

L B Finance PLC | Annual Report 2021/22

empowering

the journeys of many



Braille text consisting of several lines of raised dots.

For the sight impaired

EMPOWERING THE JOURNEYS OF MANY

At L B Finance PLC, we believe that no journey can be undertaken alone. Over the years, even as we made new strides in the industry and achieved unmatched progress, we continued to value and nurture the partnerships we made along the way; driving the collective development of the individuals and communities that surrounded us, through a spirit of collaboration that ensured mutual growth.

Today, as we venture into the future, we reinforce our pledge to strengthen and prioritise the needs of the many stakeholders that have contributed towards our success story. We are focused on inspiring every individual who partners with us to embark on a path filled with infinite possibilities. We are doing far more than simply advancing steadily towards our goals. We are also enabling the countless lives we impact to experience the life they envision for themselves; assisting them to achieve their aspirations both now, and in the years ahead.

Read on, and discover how L B Finance is built on a foundation designed to empower the journeys of many.

OUR REPORTING SUITE

LBF's 2021/22 Integrated Report is complemented by numerous publications and other information, which can be accessed through our website www.lbfinance.com.

For ease of access, we have grouped these supplemental reports into three distinct publications as shown below. Taken together, these publications form part of us, represent our comprehensive integrated reporting suite.



Integrated Report



Sustainability Report



Risk and Governance Report



ONLINE AND WEB DISCLOSURES

To assist in the reduction of the Company's carbon footprint, we urge our stakeholders to make use of our comprehensive reporting suite by using the link www.lbfinance.lk reporting or scanning the QR code shown to be directed to the page

FORWARD LOOKING STATEMENTS

This Integrated Annual Report may contain forward-looking statements with respect to the LBF Group's future performance and prospects. While these statements reflect our future expectations at the time of publishing, it is important to remain mindful that a number of risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. Hence, the LBF Group does not accept any obligation to revise or update at a later date, the information expressed in these forward-looking statements

BOARD RESPONSIBILITY STATEMENT

The L B Finance PLC Board has applied its collective knowledge and expertise to ensure the integrity of the 2021/22 Integrated Report as well as any supplementary information referenced therein. The Board has considered the completeness of the material aspects addressed in the report, and the reliability of financial and non-financial information presented based on the combined assurance process outlined above.

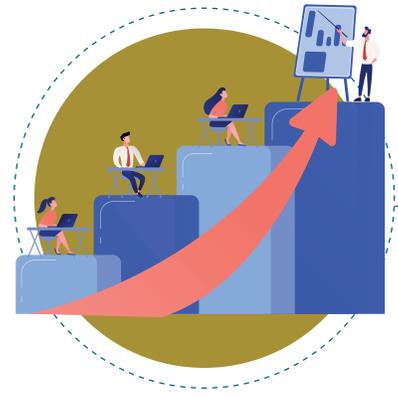
On this basis, the Board is satisfied that the 2021/22 Integrated Report provides a fair and accurate representation of the performance of the LBF Group for the year under review. Further the Board is of the view that the report confirms to the guidelines set out under the International Integrated Reporting <IR> Framework. The 2021/22 Integrated Report was approved by the Board and signed on its behalf by:

G A R D Prasanna
Chairman

J A S Sumith Adhietty
Managing Director

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For the first time in Sri Lanka, L B Finance offers its annual report readers a unique experience, with a range of interactive content to choose from.

SCAN THE QR CODES FEATURED HERE TO FIND OUT MORE

AUDIO VERSION SCAN AND LISTEN

	Chairman's statement	Managing Director's review
	PLAY LIST 28	PLAY LIST 29

Our corporate governance

English version PLAY LIST 01	Sinhala version PLAY LIST 02	Tamil version PLAY LIST 03
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Our industry overview

English version PLAY LIST 04	Sinhala version PLAY LIST 05	Tamil version PLAY LIST 06
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MAIN ANNUAL REPORT VIDEO

English version PLAY LIST 33	Sinhala version PLAY LIST 34	Tamil version PLAY LIST 35
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Our business performance – Investing

English version PLAY LIST 16	Sinhala version PLAY LIST 17	Tamil version PLAY LIST 18
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Our digital financing performance

English version PLAY LIST 19	Sinhala version PLAY LIST 20	Tamil version PLAY LIST 21
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ANIMATED VIDEOS



**Stakeholder
identification**

PLAY LIST
30

**Materiality
determination**

PLAY LIST
31

**Strategic focus and
resource allocation**

PLAY LIST
32

PDF VERSION



Scan QR code to view
this report online or visit
<https://sustainability.lbfinance.com/>

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Our strategic direction

English version PLAY LIST 07	Sinhala version PLAY LIST 08	Tamil version PLAY LIST 09
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Our business performance – Financing

English version PLAY LIST 10	Sinhala version PLAY LIST 11	Tamil version PLAY LIST 12
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Our risk management oversight

English version PLAY LIST 13	Sinhala version PLAY LIST 14	Tamil version PLAY LIST 15
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Our IT support for business operations

English version PLAY LIST 22	Sinhala version PLAY LIST 23	Tamil version PLAY LIST 24
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Our financial performances

English version PLAY LIST 25	Sinhala version PLAY LIST 26	Tamil version PLAY LIST 27
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Visit our
youtube
playlist

INITIATIVES

First time in Sri Lanka



01 INITIATIVE

REPORTING ECO SYSTEM

- » Every person has a right to receive timely and accurate information, but we have seen that this does not always happen
- » Therefore, as a responsible corporate citizen, we are driving access to information through innovation as we try to develop reporting eco system for all
- » This year we have introduced a reporting eco system for the first time in Sri Lanka

We invite all corporates to follow us for future reporting...



USERS INITIATIVES

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



USERS INITIATIVES

- » Illiterate
- » Simplified illustration
- » Icon usage
- » Infographics
- » Trilingual subtitles available

USERS INITIATIVES

- » Hearing and talking impaired
- » Visual presentations
- » Sign language for videos



USERS INITIATIVES

- » Visually Impaired
- » Brail technology usage
- » Audio presentations
- » Colour separated infographics



Are you busy... Don't you have a time to read the report...
Aren't you willing to refer the report.

INITIATIVE
02 TALKING ANNUAL REPORTING IN SRI LANKA TO THE NEXT LEVEL

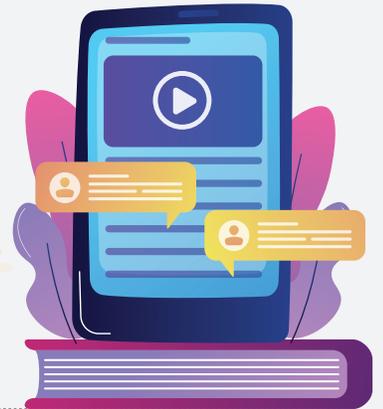
30
Video clips

03
Animated videos

02
Voice overs

Sign language format

Trilingual subtitle format



Not only IR Assurance... but also...

INITIATIVE
EXCELLENCE IN INTEGRATED REPORTING PRACTICES
03

Page direction of IR implementation

Self-developed IR checklist

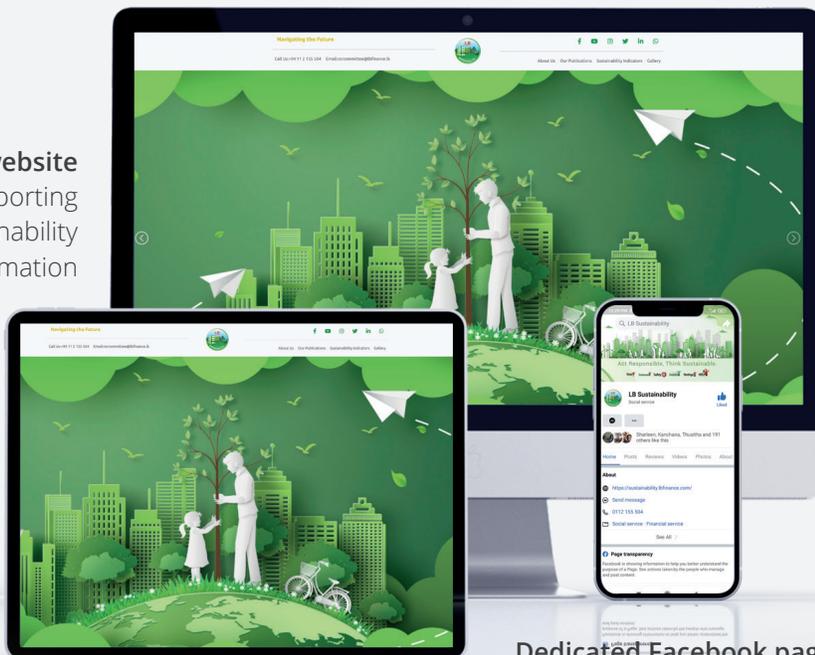
IR navigators on relevant pages...

INITIATIVE

04 POWER OF DIGITAL MEDIUMS

Apart from the traditional Annual Report information, we have introduced the digital touch in several ways

Dedicated website for integrated reporting and sustainability information



Environmental friendly reusable mediums
Using USB drive medium to transfer the information



Dedicated Facebook page for Integrated reporting and sustainability

ABOUT OUR INTEGRATED REPORT

WELCOME TO OUR 10TH INTEGRATED ANNUAL REPORT

Since embarking on LBF integrated reporting journey in 2012/13, we have been progressively expanding LBF reporting approaches in order to increase transparency and improve the quality of LBF disclosures. LBF's latest Integrated Annual Report for 2021/22 marks the 10th episode in its integrated reporting journey.



TARGET AUDIENCE

This report which provides a comprehensive view of LBF economic, environmental and social performances for the period under review, is intended to fulfill the information needs of the LBF's key stakeholders who are materially affected or could be materially affected by our strategy and how we conduct our day to day business. The report aims to provide all these stakeholders with the opportunity to determine whether the material issues relevant to them have been successfully tackled by our ability to create and preserve value in the short, medium and long term.

INTEGRATED THINKING AND 3Ps

Integrated thinking is at the core of our business and is deeply embedded in our fundamental purpose to make people healthier by protecting their livelihoods and enhancing their financial stability. Our strategy as a financial institution is to provide leadership in every aspect of our business to inspire the broad based transformation and elevate the financial services industry to the next level through our position as a leader in the category of financial services. We are therefore deliberate about pursuing adjacencies and composites, while building the Sri Lanka's best and most sophisticated technological change platform linked to financial services. While continuing to move aggressively along these lines, we have committed to identify, execute and track our strategic decisions to ensure they create sustainable value for our stakeholders.

We understand that the long-term sustainability of our business depends on our ability to deliver sustained value for our stakeholders. In understanding our value-creation process, we take an integrated approach, considering Prosperity, People and Planet (3Ps), an approach that is aligned with the International Integrated Reporting Council's (IIRC) six capitals model.

DETERMINING MATERIALITY

The content of our Integrated Annual Report is informed by those matters that could materially impact our ability to create value for our stakeholders in the short, medium and long term. During the year, we conducted a rigorous and extensive process to identify the material matters relevant to LBF's business model and strategy.

