disclosed on page 88 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. Report of BSC on page 323 and Stakeholder Engagement Report on page 67 are disclosed in 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. Report of BSC on page 323 and Integrated Sustainability Report on page 88 are disclosed in this Annual Report.	Complied

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
H.3.1	**Sustainability Factors** The Board has addressed sustainability factors through an environmental, social and governance framework. Report of BSC on page 323 Natural Capital on page 221 and Integrated Sustainability Report on page 88 are disclosed in 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. In this regard, the Company has established policies and practices covering key environmental areas, including health and safety, climate change, pollution prevention, effluent treatment, sustainable resource utilisation, restoration of natural resources, renewable energy and biodiversity conservation Report of BSC on page 323, SLFRS Sustainability - Related Financial Disclosure Report on page 109 and Integrated Sustainability Report on page 88 are disclosed in 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 service providers comply with social and governance norms of the Company. Social and Relationship capital report on page 188.	Complied
H.4	**Establishment of a Governance Structure to Support ESG Factors** The Board has established a governance structure to oversee sustainability and ESG matters, enabling the effective creation of value and management of related risks over the short, medium and long term. This includes the identification, measurement and management of relevant sustainability factors using both financial and non-financial performance indicators, in compliance with the requirements of this Code.	Complied
H.4.1	**Recognition of Key Resources/Capital** The Company has recognised the key resources/capitals deployed in its business and the stakeholders who influence such resources/capitals. Appropriate financial and non-financial measures, processes and monitoring mechanisms are established to manage these resources/capitals and to assess the related outputs and outcomes. Further information is provided in the Report of the BSC on page 323 and the Stakeholder Engagement section on page 67.	Complied
H.4.2	**Process in Ascertaining, Assessing and Managing ESG Factors** The Board has implemented processes to ascertain, assess and manage sustainability/ESG factors that may impact its long-term sustainability, with appropriate oversight and monitoring mechanisms in place. Further details are available in the Report of the BSC on page 323 and the Integrated Sustainability Report on page 88.	Complied

