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
DOC **6**

In Sinhala
DOC **7**

In Tamil
DOC **8**

Audible Version

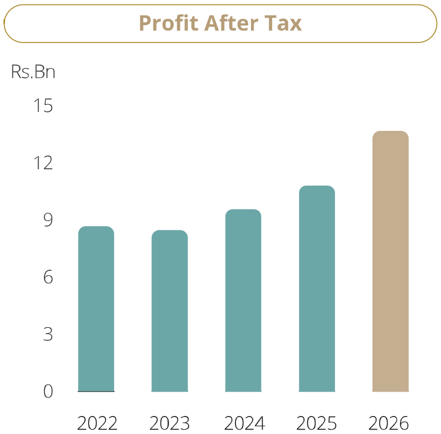
English
PLAY **5**

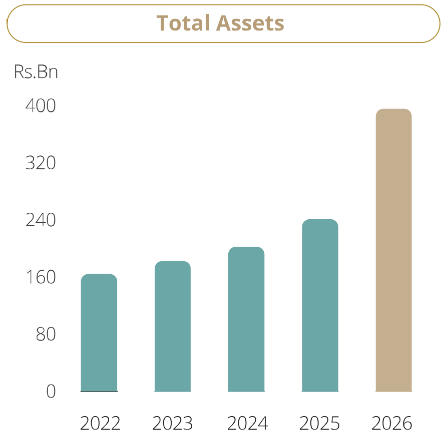
Sinhala
PLAY **6**

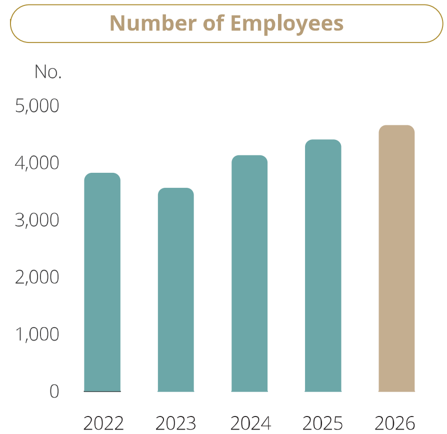
Tamil
PLAY **7**

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







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