WE IDENTIFIED THE FOLLOWING FIVE MATERIAL MATTERS



SBG
Sustainable Business Growth



DMW
Delivery through a Motivated Workforce



MCN
Meeting changing Customer Needs

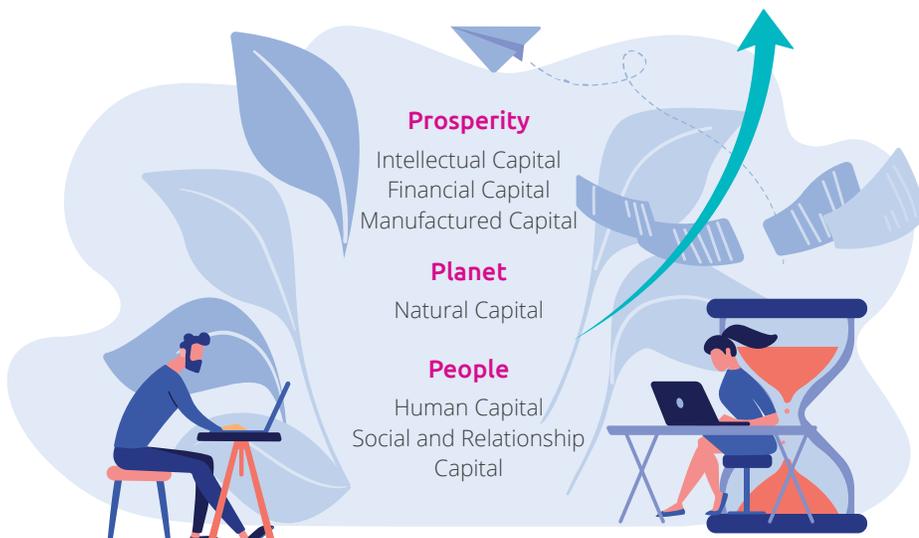


PSS
Prosperous and Sustainable Society



DTD
Disruptive Technologies as a key Differentiator

Sustainable Value Creation 3Ps Approach



OUR STAKEHOLDERS



C
Customers



S
Shareholders



E
Employees



S/C
Society/Community



BP
Business Partners



R
Regulators

REPORTING FUNDAMENTALS

In compiling this report, we have considered and/or complied with the following frameworks, standards, and guidelines:

Financial reporting

- » Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs)
- » Sri Lanka Accounting Standards (LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka
- » Companies Act No. 07 of 2007
- » Finance Business Act No. 42 of 2011



Corporate Governance reporting

- » Corporate Governance Direction No. 3 of 2008 (as amended) issued by the Central Bank of Sri Lanka
- » Listing Rules of the Colombo Stock Exchange (CSE)
- » The Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka
- » Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)



Integrated reporting

- » International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- » A Preparer's Guide to Integrated Reporting by the Institute of Chartered Accountants of Sri Lanka

INTEGRATED REPORTING <IR>

SUSTAINABILITY REPORTING

- » GRI Standards
- » UNGC Principles and Sustainable Development Goals
- » AccountAbility – AA1000SES



REPORTING PERIOD

In-line with LBF's established procedure of publishing an annual integrated report to coincide with its financial year, this current annual report is for the period 01 April 2021 to 31 March 2022. Any material events after this date and up to date of Board approval - 18 May 2022 have also been included.

OPERATING BUSINESSES

The current reporting cycle covers the primary activities of LB Finance PLC (LBF), including our financing, investing and value added services that support Sri Lanka's economic growth. The report also contains a segment on LBF's subsidiary operations, specifically the Company's Myanmar operation.

FINANCIAL AND NON-FINANCIAL REPORTING

Our integrated report extends beyond financial reporting and includes LBF's non-financial performance, along with the opportunities, risks and outcomes attributable to or associated with our key stakeholders who have a significant influence on our ability to create value sustainably.

RISK AND ESG REPORTING

Throughout this integrated report, we have integrated our governance and risk management principles, practices and outcomes. In addition, specific board subcommittee reports have been incorporated where relevant to bring more context to the integrated nature of our governance framework.

TARGETS AND STRATEGY

The report also covers the strategic pivot made during 2021/22 in response to the COVID-19 pandemic. In this regard, the report offers an insight into the Company's future strategy and financial and non-financial targets in the post-COVID-19 context.

ONLINE AND WEB DISCLOSURES

To assist in the reduction of the Group's carbon footprint, we urge our stakeholders to view our reporting suite at www.lbfinance.lk/reporting or scan the QR code captured herewith to be directed to the relevant page on our website.

ABOUT THE REPORT

OUR INTEGRATED ANNUAL REPORT BOUNDARY

»» Strategy

Refer page 92

»» Business Model

Refer page 64

»» Operational Performance

Refer page 102

»» Material Matters and Risk Themes

Refer page 82

»» Governance

Refer page 224

»» Operating Context

Refer page 50

Our financial reporting boundary
(defined by control and significant influence)

LB FINANCE PLC

LB Microfinance Myanmar Company Limited

Multi Finance PLC

Stakeholder engagement



Customers



Shareholders



Employees



Society/
Community



Business
partners



Regulators



ONLINE INFORMATION

- » Key concepts of Integrated report
- » Integrated reporting principles
- » Strategic realignment with the United Nations Sustainable Development Goals (SDGs)

About the report



ASSURANCE

We have adopted a combined assurance approach to verify the accuracy and the completeness of the information contained in this Integrated Report. The contents included herein have been first approved by the respective business heads. All financial information has been further reviewed by the Audit Committee prior to submission to the Board of Directors for approval. Moreover, we have sought the assistance of Messers Ernst and Young, Chartered Accountants to provide an independent assurance on the Group's Consolidated Financial Statements as well as to assess if the non-financial sustainability indicators are in-line with the Global Reporting Initiative (GRI) Standards. Their reports have been made available on page 291 and page 292 respectively.

FEEDBACK, FURTHER INFORMATION AND SUGGESTIONS

We appreciate the comments and suggestions received regarding our previous Annual Reports and have made every effort to introduce the appropriate changes to the 2021/22 report. We welcome your comments and suggestions on this Report as well and request that you use the attached feedback form or raise your concerns directly to:

Chief Financial Officer/ Manager – Integrated Reporting and Sustainability, L B Finance PLC

Corporate office,
No. 20,
Dharmapala Mawatha,
Colombo 03.

Tel: 011 2155 504
Fax: 011 2575 096

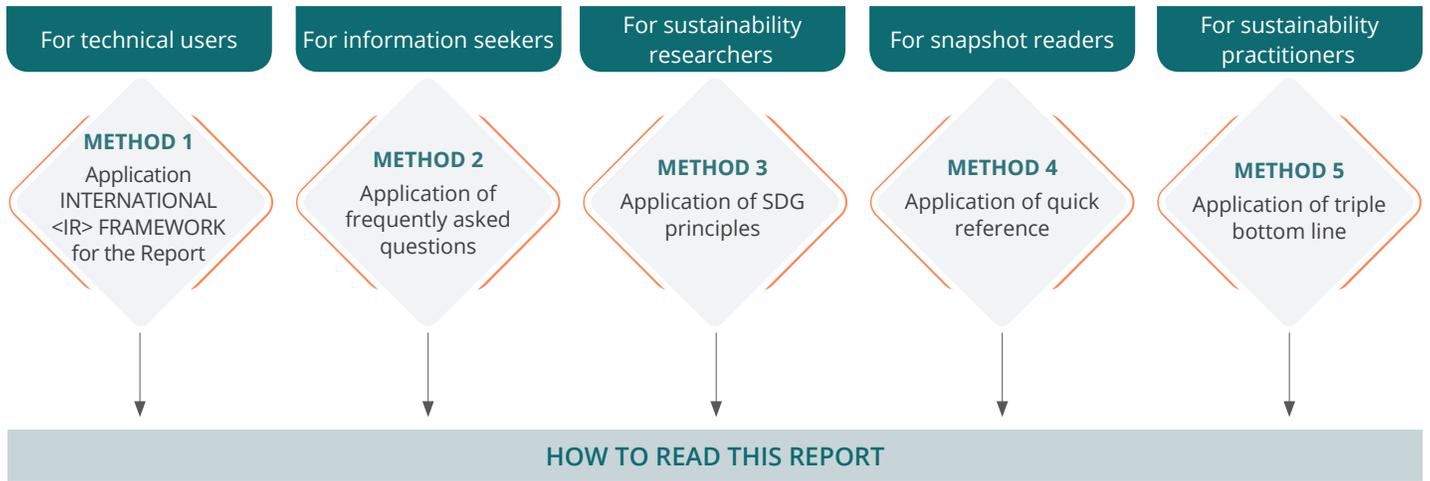
THE PROCESS OF CREATING AND PRESERVING VALUE

In order to execute our strategy, we must apply and leverage our capitals in a manner that maximises value creation and preservation. The effects of this application are reflected through the changes in our capitals over time and our financial performance. These manifest as outputs for the Group and outcomes for all our stakeholders. Our value generation and preservation procedures are included into our Mission (page 16), defined as part of our business model (pages 64 and 67), and integrated into the way we think and make choices across our organisation.

HOW TO READ THIS REPORT

User friendly initiatives 1st time in Sri Lanka

Our integrated report provides a holistic assessment of LB Finance PLC's (LBF) strategic intent in terms of creating value for all of our stakeholders. The report is structured to satisfy the information needs of all our stakeholders and in doing so projects LBF through multiple lenses - as a financial services provider, as an employer, as an innovator, and as a contributor to society as a whole.



METHOD 01

Application INTERNATIONAL <IR> FRAMEWORK for the Report

Inspired by the guiding principles of the reference framework published by the International Integrated Reporting Council (IIRC), this is the 10th Integrated Report by LBF.

1. Guiding Principles

Strategic focus

An Integrated Report should provide insight into the organisation's strategy and how it relates to the organisation's ability to create value in the short, medium and long term and to its use of and effects on the capitals

This Integrated Annual Report outlines LBF's long-term goal statement and medium-term objectives, as well as the key performance indicators that we track in the near term to ensure that we are meeting our fundamental Mission. Along with the risks and opportunities associated with our market position and regional presence, the report shows how the six capitals contribute to the LBF's capacity to fulfill its long-term strategic goals

Our Managing Director review - page 36

Our business model - page 64

Our strategic roadmap - page 92

Our business trade-off - page 99

Connectivity of information

An integrated report should show a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect the organisation's ability to create value over time

We have put together this report to tell the story of our value creation by following a logical structure and employing effective navigational tools to do so. In doing so we seek to articulate the connection between the six capitals, our stakeholders, related opportunities and risks and material themes. This approach allows us to better explain what factors impact our ability to create long-term value for our stakeholders.

Our value creation business model - page 64

Our value creation scorecard - Stakeholder view - page 68

Our value creation business model - Capital view - page 64

Materiality impact matrix - page 89

Strategic focus making trade off with capital - page 99

HOW TO READ THIS REPORT

Stakeholder relationships

An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests.

Our integrated report examines LBF's interactions with its stakeholders, including how we identify and assess the health of these relationships. We give pertinent information on the matters our stakeholder considers to be vitally important, and offer detailed explanations on what we are doing to address these matters.

Integrated stakeholder engagement - page 70 Our material matters in action - page 84 Corporate governance - Chairman's statement - Page 224

Materiality

An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term

We have used our best judgment to include only the material stakeholder concerns that we believe may have direct repercussions for LBF or vice versa. The report showcases how these concerns are being systematically identified and incorporated into our strategy and how they cascade into our day-to-day operations.

Our material matters in action - page 84 Our material matters in action - page 90 Risk and opportunities - page 262

Conciseness

An integrated report should be concise

Content in this report flows logically between sections to inform stakeholders of LBF's current and future prospects. Cross-referencing has been used to minimise duplication and where relevant additional links have been provided for further reading.

Consistency and comparability

The information in an integrated report should be presented:

- » On a consistent basis over time
- » In a way, that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time

We have made a concerted effort to ensure that the information we report on is comparable from year to year, including the key performance indicators that are used to gauge our success at the business unit and group levels. In addition, we adhere to industry norms and global best practices to improve information consistency and facilitate comparability with peer reports.

Managing Director's review - page 36 Financial highlights - page 28 Non-financial highlights - page 30 Business line reviews - page 104

Reliability and completeness

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error

Stemming from our commitment to provide timely and accurate information, we have made sure to include both positive and negative impacts and outcomes for FY 2021/22. Our internal and external assurance protocols provide further validation regarding the efficacy of this information. Our Audit Committee also conducts a thorough examination of the report, prior to submission to our Board of Directors for final approval.