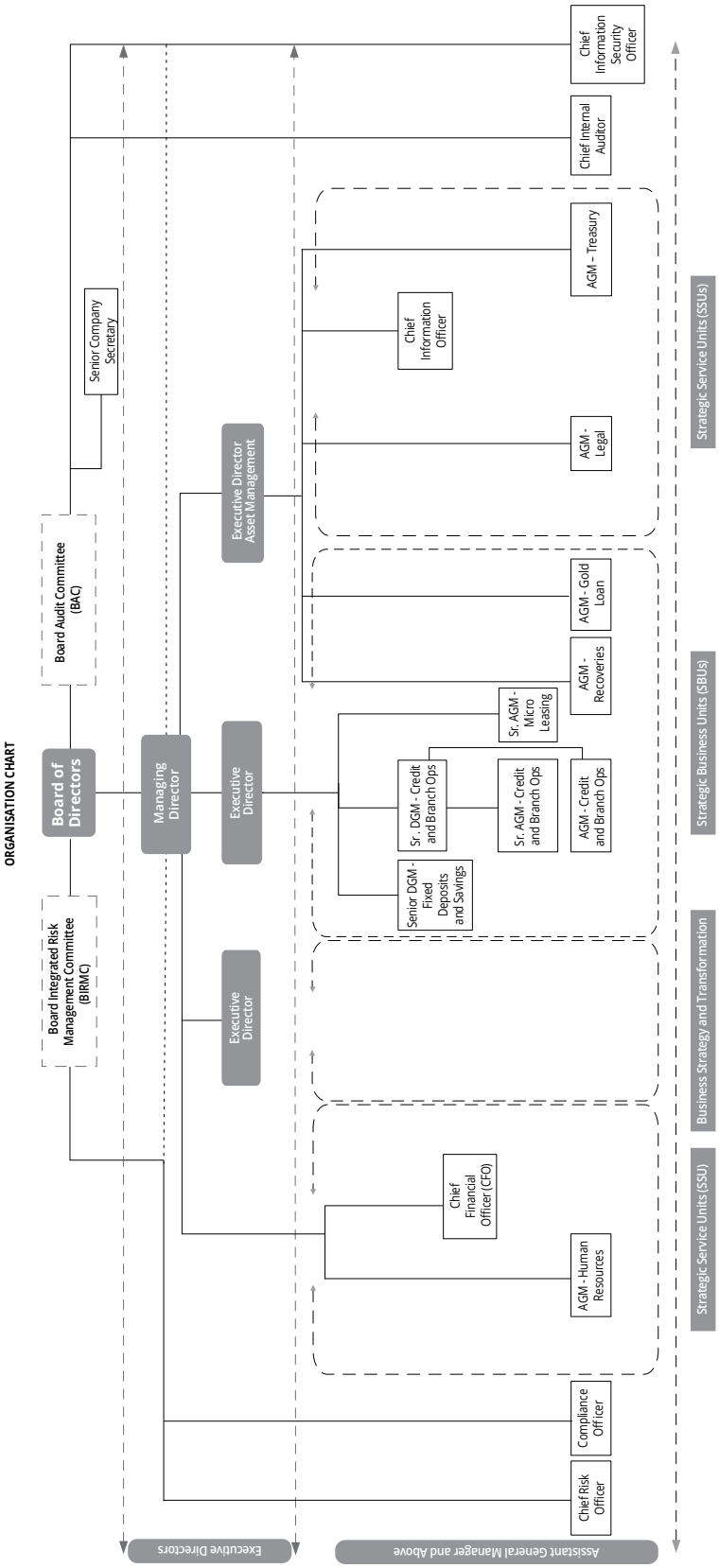
Code Ref	Governance Principle and Implementation	Compliance Status
H.4.3	**Establishment of Financial and Non-Financial Measures** Financial and non-financial measures are in place for material stakeholder-related, environmental and social matters, supported by appropriate monitoring processes. Relevant disclosures are included in the Report of Material Matters on page 75.	Complied
H.5	**Disclose ESG Risks and Opportunities** The Board has adopted appropriate reporting practices to disclose sufficient information in the Annual Report on the recognition, management, measurement and reporting of ESG risks and opportunities. Additional information is disclosed in the Report of the BSC on page 323 and SLFRS Sustainability - Related Financial Disclosure Report on page 109.	Complied
H.5.1	**Integration of Sustainability into Strategy and Governance** The Company has integrated sustainability/ESG considerations into its business model, strategy, governance, risk management and reporting processes, with Board oversight to ensure that related risks, opportunities and impacts on access to financial capital, cost savings and productivity, brand value and reputation, employee recruitment and retention, access to markets, license to operate and market capitalisation are appropriately considered and managed. Details are set out in the Report of the BSC on page 323 and SLFRS Sustainability-Related Financial Disclosures on page 109.	Complied
H.5.2	**SRROs and Business Impacts** The Company's Annual Report provides information on the relevance of environmental, social and governance factors to its business model and strategy and how sustainability/ESG-related matters may affect the business including through legislation, reputational impacts, employee turnover, license to operate, legal actions and stakeholder relationships. The Company has established processes, with Board oversight, to recognise, manage, measure and report sustainability/ESG-related risks and opportunities and their impact on business, strategy and financial and operational performance. Details are set out in the Report of the BSC on page 323 and SLFRS Sustainability-Related Financial Disclosures on page 109.	Complied
H.5.3	**Corporate Governance and Sustainable Value Creation** The Board has adopted and oversees the Company's compliance with mandatory and voluntary codes of corporate governance. The Board further ensures that the Company's leadership structure, organisational culture, code of conduct and business model support the Company's sustainability in the short, medium and long term. Relevant disclosures are included in the Report of the BSC on page 323 and SLFRS Sustainability-Related Financial Disclosures on page 109.	Complied
H.5.4	**Sustainability and ESG Reporting Framework** The Board has established and oversees the Company's sustainability/ESG reporting process as part of the regular corporate reporting framework. Such reporting is designed to provide a credible account of the Company's economic, social and environmental impacts and to link sustainability/ESG matters with the Company's strategy. The Company has adopted appropriate reporting practices including reference to recognised integrated reporting and sustainability reporting guidelines, as applicable	Complied
I	**SPECIAL CONSIDERATIONS FOR LISTED ENTITIES**	
	Establishment and Maintenance of Policies	
I.1	**Governance Policies and Disclosures** The Company established and maintained policies relating to its governance and discloses the existence of such policies together with the details relating to the implementation of such policies by the entity on its website.	Complied
I.1.1	**Corporate Governance Policy Framework** The Board has established and overseen key policies relating to the Board of Directors, Board Sub Committees, Corporate Governance, Nominations and Re-Election, Remuneration, Code of Conduct, Trading in the Company's Listed Securities, Risk Management and Internal Controls, Shareholder and Investor Relations, ESG Sustainability, Management of Company Assets and Shareholder Investments, Corporate Disclosures, Whistleblowing and Anti-Bribery and Anti-Corruption. These policies are in place to support effective governance, accountability, ethical conduct and long-term sustainability of the Company and these policies and procedures are disclosed in The Company website https://www.lbfinance.com/investor-relations#downloads.	Complied
I.1.2	**Disclosure of Waivers and Exemptions** The Company ensures compliance with Policy on Code of Conduct of the Company and no waivers or exemptions were sought during the year.	Complied