About the report - page 8 External assurance report - Financial - page 297 External assurance report - Sustainability and IR - page 171 Business model - page 64

METHOD 02

Application of frequently asked questions

The key objective of this report is to provide a comprehensive assessment of our Company and illustrate the strategies deployed to create value in the long run. It is centred around six capitals and our activities, held in place through the common thread of our focus on engaging with our stakeholders at a human level. Navigating through this report will require the reader to ask seven key questions:



Core questions to ask	Where to look	Page No.	What you will find
Who governs the Company and how do they approach the evolving market dynamics ?	a) Chairman's statement	32	<ul style="list-style-type: none"> » Broad overview of the Company's current position and future direction. » LBF's key success factors and incisive analysis of the existing business verticals. » The experience and competence of LBF's leadership. » In-depth review of the Governance and Control Framework.
	b) Committees of the Board and Management	252 - 261	
	c) Statement of corporate governance	224	
	d) Managing Director's review	36	
What are the broad risks faced by the Company and how are they managed?	a) Summerised risk management report	262	<ul style="list-style-type: none"> » Risk identification and measuring techniques. » Risk impacts and likelihoods, through heat maps. » Risk mitigating tools and techniques. » Breakdown of risk exposures in separate categories. » Stress testing.
What role does the Company have in the bigger picture and how does LBF structure its activities to optimise value creation?	a) Value creation process - business model	64	<ul style="list-style-type: none"> » Bird's eye view of the Company's role in the big picture. » Key components of the business model that make it possible to transform resources. » The organisational structure designed to complement LBF's business model.
What are the various challenges within the operating environment and competitive landscape affecting LBF's business?	a) Our operating context	50	<ul style="list-style-type: none"> » Macroeconomic aspects that shape the industry. » Market forces and the competitive landscape that shape our business. » LBF's key competencies and scope of improvement.
How are strategies formulated and resources allocated?	a) Strategic roadmap	92	<ul style="list-style-type: none"> » Risks and opportunities identified through analysis of operating environment and stakeholder engagement. » Business model adaptability and change requirements. » Responses to issues raised through stakeholder engagement. » Resource allocation strategies to meet growth objectives. » Interdependencies, complexities and trade-offs between capitals. » Measuring the efficiency of objectives.

HOW TO READ THIS REPORT



Core questions to ask	Where to look	Page No.	What you will find
How are resources transformed through the various capitals in order to create value for stakeholders?	a) Financial capital	120	» Financial resources
	b) Manufactured capital	148	» Tangible inputs
	c) Human capital	158	» People
	d) Intellectual capital	172	» Knowledge-based intangibles
	e) Social and relationship capital	184	» Key relationships and engagement with stakeholders
	f) Natural capital	212	» Environmental resources
How did the different segments of the business contribute towards the overall results of the Company?	a) Business line review	102	» Performance reviews » Influential trends affecting business segments and subsidiaries » Risks and outlook

METHOD 03

Application of SDG principles

Current Initiatives	Sustainable Development Goals	References and Pages
Foster our sustainability governance	17	Sustainability at LBF 268 Creating sustainability future 268 Social and relationship capital 184 Natural capital 212
Enhance environmental and social risk management	9 13	Creating a sustainable future 268 Natural capital 212
Support growth through innovation and digitisation	10	Intellectual capital 172 Social and relationship capital 184
Value diversity and inclusion	5	Human capital 158
Understand priorities, support social and economic development, promote the country's well-being	1 4 3 8	Social and relationship capital 184
Reduce our environmental impact	11 12	Natural capital 212
Seize green economy opportunities	9 7	Natural capital 212 Intellectual capital 172

METHOD 04

Application of quick references

Area	Where you can find
Transformative and Digitalised Annual Report	4
Management Commentary	50 - 266
Disclosure on Value Creation	64 - 67
Business Model Disclosure	64 - 67
Strategic Focus and Resource Allocation	92 - 101
Corporate Social Responsibility Reporting	199 - 206
Disclosure on Materiality	82 - 91
Disclosure on Stakeholder Engagement	68 - 81
Corporate Governance Disclosure	224 - 243
Disclosure on Capital Management	120 - 222
SDG Reporting	Entire report

Quick readers to understand our report

If you need a quick snapshot or brief of our Annual Report, please go through the following pages:

Chairman's statement
Page 32

Financial highlights
Page 28

Managing Director's review
Page 36



Capital reports
Page 120

Business line review
Page 120

Non-financial highlights
Page 30

Financial statements
Page 305



Book mark

We have introduced user-friendly icons as a quick reference guide to our Annual Report and have also included a book mark to help you easily navigate through the pages.

METHOD 05

Application of the triple bottom line



SOCIAL

Page 184



ENVIRONMENT

Page 212



ECONOMIC

Page 120

AWARDS AND ACCOLADES

56TH CA SRI LANKA ANNUAL REPORT AWARDS



- » Overall Excellence in Annual Financial Reporting Award - Bronze Award
- » Special Recognition Award for Most Transformative and Digitalised Annual Report - Gold Award
- » Finance Companies & Leasing Companies (Total Asset Above LKR 20 Bn) - Gold Award
- » Corporate Social Responsibility Reporting Award - Gold Award
- » Corporate Governance Disclosure Award - Silver Award
- » Integrated Reporting: Best Disclosure on Capital Management - Silver Award
- » Management Commentary Award - Bronze Award

CMA SRI LANKA ANNUAL REPORT AWARDS



- » Overall Excellence – Gold Award
- » Top Five Excellence Report Award
- » Winner Best Integrated Report – Finance and Leasing Sector
- » Winner Special Award – Best Disclosure on Capital
- » Winner Special Award – Best SDG Reporting
- » CMA CFO Excellence Award

NATIONAL ICT AWARDS



- » In-House category (ECLIPSE Credit Appraisal System) – Silver Award

LANKAPAY TECHNOVATION AWARDS



- » The Most Popular Digital payment product (Banks & NBFIs) - Gold award
- » Excellence in Customer Convenience (NBFIs) - Silver Award
- » Overall Excellence in Interbank Digital Payments (NBFIs) - Silver Award
- » Financial Inclusivity – Merit Award

FITIS DIGITAL EXCELLENCE AWARDS



- » Business Model Innovation - Category Winner



View our previous awards



our
primary
purpose

Section 1

About us

About us - Our profile - 16 | Strategic journey - 20 | Our contribution to the economy - 22

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

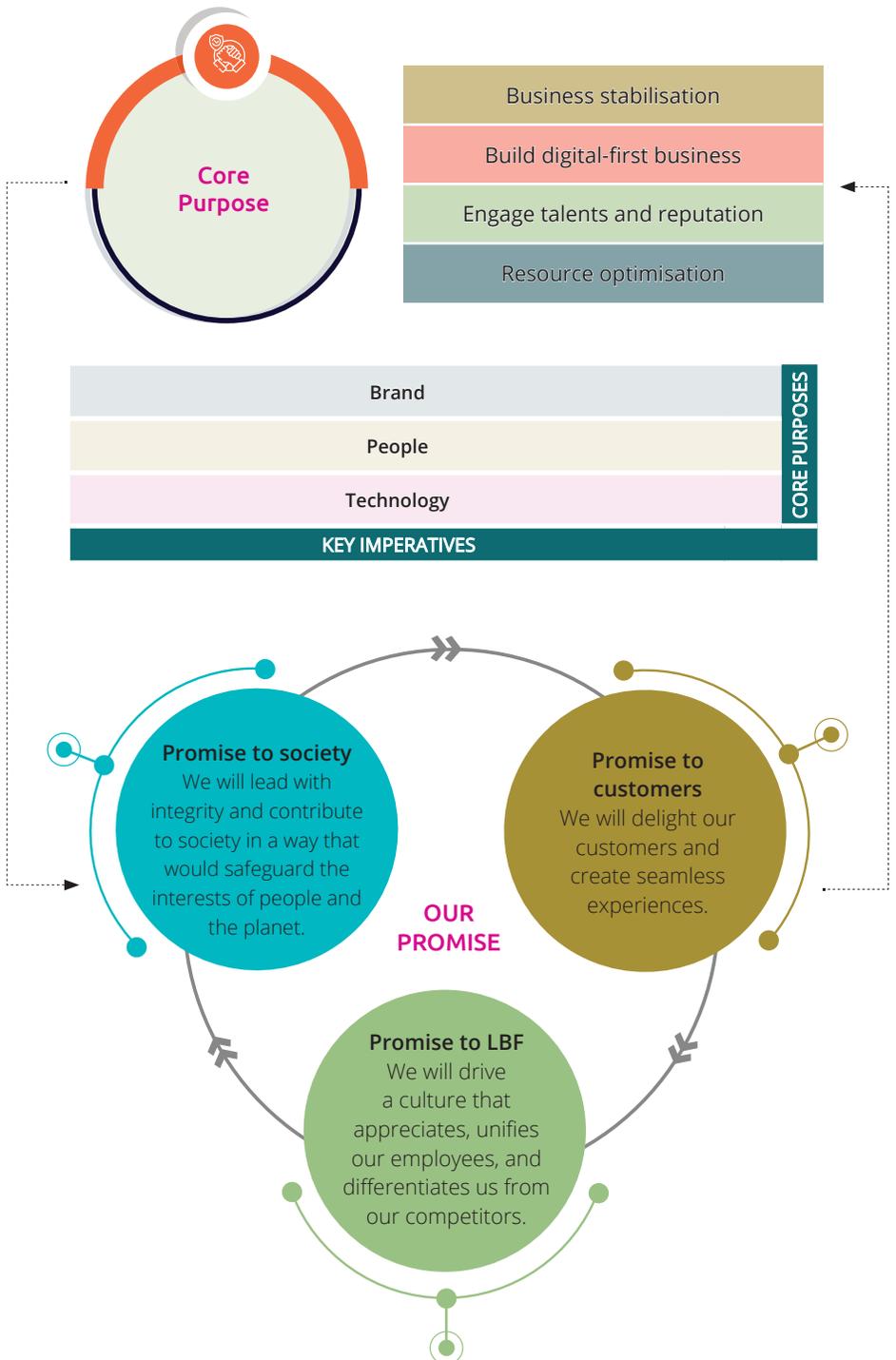
- » To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors.
- » To engage in prudent lending to entrepreneurs to assist them in the creation of wealth.
- » To use training and career development to create an empowered and committed group of employees who will drive the Company to high levels of achievement.
- » To offer a caring and personalised service that will form the foundation in 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.

GOAL AND VALUES

As a financial services institution, our goal is to be a major player in the financial services sector in Sri Lanka and lead the way in finding solutions to the challenges of these key sustainability by developing accessible products and services and driving innovation to promote greater financial inclusion. We are built on a model of excellence and strength that propels us into a future designed for every single stakeholder we serve. Also in an effort to further streamline operations and responsibility to all stakeholders by ensuring excellence, ethics, transparency, innovation, professionalism and quality in their decision making. We are empowering stakeholder by providing the necessary quality guidance and support to mound a future, maintaining professionalism and corporate citizenship

STRATEGIC PRIORITIES

The retail financial services landscape in Sri Lanka is rapidly changing and we continue to concentrate on being a pioneer in this process. We do so by offering customers modern, creative financial services, and using technology for simplification, to support greater transparency and enhance safety. Moreover, in striving to differentiate itself as an organisation that is concerned with more than just making profits, LBF seeks to be known as a Company that treats its customers with empathy and an organisation that respects the dignity and values the opinions of all stakeholders.