Corporate Governance

Code Ref	Governance Principle and Implementation	Compliance Status
I.1.3	**Disclosure of Policies** The Board ensures that the list of policies in place is disclosed on the Company's website. The Company also discloses details of any changes to adopted policies, where applicable, to promote transparency and good corporate governance.	Complied
I.1.4	**Access to Policies and Governance Documents** The Board ensures that all applicable policies are made available to shareholders upon written request, in line with the Company's commitment to transparency, accountability and good corporate governance.	Complied
	Policy on Matters Relating to the Board of Directors	
I.2	**Policy for Board of Directors** The Board has established and maintains a formal policy governing matters relating to the Board of Directors, ensuring clear guidance on Board responsibilities, governance practices, accountability and effective oversight of the Company.	Complied
I.2.1	**Governance Framework for Board** The Board has established the Policy on Matters relating to the Board of Directors and Governance Framework which were reviewed and approved by Board in March 2026. These Policies addressed Board composition, balance between Executive and Non-Executive Directors, the roles and functions of the Chairperson and CEO, Board and CEO performance appraisal, Board diversity, maximum number of Directors, frequency and attendance of Board meetings, Directors' awareness of Listing Rules and ongoing compliance requirements, trading in the Company's securities, maximum number of listed company directorships and participation at Board and Board Sub-Committee meetings through audio-visual means, where applicable.	Complied
I.2.2	**Compliance with Policies** The Company complies with this requirement and has established all relevant policies in line with the provisions of this Code and any other requirements stipulated by regulators. No instances of non-compliance were identified during the year and, therefore, no remedial actions were required.	Complied

Organisation Chart

GRI 2-1



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.

Glossary of Terms

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.

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 31 March 2026)

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 2007on 06 June 2008.

A Licensed Finance Company under the Finance Business Act No.42 of 2011.

A Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

STOCK EXCHANGE LISTING
The Company was admitted to the official list of the Colombo Stock Exchange on 30 December 1997, in which the Company's Ordinary Shares are listed currently.

DATE OF INCORPORATION
30 May 1971

COMPANY REGISTRATION NUMBER
PQ 156

TAX PAYER IDENTIFICATION NUMBER
104033431

CENTRAL BANK REGISTRATION NUMBER
RFC 1003

VAT REGISTRATION NUMBER
104033431 7000

PRINCIPAL ACTIVITIES
The Company provides a comprehensive range of financial services encompassing acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases, Mortgage Loans, Gold Loans, Personal Loans, other Credit Facilities, Digital Financial Services and Value Added Services.