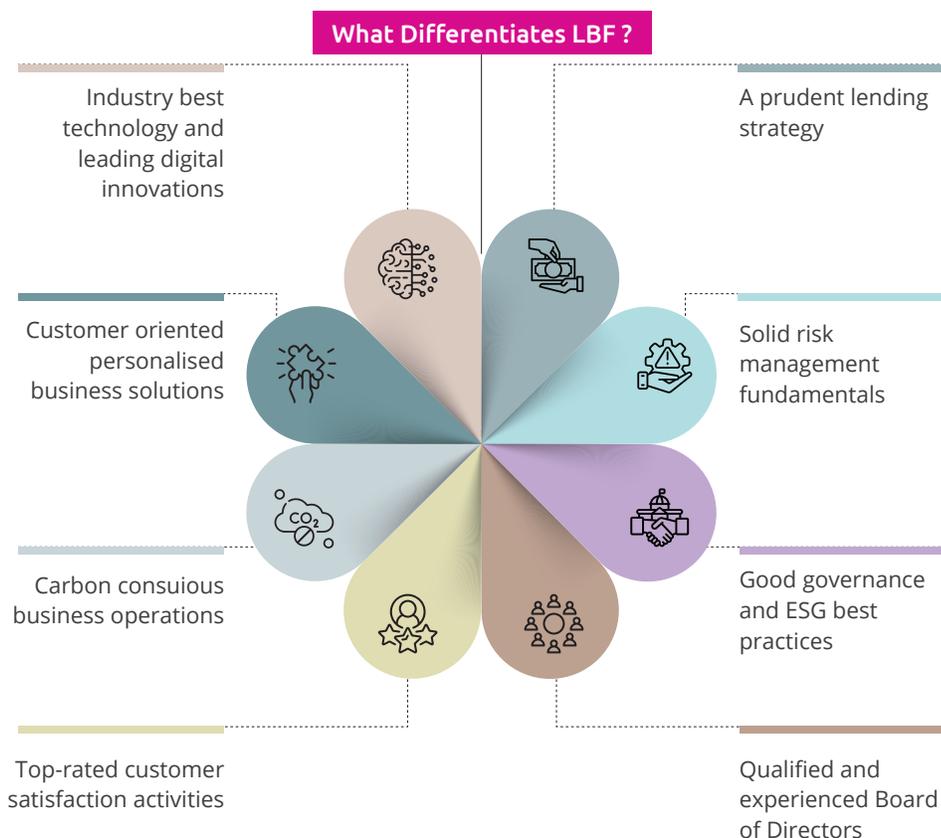


L B Finance PLC (LBF) was incorporated as a private limited liability Company in May 1971 and later converted into a public limited liability Company in 1982. The Company was listed on the Colombo Stock Exchange in 1997, with the majority shareholding held by Lewis Brown & Company Limited. Subsequently, in 1994, Vanik Incorporation Limited acquired the controlling interest of the Company.

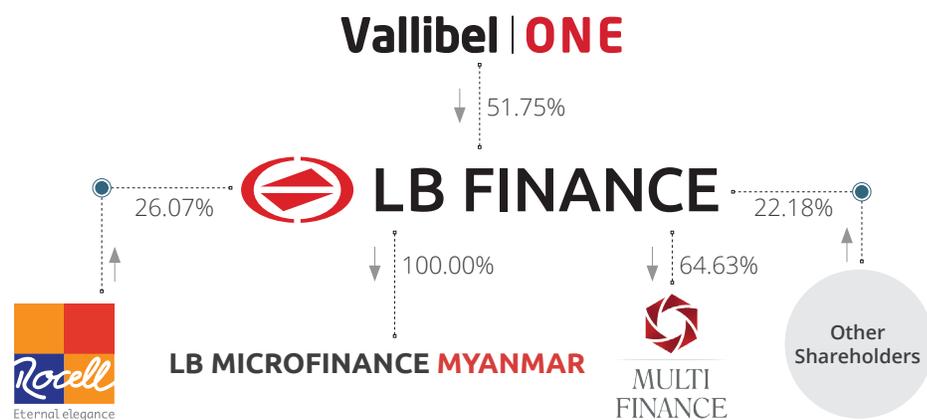
Mr. Dhammika Perera, a renowned Sri Lankan entrepreneur, took over the Company in 2003, after which L B Finance PLC became a part of the Vallibel One PLC Group, a highly diversified local conglomerate with interests in; lifestyle, finance, aluminium, plantation, leisure, consumer and investments. In June 2008, LBF was re-registered under the new Companies Act No. 7 of 2007

L B Finance PLC’s journey over the past 50 years is marked by a long list of accomplishments that places the Company as one of the top tier financial institutions in Sri Lanka today

LB Finance PLC – Registered Office
 No. 275/75,
 Prof. Stanley Wijesundera Mawatha,
 Colombo 07



OUR ORGANIZATIONAL STRUCTURE



OUR BUSINESS FUNDAMENTALS

We realise that financial services are complex and if not presented right could cause a great deal of ambiguity and mistrust in the eyes of the customer and the wider public, which would ultimately reflect negatively on the corporate brand.

Our efforts to safeguard LBF’s reputation and brand credibility are based on four fundamental principles - Simplicity, Accessibility, Affordability and Personalisation. These business principles define the way we behave and think about our business. They cascade through to every aspect of our operation from the way we design our products and channels, our pricing structures and our process architecture to the way we interact with our customers and other stakeholders.

FOUR BUSINESS FUNDAMENTALS

SIMPLICITY



Simplicity is the hallmark of our value proposition and the essence of how LBF operates.

ACCESSIBILITY



Accessibility is at the heart of our brand promise to enable customers to access our financial services in their preferred medium

AFFORDABILITY



Affordability is the assurance we give to our customers that they will receive the best possible outcomes at the right price.

PERSONALISATION



Personalisation is the key to our effort to meet the exact needs of all customer segments around the Country.

PRODUCT PORTFOLIO

INVESTING

Key areas of strength and differentiation

Customer confidence and financial stability

Presence

Sri Lanka

Key performance indicators

More information on page 102

Strategic goals

- » Grow faster than the market through active customer retention and focus on new customer acquisition
- » Support the customer to achieve their financial goals at different stages throughout their lifetime
- » Drive cost efficiencies to enhance competitive position

Our products and services



FINANCING

Key areas of strength and differentiation

Market leader with strong expertise and relationships

Presence

- » Sri Lanka
- » Myanmar

Key performance indicators

More information on page 106

Strategic goals

- » Continue to diversify the offerings to achieve leadership in all segments of the market
- » Proactive management of credit risk to safeguard the balance sheet
- » Focus on regional operations by optimising returns in Myanmar
- » Pursue market opportunities that present attractive growth and return prospects

Our products and services



VALUE ADDED SERVICES

Key areas of strength and differentiation

Innovative customised digital solutions

Presence

Sri Lanka

Key performance indicators

More information on page 112

Strategic goals

- » Become digital-centric at the core
- » Implement innovative and low-cost digital platforms to deepen the penetration into selected market segments
- » To build digitally enabled end-to-end infrastructure to improve accessibility and to retain serviceability, while at the same time attracting new customers

Our products and services



LB FINANCE AT A GLANCE



181
Branches in Sri Lanka



12
Branches in Myanmar

Rs. 141.88 Bn
Gross loans and advances to customers
(2020/21: Rs. 120.67 Bn)

Rs. 89.14 Bn
Deposits
(2020/21: Rs. 85.86 Bn)

Rs. 32.13 Bn
Market capitalisation
(2020/21: Rs. 26.26 Bn)



24
CDM machines



3,822
Employees



Market Share of LBF - NBF Sector
As at 31 March 2022
(Source - CBSL)

31.53%
Gold Loan

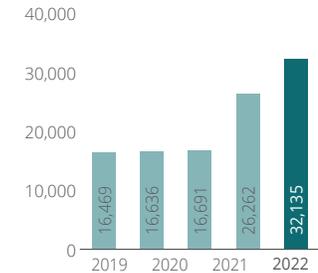
11.08%
Loans and Advances to customers

It is our goal to be a locally regarded organisation of which Sri Lanka can be proud, and we are motivated by the people we serve. We are a Sri Lankan corporation. All of our efforts are directed on developing bespoke solutions to distinctively local difficulties. And everything we do is focused on generating shared value. Our contribution to the economic well-being of people, corporations and whole countries is significant as a supplier of financial services. We contribute to the creation, expansion and protection of wealth via partnerships in economic development, while also playing a key role in the development and sustainability of Sri Lanka.

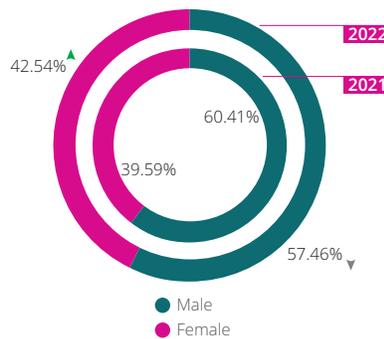
DEBT AND EQUITY Rs.Mn



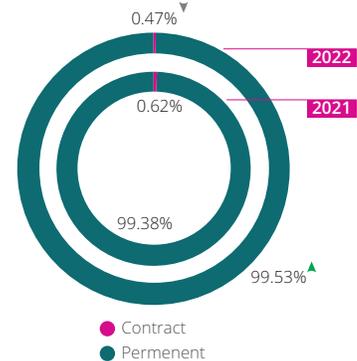
MARKET CAPITALISATION Rs.Mn



EMPLOYMENT BY GENDER



EMPLOYMENT BY TYPE



ONLINE INFORMATION

- » LBF business context
- » LBF competitive advantage



STRATEGIC JOURNEY

1971 - 1981

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

2002 - 2011

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

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

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

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

Profits doubled and reached over Rs. 1 billion for the first time in the history

North and East market presence for the first time

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

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

Company has emerged as the second largest Licensed Finance Company (LFC) in Sri Lanka introducing Global Reporting Initiative (GRI) to the Annual Report

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

Introduced LB Savings to customers

Largest expansion drive within the industry with 20 new outlets

Recorded the largest deposit base among the NBFIs sector

Launched Pay Hub facility

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

Opened first Premier branch in Mount Lavinia

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

Interbank payment system (SLIPS)

Opened the 100th branch in Jaffna

Introduced the VISA shopping card

Became the first carbon neutral finance institution in Sri Lanka.

L B finance ranked 26 among the top 100 brands in country by brand finance

1982 - 2001

Changed its status as a public company

Vanik Incorporation Limited's shareholding increased to 83.26%

Listed on the Colombo Stock Exchange

Commence Gold Loan

First Gold Loan centre opened in Maradana

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

Introduced lottery based deposit scheme "Siya Savi"

2012 - 2015



2016 - 2017

Successfully completed 45 years in the finance industry with a profit growth of 70%, profit of Rs. 3.7 billion (PAT)

Launched LB e-connect online platform to saving customers

Obtained MoneyGram agentship for international money transfer

Integrated with Common Electronic Fund Transfer Switch (CEFTS)

Exceeded Rs. 100 billion asset base

Launched LB Gift Store

2018 - 2019

Ranked among the top 20 brands in Sri Lanka by Interbrand

Going into cloud based IT platform

First overseas expansion of L B Finance to Myanmar

Launched of 'Krutha Hastha' senior citizens loan scheme

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

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

2020 - 2021

LB Finance ranked 26 among the top 100 brands in the country by Brand Finance

Chatbot was introduced to the corporate website and social media platforms

Automation of the credit verification process

Automation of the insurance renewal process

Fully automated risk assessment scorecard for branches and gold loan centres

2022

Multi Finance PLC Acquisition

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

Further strengthened the ISO 27001 Information security standard

Established robotic process automated software

Installation data visualisation and modelling software

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

LBF tied up with DRP to fast-track digital financial services

OUR CONTRIBUTION TO THE ECONOMY

OVERVIEW

As a financial services institution, LBF plays an important role in fueling economic activity in Sri Lanka. By mobilising funds from the public, we are encouraging individual savings and thereby contributing towards increasing the aggregate rate of investment in the economy. Moreover, by redirecting funds in the form of credit, we are creating an ecosystem to enable individuals to build their wealth, as well as support businesses to grow and expand. In particular, through our strong emphasis on lending to micro, small and medium scale enterprises, we are positioning the SME as an engine of growth for Sri Lanka's economy. We continue to demonstrate our commitment to economic growth through our digital financial initiatives that aim to promote financial inclusion and motivate the rural masses to migrate towards the formal financial system. Furthermore, as a principal agent for Western Union Money transfer systems, LBF facilitates the inflow of foreign currency to the country.

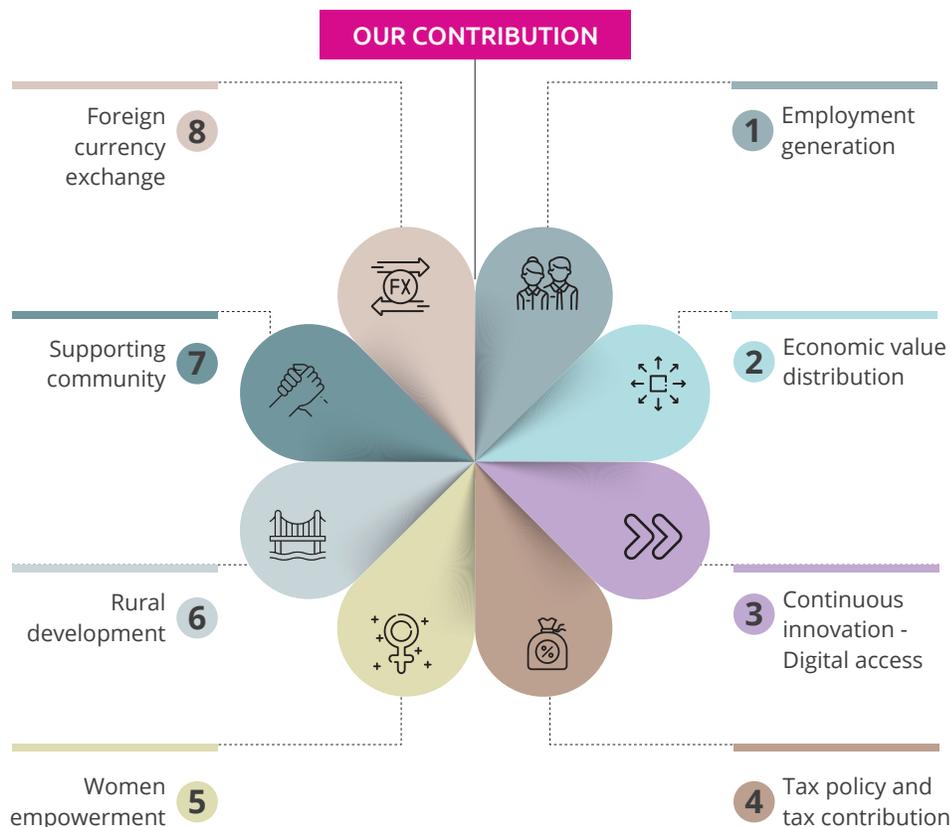
As one of the largest financial services institutions in the Country, LBF pays a significant amount of taxes annually. We are also one of the largest employers in the NBFi sector, employing over 3,800 men and women from across Sri Lanka. In 2021/22, we recruited 1,734 new employees, of which 47% were from outside the Western province reflecting LBF's commitment to create viable job opportunities that pave the way for equitable nation-wide socio economic progress.

Inspired by our belief in the principle of shared value, we continue to invest in high impact CSR activities that address key national priorities such as livelihood development and the equitable access to education and healthcare. At the same time, LBF's advocacy for the environment epitomises our concern for the health of future generation of Sri Lankans.

GLOBAL TRENDS

Digital technology has been one of the most significant trends seen in the global financial services industry over the past decade. However, the pandemic environment in 2020 and 2021 has proven without a doubt that digital financing is indeed the next mega trend that will transform financial services over the next decade. For most financial institutions, the pre-COVID-19 inclination for incremental change and cautious experimentation has given way to a much deeper appetite for digital adoption, often calling for a rethink of conventional business models.

Having made early progress in the digital sphere, LBF was relatively well equipped to accelerate the digital transition in response to the pandemic. Going forward, we will look to build on the success achieved so far through more aggressive innovation to develop fit-for-purpose digital financial solutions for the exacting needs of the Sri Lankan consumer.

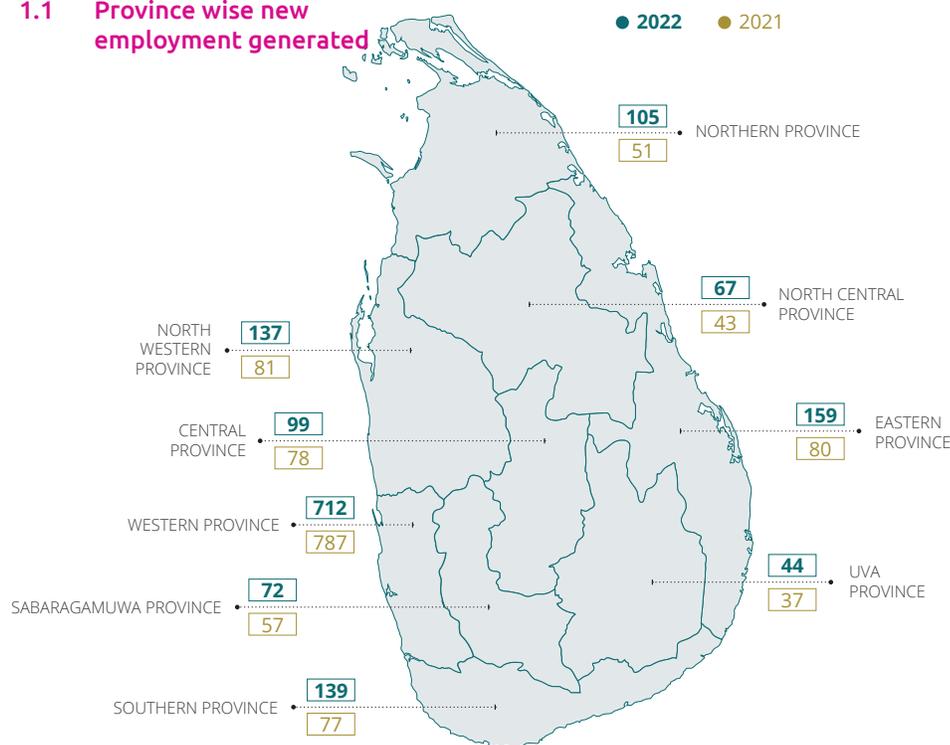


1 Employment generation



As a large financial services organisation, LBF currently provides direct employment to 3800+ individuals across Sri Lanka. The strategic expansion of our footprint continues to create a steady stream of new employment opportunities each year. Moreover, through our lending activities that support self employed individuals, SMEs and micro entrepreneurs, we contribute towards creating indirect employment in various industries.

1.1 Province wise new employment generated



2 Economic value distribution



The creation of positive economic value is a prerequisite for the sustainability of our business. It not only measures the effectiveness of our operations, but also serves as an indicator of our contribution towards the economy. Over the years, we have succeeded in consistently improving the economic value generated for the benefit of LBF's stakeholders.

2.1 Direct economic value generated

(Rs. Mn)	2019/20	2020/21	2021/22
Interest income	29,160	27,458	27,511
Fee and commission income	1,942	2,185	2,468
Net gain from trading	-2	6	2
Other operating income	123	117	179
Economic value generated	31,223	29,766	30,159

2.2 Direct economic value distributed

(Rs. Mn)	Mechanism	2019/20	2020/21	2021/22
To employees	Employee salaries and benefits	2,968	2,956	3,194
To depositors and lenders	Interest expenses	13,219	11,125	8,450
Payments to providers of capital	Dividend to shareholders		1,662	3,878
	Interest to debenture holders	397	398	396
Payment to government	Tax payment	5,014	4,651	6,018
To community	Social responsibility projects	23	37	13
Operating costs		4,657	4,207	3,967
Economic value retained		4,945	4,730	4,243
Economic value distributed		31,223	29,766	30,159

OUR CONTRIBUTION TO THE ECONOMY

2.3 Market value added (MVA)

The Market Value Added (MVA) statement reflects the Company's performance evaluated by the market through LBF's share price. This statement shows the difference between the Company's market value and the capital contributed by investors. In other words, it is the sum of all capital claims held against the Company plus the market value of debt and equity.

(Rs. Mn)	2019/20	2020/21	2021/22
Market capitalisation	16,691	26,262	32,135
Book value of equity	23,000	28,189	33,047
Market value added/(destroyed)	(6,309)	(1,927)	(912)

3 Continuous innovation - Digital access



LBF marked its entry to the smart financing domain when it launched the 'CIM' (Cash in Mobile) mobile wallet in 2019. Since then, the CIM wallet has continued to gain strong transaction in the market as a versatile and highly effective digital money management solution. The growth in CIM penetration across the island also points to its success in promoting greater financial inclusion.

Newest additions to the CIM app

- » Business Loans for Small and Medium scale Enterprises through CIM Mobile app
- » Personal loans through CIM
- » Gold loan top up facilities



+100,000
CIM app downloads

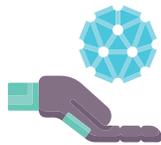


21%
Growth in CIM transactions

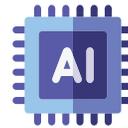


77%
Growth in CIM transactions volume
CIM transaction volume

Business process and business expansion



Robotic process automation



Artificial Intelligence



Dedicated social media unit



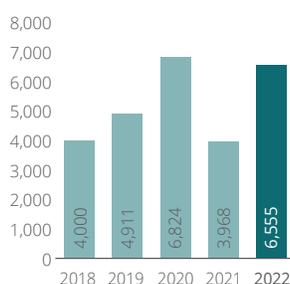
4 Our tax policy and tax contribution



LBF's tax policy and practices are in line with the regulatory requirements outlined by the regulatory body. LBF remains one of the largest taxpayers among the Non-Bank Financial Institutions (NBFI) in the country.

TAXES PAID TO THE GOVERNMENT

Rs.Mn



(Rs. Mn)	2019/20	2020/21	2021/22
Direct Taxes (Paid)			
Income Tax	2,875	2,018	3,839
Value Added Tax on Financial Services	1,607	1,473	2,085
Nation Building Tax on Financial Services	157	-	-
Debt Repayment Levy on Financial Services	749	-	-
Crop Insurance Levy	55	52	91
Economic Service Charge	157	-	-
Indirect Taxes (Collected and Paid)			
Value Added Tax	256	162	190
Nation Building Tax	31	-	-
Stamp Duty	325	180	253
Withholding Tax on Dividend and Interest	509	2	5
PAYE Tax/Advanced Personal Income Tax	103	82	92
Total Taxes paid during the Financial Year	6,825	3,968	6,555

5 Women empowerment



LBF is determined to contribute towards economic transformation by enabling the meaningful participation of women in the mainstream economy. Our approach is multidimensional and focuses on equal opportunity in the workplace, increasing women in leadership and development of women micro entrepreneurs.



OUR CONTRIBUTION TO THE ECONOMY

6 Rural development



LBF supports the development of provincial economies through its island-wide branch network. Towards this end, we continue to improve the geographical dispersion of our branch footprint, underpinned by a benchmark target of significant representation outside the Western province.

Branch distribution

Province	No. of branches	Representation
Central	16	8.84%
North Central	7	3.87%
Uva	6	3.31%
Eastern	21	11.60%
North Western	11	6.08%
Northern	18	9.94%
Sabaragamuwa	7	3.87%
Southern	13	7.18%
Western	82	45.30%

7 Supporting community



LBF articulates its commitment to the community through meaningful interventions aimed at alleviating poverty and reducing socioeconomic inequalities. Our work in this regard is underpinned by the SDGs (Sustainable Development Goals) announced by the United Nations as part of their 2030 sustainable development agenda. On this basis, we have progressively increased our investment towards impactful digital CSR projects that have the capacity to benefit a larger cross-section of the community.