PRINCIPAL ACTIVITIES OF THE COMPANY'S SUBSIDIARIES
LB Microfinance Myanmar Company Limited - carries on Microfinance lending in Myanmar.

Associated Motor Finance Company PLC – provides a range of financial services including Finance Leasing, Term Loans and mobilisation of Public Deposits.

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 Twenty Five (225) Branches

WEBSITE
www.lbfinance.com

FINANCIAL YEAR END
31 March

CREDIT RATING
The Company has been assigned A-(lka) Stable by Fitch Ratings Lanka Limited and a Long-Term Rating of A+ with a Stable outlook by Lanka Rating Agency.

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. Niroshan Udage (Managing Director)
Mr. B D A Perera
Mr. R S Yatawara
Ms. Yogadinusha Bhaskaran
Ms. Ashwini Natesan
Mr. Dharmadasa Rangalle
Mr. L P B Talwatte
Mr. P D Hennayake
Mr. R D Tissera
Prof. T N K De Zoysa

Board Audit Committee
Mr. Ashane Jayasekara (Chairman)
Ms. Yogadinusha Bhaskaran
Ms. Ashwini Natesan

Board Human Resource and Remuneration Committee
Mr. Ashane Jayasekara (Chairman)
Mr. G A R D Prasanna
Mr. P D Hennayake

Board Nominations and Governance Committee
Mr. Ashane Jayasekara (Chairman)
Mr. G A R D Prasanna
Ms. Ashwini Natesan

Board Related Party Transactions Review Committee
Ms. Ashwini Natesan (Chairperson)
Mr. Dharmadasa Rangalle
Mr. P D Hennayake

Board Integrated Risk Management Committee
Ms. Ashwini Natesan (Chairperson)
Mr. Ashane Jayasekara
Ms. Yogadinusha Bhaskaran

Board Information Security Committee
Ms. Ashwini Natesan (Chairperson)
Mr. B D A Perera
Prof. T N K De Zoysa

Board Sustainability Committee
Mr. P D Hennayake - (Chairman)
Ms. Ashwini Natesan
Mr. Niroshan Udage
Mr. R D Tissera

COMPANY SECRETARY

Ms. Deborah Corera

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
Cargills Bank PLC
DFCC Bank PLC
Habib Bank Limited
Hatton National Bank PLC
Indian Overseas Bank
MCB Bank Limited
National Development Bank PLC
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Public Bank Berhad
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC

SUBSIDIARY COMPANIES

L B Microfinance Myanmar Company Limited
(Company incorporated in the Union of the Republic of Myanmar)

Company Registration Number of Subsidiary

109171018 (Previous registration number - 844 FC/2016-2017 YGN)

Registered Office of Subsidiary

No. 40 Mula Shwedagar Street,
Khittaya Myothit Quarter,
Pyay,
Bago Region
Myanmar

Board of Directors of Subsidiary

Mr. Niroshan Udage
Mr. B D A Perera
Mr. R S Yatawara
Mrs. Daw Khin Than Win
Mr. U Kyaw Kyaw

Associated Motor Finance Company PLC

Company Registration Number of Subsidiary

PB 733 PQ

Registered Office of Subsidiary

No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07

Board of Directors of Subsidiary

Mr. G A R D Prasanna
Mr. Niroshan Udage
Mr. T M A Sallay
Mr. P D Hennayake
Mr. B D A Perera
Mrs. Ashwini Natesan
Prof. T N K De Zoysa

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

Reporting on Anti-Corruption Programmes

GRI 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 Anti-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 Anti-Corruption (ABC) Policy is in place. Operationalisation 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 Anti-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 Anti-corruption. The training addressed current and potential risks, aiming to enhance the Company's anti-bribery and Anti-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.

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 anti-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.

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 page 28.

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 28.

Reporting on Anti-Corruption Programmes

19 Countries of incorporation (for each entity)

Refer Investment in Subsidiary on page 425 Refer Annual report of the Board of Directors on the Affairs of the Company on page 297.