(Rs. Mn)	2019/20	2020/21	2021/22
Investment on CSR	22.52	37.29	12.94

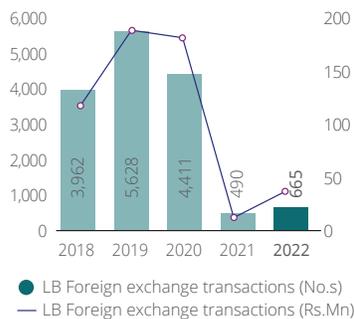


8 Foreign currency exchange

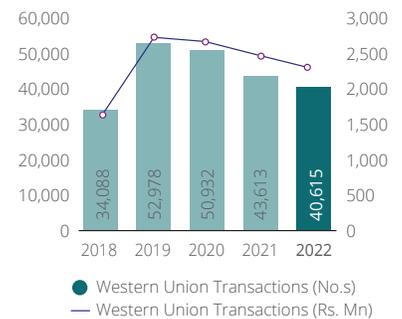


As a principal agent for Western Union Money Transfer Systems, LBF facilitates the inflow of foreign currency to the country from Sri Lankans living and working around the world. In addition, we also offer foreign currency trading services to meet the needs of the tourism and trade sectors.

FOREIGN CURRENCY EXCHANGE TRANSACTIONS



WESTERN UNION TRANSACTIONS





leading with

resilience

& Reliability

Section 2

Our stability

Financial highlights - 28 | Non-financial highlights - 30 | Chairman's statement - 32
Managing Director's reviews - 36 | Board of Director - 40 | Senior Management - 46 | Our carbon journey - 48

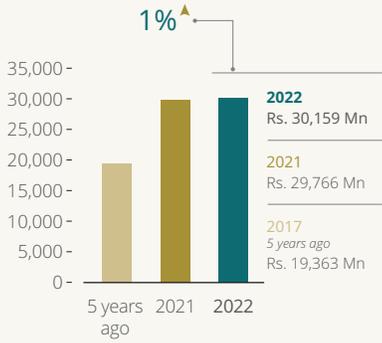
FINANCIAL HIGHLIGHTS

IR 1.19 1.55 3.3

Indicator		2021/22	2020/21	Change (%)
Operating results				
Income	Rs. Million	30,159.48	29,766.12	1.32
Interest income	Rs. Million	27,510.53	27,457.74	0.19
Net interest income	Rs. Million	18,663.92	15,934.94	17.13
Profit before taxation (PBT)	Rs. Million	11,910.46	9,306.37	27.98
Profit after taxation (PAT)	Rs. Million	8,661.86	6,802.60	27.33
Financial position				
Total assets	Rs. Million	164,365.01	140,576.52	16.92
Lending portfolio	Rs. Million	134,395.60	114,137.82	17.75
Deposits	Rs. Million	89,143.98	85,860.07	3.82
Borrowings	Rs. Million	35,423.35	19,581.09	80.91
Shareholders' funds	Rs. Million	33,047.09	28,189.29	17.23
Share information				
Market price per share	Rs.	58.00	47.40	22.36
Market capitalisation	Rs. Million	32,135	26,262	22.36
Net asset value per share	Rs.	59.65	50.88	17.23
Earning per share (EPS)	Rs.	15.63	12.28	27.33
Price earning ratio (PE)	Times	3.71	3.86	(3.90)
Dividend per share (DPS)	Rs.	5.00	7.00	(28.57)
Dividend yield	%	8.62	14.77	(41.63)
Dividend payout ratio	%	31.98	57.01	(43.90)
Total shareholder return (TSR)	%	32.91	80.58	(59.16)
Statutory ratios				
Core capital to risk weighted assets ratio (Tier I) (Minimum 8%)	%	25.95	23.87	8.70
Total risk weighted capital ratio (Tier I & II) (Minimum 12%)	%	26.90	25.32	6.26
Equity to deposits (Minimum 10%)	%	37.07	32.83	12.91
Liquidity ratio	%	17.60	17.89	(1.60)
Other ratios				
Return on assets (ROA)	%	5.68	4.78	18.81
Return on equity (ROE)	%	28.29	26.58	6.44
Net interest margin (NIM)	%	13.28	12.15	9.28
Cost to income	%	29.28	30.56	(4.21)
Loan to deposits	Times	1.51	1.33	13.41
Gross non- performing loans ratio (Gross NPL)	%	4.44	5.36	(17.32)
Net non- performing loans ratio (Net NPL)	%	(0.80)	0.10	>(100)
Provision Coverage Ratio	%	117.94	98.13	20.19
Total impairment as a percentage of gross loans & advances	%	5.27	5.41	(2.60)

INCOME

Rs.Mn



NET INTEREST INCOME

Rs.Mn



PROFIT BEFORE TAX

Rs.Mn



PROFIT AFTER TAX

Rs.Mn



LENDING PORTFOLIO

Rs.Mn



TOTAL ASSETS

Rs.Mn



DUE TO DEPOSITORS

Rs.Mn



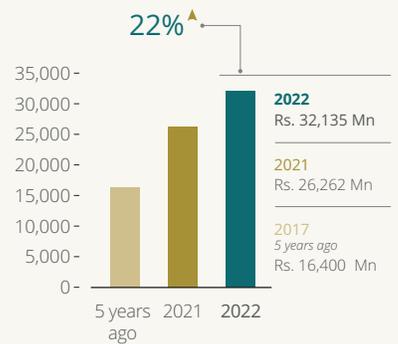
EQUITY

Rs.Mn



MARKET CAPITALISATION

Rs.Mn



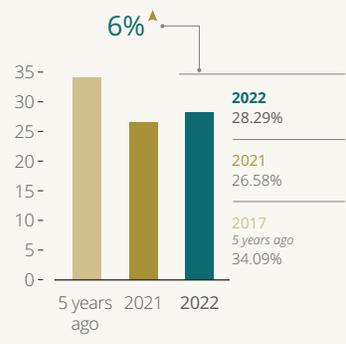
EARNINGS PER SHARE (EPS)

Rs.



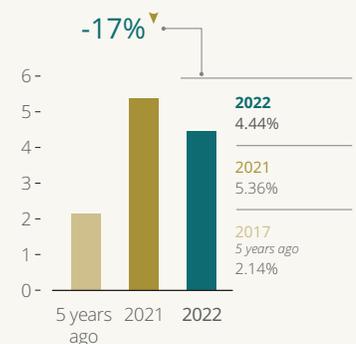
RETURN ON EQUITY (ROE)

%



NON-PERFORMING LOANS RATIO (NPL)

%



NON-FINANCIAL HIGHLIGHTS

IR 1.19 1.51 1.52 1.55

Macro dimension	Indicator	Measurement	2017/18	2018/19	2019/20
Economic wellbeing	Economic value added	Rs. Million	3,090.42	3,716.34	4,330.14
	Economic value distributed to:				
	Depositors and Lenders	Rs. Million	11,077.1	12,361.66	13,218.85
	Employees	Rs. Million	2,389.35	2,682.61	2,986.63
	Government	Rs. Million	3,038.17	4,508.35	5,014.32
	Shareholders	Rs. Million	1,523.66	1,662.17	0
Social wellbeing	Community development programmes	Number	26	28	12
	Staff volunteered hours	Hours	9,079	14,195	20,131
Environment and landscape	Environment related projects	Number	6	6	5
	Water consumption	m3	29,891	43,007	39,793
	Water consumption per Rs. million of profit	m3	7.03	8.51	7.67
	Trees planted/distributed	Number	612	20,194	34,853
	Trees saved from recycling	Number	68	92	94
	Investment on green initiatives	Rs. Million	3.51	16.49	9.54
	Paper recycled	Kg	2,943	5,432	5,501
	Energy consumption	GJ	18,231.87	20,020.70	20,538.00
	Energy per Rs. million of profit	GJ	4.29	3.96	3.96
	Total carbon footprint	tCO2e	3,223	3,997	4,484
	Total carbon footprint per Rs. million of profit	tCO2e	0.11	0.09	0.11
Business sophistication	Total branches/Total outlets	Number	159	163	165
	CDM machines	Number	3	23	23
	Branches outside the Western Povice	Number	82	83	84
	New outlets opened	Number	5	4	2
Infrastructure and quality of services	Investment on ICT	Rs. Million	197.2	150.52	115.65
	Investment on freehold land and building	Rs. Million	1,002.96	1,894.80	230.13
Employee wellbeing	Total workforce	Number	3,441	3,618	3,606
	Employees hired	Number	1,313	1,407	1,291
	Employment opportunities created	Number	220	177	-
	Training programs carried out	Number	113	195	137
	Investment on training and development	Rs. Million	8.56	10.95	18.56
	Total training hours	Hours	25,846	38,832	52,788
	Average hours of training per employee	Hours	7.52	10.73	14.73
	Staff remuneration and benefits	Rs. Million	2,305.87	2,693.56	3,005.18
Reputation	Brand value (Brand Finance)	Rs. Million	4,236	5,021	5,133
	Brand ranking (Brand Finance)	Number	28	30	29
	Credit rating (Fitch ratings)	Rating	A- (lka)	A- (lka)	A- (lka)
Customers	Total customer base	Number	Over 500,000	Over 600,000	Over 600,000
	Customer financial solutions	Number	28	29	30

H High M Medium L Low

FC - Financial Capital | MC - Manufactured Capital | HC - Human Capital | IC - Intellectual Capital

2020/21	2021/22	Our priority	Capital	GRI
6,148.39	6,282.85	●	SC	201-1
			SC	201-1
11,125.01	8,204.42	●	SC	
2,955.81	3,193.77	●	SC	
4,651.00	6,013.14	●	SC	
1,662.17	3,878.40	●	SC	
22	20	●	SC	
5,764	15,250	●	SC	
15	4	●	NC	
31,013	33,044	●	NC	303-1
4.56	3.82	●	NC	
6,180	1,000	●	NC	
68	398	●	NC	
1.01	3.81	●	NC	
3,986	23,399	●	NC	
15,418.08	30,944.00	●	NC	302-1
2.27	3.57	●	NC	
3,110	3,259	●	NC	305
0.10	0.37	●	NC	305
169	181	●	MC	
24	24	●	MC	
88	99	●	MC	
4	12	●	MC	
46.40	69.66	●	MC	203-1
481.96	53.04	●	MC	
3,536	3,822	●	HC	102-7
999	1,734	●	HC	401-1
-	273	●	HC	
19	21	●	HC	404-2
4.01	6.17	●	HC	
7,737	17,754	●	HC	404-1
2.17	4.65	●	HC	404-1
2,959.82	3,199.95	●	HC	
6,237	5,821	●	IC	102-16
25	24	●	IC	
A- (lka)	A- (lka) (RWN)	●	IC	
Over 600,000	Over 650,000	●	SC	
31	32	●	SC	

SC - Social and Relationship Capital | NC - Natural Capital

Carbon Conscious Company

+42,000

Trees planted under 50 to 50,000 tree planting programme

Saved 398

Fully grown trees

Rs. 12.94 Mn

Invested in CSR



12

New branches

02

Branches relocated



Robotic Process

automation introduced

+100,000

CIM wallet downloads

CIM wallet transactions grew by **21%**



Automated

credit verification system



Dedicated

Technology and innovation Centre

CHAIRMAN'S STATEMENT

Although not as tough as the previous year, 2021/22 was nevertheless challenging in many aspects. I am glad to see that LBF has responded remarkably well. Our people have continued to demonstrate tremendous resilience by going above and beyond to live up to the LB vision in these challenging times.



MEASURING SUCCESS

DELIVER THE EXPECTATIONS OF OUR SHAREHOLDERS

Foundation of strength and is well positioned to deliver sustainable returns to our shareholders.

Market capitalisation
Rs. 32.13 Bn

EARNING PER SHARE



PRICE EARNING RATIO



SUSTAINED DIALOGUES

LBF aims to strengthen our digital capabilities, integrating business transformation and create value for everyone we serve, balanced across the short, medium and the long-term.

Over 100,000 LB CIM app downloads

Investment on IT
Rs. 69.66 Mn

ECONOMIC VALUE RETAINED



ECONOMIC VALUE DISTRIBUTED



STRONG GROWTH PROSPECTS

Our prospects for future growth are driven by regional economic fundamentals and increasing financial inclusion, penetration providing opportunities to increase our market share

Shareholder funds
Rs. 33.05 Bn

Net assets value per share
Rs. 59.65

RETURN ON EQUITY



RETURN ON ASSETS





DIGITAL VERSION



English



Sinhala



Tamil

PDF versions



AUDIO VERSION

SCAN AND LISTEN

PLAY LIST
28

OPTIMISM FOR THE FUTURE

As the threat of COVID-19 gradually abated and economic activity picked up, we breathed a collective sigh of relief to see the Country slowly returning to normalcy in 2021. Agriculture, industry and services sectors all showed notable improvements. It was also very encouraging to observe the tourism and construction sectors firming up. Most importantly, the Country's financial systems remained broadly stable with the banks and financial institutions playing an anchoring role ensuring overall system stability.

However, the Sri Lankan economy reached a critical juncture amidst the acute shortage of dollar liquidity in the latter part of 2021, again pushing the Country into unstable ground in 2022.

STAKEHOLDER VALUE CREATION

All our stakeholders will be interested to note that LBF produced solid results for the FY 2021/22, notwithstanding headwinds. Group revenue, at Rs. 30 Bn was a firm 1% higher than the previous year, while PAT improved by 25% year on year to Rs. 8.66 Bn as on 31st March 2022. Rs. 6.55 Bn was paid as tax in the FY 2021/22. All taxes dues were paid on time.

Meanwhile sharing our success with the shareholders, total dividend 2021/22 will be Rs. 5.00 per share (Interim of Rs. 3.00 per share and final Rs. 2.00 per share) which reflect to a payout ratio of 31.98%. As we were prevented from paying a cash dividend in 2020 due to the CBSL ruling, we proceeded to make these corrections

With LB CIM becoming one of the most frequently downloaded financial services apps in Sri Lanka. We have now surpassed 100,000 downloads, which only goes to show the strong customer acceptance of the CIM proposition.

in the current financial year. In all, a total of Rs. 3,878.40 Mn was paid to shareholders in FY 2021/22. Similarly, we remained firm in honouring our commitments to all other stakeholders as well.

DIGITAL TRANSFORMATION

LBF's journey of digital transformation is perhaps the most significant evolutionary milestone in the Company's history to date. Since first marking its entry to the digital financial services sphere in 2020 with the launch of the LB CIM wallet app, we have made some giant strides in reasserting our dominance in digital front end services within the local NBF sector.

With LB CIM becoming one of the most frequently downloaded financial services apps in Sri Lanka we have now surpassed +100,000 downloads, which only goes to show the strong customer acceptance of the CIM proposition.

By extending our digital transformation goals to reform our back-end systems architecture, we have been able to generate efficiency improvements across our operations, which I believe is the reason for the steady decline in LBF's cost-to-income ratio over the past three years.

CUSTOMER ENGAGEMENT

The LBF Board has always identified the importance of staying well connected to customers. Our preferred modes of customer engagement up until COVID-19 was primarily through a combination of ATL and BTL activities. However, our shift towards digital engagement since the pandemic has transformed our perspective on what it means to be connected. I must admit being able to tailor our social media engagements to appeal directly to different customer segments has allowed us to strengthen customer intimacy and build loyalty within each customer domain.

Having leveraged the power of social media over these past two years, we are now able to connect with customers and the wider community more often and more effectively than ever before.

Seeing as how social media is increasingly being used as a channel of inquiry, we are now looking into the possibility of improving the integration between our social media platforms and LBF's core IT systems in order to enhance the overall stakeholder experience. This will be a key focus going forward.

Through our social responsibility projects that focus on uplifting community education and healthcare systems along with projects undertaken to protect the environment, we are making an indirect contribution to the remaining SDGs.

GOVERNANCE AND STEWARDSHIP

Strong governance and stewardship have remained critical success factors throughout LBF's journey. The Board's commitment to good governance is driven by sound management principles and the desire to pursue continuous and ongoing improvements to derive fit-for-purpose governance frameworks. In the year under review, the LBF Board enacted its commitment to continuous improvement by strengthening its governance approach to key areas. One of the key efforts in this regard was the anti-fraud culture initiative to establish a credible mechanism to support ongoing monitoring of fraud risk at operational level.

We also began studying globally accepted good governance practices and seeking out expert opinions to help formulate a standardised mechanism for evaluating the performance of LBF's Board Committees. The corporate governance report on page 224 contains more descriptive information on the work put in during the year.

On a related note, LBF won the Silver Award for the Best Corporate Governance Disclosure at the 56th CA Sri Lanka Annual Report Awards.

SUSTAINABLE DEVELOPMENT

LBF has always prided itself in its role as a key enabler of sustainable development. While our work in the past was centered largely on social responsibility initiatives, more recently we have adopted a strategic approach to sustainability based on the United Nations Sustainable Development Goals (SDGs). The 17 SDGs and the sub accompanying targets have provided greater clarity for how LBF can contribute,

both directly and indirectly towards addressing environmental, social and governance issues through our operations.

As a financial services institution, our main contribution comes from supporting our customers to steer financial flows towards sustainable purposes such as renewable energy, sustainable agriculture, innovation, entrepreneurship and women's empowerment, thus directly contributing to SDG;3,5,7,8,9,11 and 13. While it is difficult to monetise the value of our impact towards each goal, it is safe to assume that LBF's SME dominated lending portfolio which grew by 18% year on year in FY 2021/22, continues to make a strong direct impact to one or more of these SDGs. Our social responsibility initiatives also gathered momentum in this past year, with LBF investing Rs. 12.94 Mn in CSR activities, the highest investment undertaken in any year since the inception.

Through our social responsibility projects that focus on uplifting community education and healthcare systems along with projects undertaken to protect the environment, we are making an indirect contribution to the remaining SDGs.

FOCUS AREAS FOR THE NEXT FINANCIAL YEAR

As we move into what can only be assumed to be a period of deep economic uncertainty, I want to reassure LBF's stakeholders that your Company will take a cautious approach towards strategy execution.

Given the volatility expected in the coming months, our focus will be more on managing short term downside risks. Looking beyond to the next twelve months, the Board will remain hyper vigilant of evolving conditions, particularly the forex liquidity crisis, rising interest rates, inflationary pressures and other potential disturbances that may undermine LBF's long term growth prospects.

That being said, I am confident that our strong digital and human capabilities, well founded risk fundamentals and customer-centric business model will create a solid platform to scale up in the years ahead.

APPRECIATION

As I end the recap of events for financial year 2021/22, I would like to first and foremost thank my predecessor, Mrs. Anandhiy Gunawardhana. Thank you for your able leadership in steering LBF through some of the toughest times in Sri Lanka's recent history. I wish you well.

To my colleagues on the Board - thank you for your support and cooperation in helping me settle into my role as Chairman of LB Finance PLC.

I would like to take this opportunity to express my sincere appreciation to team LB for the tenacity and discipline they have demonstrated in ensuring LBF's continued success.

Let me conclude by thanking our customers, shareholders and other stakeholders for their trust and long standing support. I invite you to stay invested in LBF's future as well.



G A R D Prasanna
Chairman

18 May 2022

VALUE CREATION FOR OUR STAKEHOLDERS

Capitals	Stakeholders	Key indicators of capital management	Unit	Outcome on the capital		Trend
				2020/21	2021/22	
 FC FINANCIAL CAPITAL	» Shareholders » Lenders » Employees (Management KMPs)	» Income growth	%	(4.67)	1.32	▲
		» PAT growth	%	31.15	27.33	▼
		» Assets growth	%	(2.35)	16.92	▲
		» Market price per share	Rs.	47.40	58.00	▲
		» Dividend yield	%	14.77	8.62	▼
		» Market capitalisation	Rs. Mn	26,262	32,135	▲
		» Dividend per share	Rs.	7.00	5.00	▼
 MC MANUFACTURED CAPITAL	» Shareholders » Employees (Management KMPs)	» Branches in Myanmar	Number	12	12	—
		» Profit per outlet	Rs. Mn	40.25	47.86	▲
		» Income per outlet	Rs. Mn	184.75	166.33	▼
		» Freehold land and buildings	Rs. Mn	181.79	53.04	▼
 HC HUMAN CAPITAL	» Employees	» Investment on training and development	Rs. Mn	4.01	6.11	▲
		» No. of promotions	Number	1,237	45	▼
		» Remuneration and benefits paid	Rs. Mn	2,951.79	3,193.77	▲
 IC INTELLECTUAL CAPITAL	» Customers	» Investment on software development	Rs. Mn	0.65	-	▼
		» Re-certification of 27001:2013		Done	Done	—
		» Investment on IT	Rs. Mn	46.40	69.66	▲
 SC SOCIAL CAPITAL	» Employees » Regulators » Community	» Projects to uplift the communities wellbeing	Number	22	20	▼
		» Taxes paid to government	Rs. Mn	3,968.85	6,555.45	▲
		» Corporate social investment	Rs. Mn	37.29	12.94	▼
		» Economic value distributed	Rs. Mn	29,766.12	30,159.48	▲
 NC NATURAL CAPITAL	» Community » Employees	» No. of trees planted at present (50 to 50,000 tree planting programme)	Number	41,083	42,083	▲
		» Paper recycle	Kg	3,986	23,399	▲
		» Energy consumption	GJ	15,418	30,944	▲
		» Carbon footprint	tco ₂ e	3,110	3,259	▲

MANAGING DIRECTOR'S REVIEW

Financial services have become one of the fastest evolving sectors globally. Ever since taking a quantum leap into digital financial services a few years ago, global financial services has been on an accelerated transformation drive, often leading to mega trends. Well aware that early adoption is vital in retaining the competitive edge, LBF has taken a proactive approach to capitalise on mega trends to support its aspirations to adapt, innovate and grow.

MEASURING SUCCESS



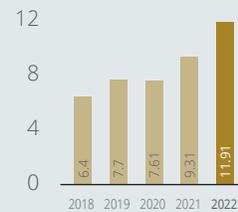
CUSTOMERS CENTER OF THE BUSINESS

Putting them at the heart of the decisions we make about running our business and shaping it for the future

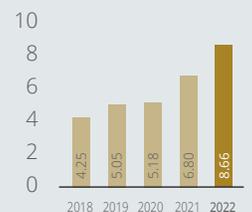
Surpassed profit after tax of Rs. 8.66 Bn

Cost to income ratio 29.28%

PROFIT BEFORE TAX Rs.Bn



PROFIT AFTER TAX Rs.Bn



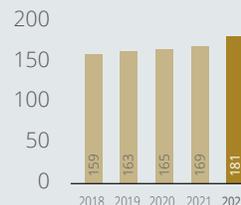
STRENGTHEN OUR FOOTPRINT

Diversify our Company by business, geography and income type to be more resilient to economic headwinds and future trends

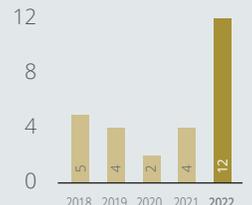
Profit per outlet Rs. 47.86 Mn

12 new branches opened

TOTAL BRANCHES No.



NEW BRANCHES OPENED No.



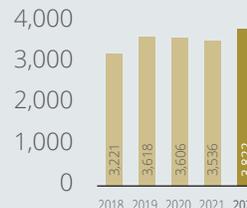
EMPLOYING OUR STRENGTHS

Delivering long-term value depends on deep and thoughtful engagement with the numerous stakeholders who represent wider society

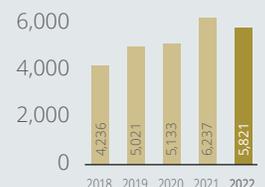
Over 0.65 Mn customer base

3,259 tCO₂e carbon footprint

TOTAL EMPLOYEES No.