20 countries of operations

Refer Investment in Subsidiary on page 425 Refer Annual report of the Board of Directors on the Affairs of the Company on page 294.

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?

Refer to page 458 for more information.

26. Does the company disclose its capital expenditure in Sri Lanka?

Refer to page 458 for more information.

27. Does the company disclose its pre-tax income in Sri Lanka?

Refer to page 458 for more information.

28 Does the company disclose its income tax in Sri Lanka?

Refer to page 458 for more information.

29. Does the Company disclose its community contribution in Sri Lanka?

Refer social and relationship capital on page 188.

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. 50% (2024/25 - 47%) of the workforce is females which shows a continuous improvement. Refer Human Capital in the Annual report on page 161.

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. 45% of the employees promoted during 2025/26 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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifty Third (53) 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 Tuesday, 30 June 2026 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 subsidiaries and the Financial Statements for the year ended 31 March 2026 and the Report of the Auditors thereon.
2. To declare a final dividend as recommended by the Directors.
3. To re-elect Mr. M A J W Jayasekara as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.
4 To re-elect Ms. Yogadinusha Bhaskaran as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.
5 To re-elect Mr. R D Tissera as a Director in terms of Article 93 of the Articles of Association of the Company.
6. To re-elect Prof. T N K De Zoysa as a Director in terms of Article 93 of the Articles of Association of the Company.
7. To re-appoint the retiring Auditors Messrs. KPMG, Sri Lanka, Chartered Accountants, as the Company's Auditors and to authorise the Directors to determine their remuneration.
8. To authorise the Directors to determine donations for the year ending 31 March 2027 and up to the date of the next Annual General Meeting.

By Order of the Board
L B Finance PLC



Deborah Corera
Senior Company Secretary

29 May 2026

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 No. .....) of .....shareholder/s of L B FINANCE PLC

hereby appoint .....(holder of NIC No. .....) of

..... or failing him*

Mr. Godewatta Arachchige Rasika Dimuth Prasanna	or failing him *
Mr. Moderage Ashane Joseph Waas Jayasekara	or failing him*
Mr. Niroshan Udage	or failing him*
Mr. Biyanwilage Dudley Auburn Perera	or failing him*
Mr. Ravindra Shanaka Yatawara	or failing him*
Mr. Ravindra Dhammika Tissera	or failing him*
Mrs. Yogadinusha Bhaskaran	or failing her*
Mrs Ashwini Natesan	or failing her*
Mr. Dharmadasa Rangalle	or failing him*
Mr. Piyal Dushantha Hennayake	or failing him*
Mr. Lakshitha Priyantha Bandara Talwatte	or failing him*
Prof. Thirimadura Nandika Kasun De Zoysa	

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-Third (53) Annual General Meeting of the Company to be held on 30 June 2026 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

		For	Against
1.	To declare a final dividend as recommended by the Directors.		
2.	To re-elect Mr. M A J W Jayasekara as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.		
3.	To re-elect Ms. Yogadinusha Bhaskaran as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.		
4.	To re-elect Mr. R D Tissera as a Director in terms of Article 93 of the Articles of Association of the Company.		
5.	To re-elect Prof. T N K De Zoysa as a Director in terms of Article 93 of the Articles of Association of the Company.		
6.	To re-appoint the retiring Auditors Messrs. KPMG, Sri Lanka, Chartered Accountants, as the Company's Auditors and to authorise the Directors to determine their remuneration.		
7.	To authorise the Directors to determine donations for the year ending 31 March 2027 and up to the date of the next Annual General Meeting.		

In witness my/our* hands this ..... day of ..... Two Thousand and Twenty-Six.

.....

Signature of Shareholder/s *Please delete what is inapplicable.

Form of Proxy

Instructions for completion

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy 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 28 June 2026.

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 scrutinizers 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 2025/26 - 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:

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Comments/Suggestions

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Please provide your contact details

Name :

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Thanking you for taking your time. You can post or Email your feedback to:

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