BRAND VALUE Rs.Mn



**DIGITAL VERSION**

English



Sinhala



Tamil

PDF versions

Business Industry OverviewEnglish
versionPLAY LIST
04Sinhala
versionPLAY LIST
05Tamil
versionPLAY LIST
06**AUDIO VERSION**
SCAN AND LISTENPLAY LIST
29**CHALLENGES AND OPPORTUNITIES**

The Sri Lankan economy appeared to regain some momentum in 2021, bouncing back strongly after two years of weak growth. Rapid progress in the government-led vaccination campaign helped to bring the COVID-19 pandemic under control which paved the way for the broad-based resumption in economic activity to enable the broad-based recovery across all key sectors. Figures published by the CBSL indicate 3.7% GDP expansion - the result of higher domestic consumption and a strong contribution from the export sector. All other sectors too appeared to recover well to record satisfactory growth in 2021.

The SME sector showed a mixed response towards resumption of economic activity, for the most part mirroring the broader economic environment. While manufacturing and trading SMEs staged a quick comeback, those in tourism and transport were slower to revive as underlying conditions remained weak. However, on the back of rising inflation, the US Dollar liquidity crisis in the Country, Rupee devaluation in early 2022 and the prospects of the SME sector as a whole was once again pushed into uncertain territory.

Strong early progress made by the SME sector in 2021 translated into good growth for the NBF sector, which has long been the mainstay of SME sector growth in Sri Lanka. The NBF sector strengthened significantly in 2021. Fueled by consistent credit expansion throughout the year, sector asset expansion reached a solid 6.1%, which was a sharp contrast to the contraction experienced in 2020. Overall economic revival and improved business conditions were also reflected in lower NPLs, signaling a drastic improvement in sector-wide credit risk.

LBF'S STRATEGIC RELEVANCE**A leading financial institution**

As a leading financial services provider, we play an important role in the economic life of individuals and businesses all around Sri Lanka. We help create, grow and protect wealth and thereby contribute towards shaping the future prospects of our Country and its people. Towards this end, it is essential that our business model remains agile and highly responsive.

Framed by the foundational principles of credit and lending, our business model has continued to grow and evolve through a process of managed evolution. It is how we ensure that LBF always has the capacity to dynamically reorient to market conditions. This past year provided the opportunity to mobilise yet another managed evolution of our business model, this time to leverage the robust credit appetite in the post-pandemic scenario.

We focused on multiple strategies combining both market penetration and market development approaches to record double-digit growth across all our major portfolios. Our auto finance portfolio reported healthy 14.45% year-on-year growth, while our gold loan portfolio expanded by an impressive 26.22% over the previous year. The collective increase in our lending activities saw LBF's asset base cross the Rs. 164.36 Bn mark.

The growth in our asset base was complemented by stringent yield management to bolster our NIMs. We also tightened recoveries with the intention of driving a sizable reduction in NPLs. I am pleased to note that we were successful on both accounts which in turn augmented our bottom line and further reinforced our balance sheet.

The strength of our balance sheet was further underpinned by healthy capital and liquidity ratios. LBF remained well capitalised and sufficiently liquid throughout the year with strict control exercised to ensure our deposit mobilisation activities were matched to our funding requirements. At 25.95% and 26.90% respectively our core capital and total capital ratios for FY 2021/22 remained significantly above the regulatory minimum of 8% and 12%. Our liquidity ratio improved further from 17.89% in the previous year to 17.60% in the year under review.

Backed by our streamlined approach to curtailing operational costs LBF's cost-to-income ratio declined to a historical low of 29.28%, which I believe is also possibly one of the lowest in the NBF sector as a whole.

I am proud to announce that our industry-leading reporting suite continued to attract recognition this year as well. LB Finance PLC was the most awarded NBF at the 56th CA Annual Report Awards, clinching not only the Gold Award in the Finance Companies & Leasing Companies (Total Asset Above LKR 20 Bn), but securing six other awards including the Bronze Award for Overall Excellence in Annual Financial Reporting.

LBF was the most awarded entity at the CMA Sri Lanka Annual Report Awards too, where we received a total of six awards including the highly coveted Overall Excellence – Gold Award.

MANAGING DIRECTOR'S REVIEW

Leading the way to next-generation digital financial services

Reimagined products and services that offer unique and differentiated customer experiences are synonymous with the LBF brand. Over the years we have leveraged digital innovation, data and analytics capabilities, coupled with a deep understanding of our customers' needs which has helped to cement our position as the leading digital innovator in Sri Lanka's NBF domain.

The LB CIM wallet app which was launched in 2020 in response to the pandemic, has resonated extremely well with our customers with over 0.65 Mn active users to date. Since its launch the LB CIM app has been subjected to several upgrade cycles, making it one of the most robust and versatile financial tools in the market today. The most recent addition to LB CIM is the gold loan top-up feature that has proven to be a highly desirable enhancement that has gained strong customer acceptance.

In this past year, we broke new ground in our digital journey through the launch of our digital credit approval procedure in 2021. The fully-automated process is highly streamlined and has helped to expedite the time taken between initial customer contact to final approval to a mere few hours as opposed to the standard 2-3 days with the traditional physical file system. Another key development was the launch of the new credit scoring index to rate customer credibility based on repayment history. The new credit scoring mechanism has proven to be an invaluable tool in our pre-credit evaluation framework in providing assurance regarding the quality of credit.

As the next phase of this effort, we are now working towards introducing digital on-boarding. With much of the work already completed, we are now at the user acceptance testing stage with the system scheduled to go live within the next few months.

We also completed the migration of FD systems to ECLIPSE, LBF score IT platform to strengthen the Omni channel experience for our deposit customers.

Demonstrating our leadership as the pioneering digital innovator among peers, we entered into a partnership with two globally reputed digital giants to transform our internal system architecture with the use of robotic process automation technology. These partnerships with POTENZA, a Global Digital Transformation Company and UiPath, one of the leaders in the global Robotics Process Automation (RPA) space, have assisted LBF in expediting internal process automation using advanced RPA technology.

Our progress on the digital sphere received accolades at several awards forums in 2021. At the LankaPay Technovation Awards 2021, LBF won four awards including the Gold Award for the Most Popular Digital payment product (Banks & NBFs) for the LB CIM wallet app.

We were also recognised at the FITIS Digital Excellence Awards and again at National ICT Awards (NBQSA) where our ECLIPSE Credit Appraisal System clinched the Silver Award under the in-house development category.

Facilitating inclusive growth

LBF is deeply proud of its role in promoting inclusive growth. Our fundamental approach is based on building people's financial resilience which we believe will ultimately translate to greater financial security in the long-term.

Through the ongoing expansion of our branch network, we have been steadily expanding our island-wide reach to bring us closer to our goal of providing every Sri Lankan with equitable access to affordable and appropriate financial resources. We continued to make notable strides in increasing our bandwidth across the Country in this year as well, with 12 new branches opened, a majority of which were in outlying districts around Sri Lanka.

In recent years we have replicated this model in Myanmar, through our fully owned subsidiary LB Microfinance Myanmar Company Limited (LBMF). LBMF has established a strong ground presence in the Bago and Magway regions of Myanmar, to reach out to rural agro-based entrepreneurs in these areas.

Further demonstrating our commitment to promote financial inclusion in Sri Lanka, LBF secured two dedicated credit lines for the purpose. The first for USD 15 Mn from FMO, the Dutch Entrepreneurial Development Bank and the second USD 8 Mn obtained through funds managed by responsAbility Investments AG, a Swiss-based frontier market investor.

Our efforts to promote financial inclusion in Sri Lanka gained further traction following LBF's Memorandum of Understanding with WEBXPAY Ltd, to jointly promote LBF's latest digital working capital product – CIM Business Loan among the MSMEs.

Championing the low-carbon economy

As in everything else, we want to lead our industry towards driving the low-carbon economy. We have adopted a systematic approach by aligning our climate action initiatives based on the priorities outlined by universal policy frameworks such as the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development.

Our intention is to make an impact directly through our own operations and indirectly in our relationships with customers and suppliers across the value chain as well as through the projects we undertake.

I am happy to note that we made excellent progress in achieving our operational goals for the year. We were able to record a significant reduction in Company-wide energy consumption. Similar improvements were noted in per-employee and per-branch energy consumption as well. LBF's carbon footprint across all three scopes also reported a decline, which certainly brings us within reach of our benchmark carbon footprint ambition.

SUPPORTING STAKEHOLDERS TO NAVIGATE THE PANDEMIC

LBF has been part of Sri Lanka's history for more than half a century and in that time it has played an important role in the progress of our nation and its people. In this past year, we continued honoring this legacy by supporting our stakeholders, our employees, customers, suppliers,

shareholders and the wider community to move past the challenges posed by the pandemic.

With our attention in the first half of the year still very much on managing the pandemic impact, we continued to prioritise the safety and wellbeing of our people. COVID-19 safety measures implemented at the onset of the pandemic remained in place in this year as well. At the same time, we continued working closely with the health authorities to understand the various virus mutations, to help refresh our COVID-19 protocols as needed. This year in particular, we also encouraged all employees to obtain recommended COVID-19 vaccinations in order to safeguard their long-term health and wellbeing.

Considering the financial wellbeing of our customers, we complied with all government-led moratorium extensions in order to bring relief to all eligible customers. We also kept our own relief measures and reschedule initiatives in place for those customers who needed it.

However, our main focus this past year was to urge customers to recover and rebuild in the post-pandemic environment. In doing so, we strategically re-priced our loan products to reflect the low interest rates and we extended attractive auto financing and refinancing solutions for individuals to begin investing and for businesses to resume operations after months of relative inactivity.

We sought to drive domestic consumption by dynamically increasing the advance quanta of our Gold Loan products in tandem with the movement in world gold prices. We were thus able to give our Gold Loan the opportunity to benefit from the net value gain for their gold items. The Gold Loan top up facility introduced on the LB CIM wallet app during the June 2021 lockdown was designed as a pre-approved loan facility to give customers hassle-free access to funds. The overwhelmingly popular top-up loan facility continues to be widely used, with more customers to date having benefited from the facility.

In a bid to keep our customers safe even after the pandemic threat had abated, we continued to promote the use of the LB CIM Wallet app for all routine transactions. In particular, we encouraged them to migrate to the LB PayHub on the LB CIM wallet to settle their utility bills and other scheduled payments. This yielded excellent results as seen by the number of PayHub registrations which increased over the past year.

Meanwhile, we remained fully committed to honour our payments to suppliers, with all dues settled on time and without delay. To safeguard shareholder interest, we declared and paid a dividend as per the pre-pandemic payout ratio.

The social responsibility initiatives we undertook in FY 2021/22 were aimed at supporting vulnerable communities whose basic needs were compromised by the pandemic. Much of our focus was on providing access to education for children from rural communities who lacked the facilities for online learning. LBF invested in setting up digital classrooms at several schools in the Galle and Mannar districts. We also got involved in facilitating the DP Education programme, a key CSR effort by our parent, Valibell One PLC.

BUILDING FOR THE FUTURE

With Sri Lanka once again at the crossroads of change, the economic environment is likely to remain quite fluid over the next year. While it is difficult to predict how our core markets will be influenced by these factors, we are well prepared for a range of different economic scenarios and are fully geared to support our customers.

I believe the key elements that helped us overcome the challenges of the recent past, our reputation, strong financial results, resilient balance sheet and clear strategy, will all provide the structural stability for LBF to approach the future with confidence.

That said, we will remain alert and continue to read market cues in order to sharpen the future orientation of our business model and position LBF to grow sustainably.

As a leading financial institution, we will seek to lead with purpose to deliver shared value for all our stakeholders and in this way bring renewed hope for our Country and its people in the years ahead.

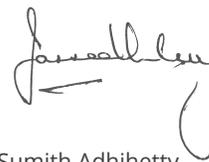
APPRECIATIONS

A warm thank you to our Chairman and the Board of Directors for their keen stewardship of the LBF Group.

On behalf of the Board, I would like to express my heartfelt gratitude to the entire LBF family, the management teams and all employees, for your passion and determination to come together as one in creating value for our stakeholders.

I would also like to thank the Governor of the Central Bank of Sri Lanka and the officials at the department of Supervision of Non-Bank Financial Institutions, for their guidance at all times.

I readily acknowledge that LBF success is not something that has been achieved in isolation, but rather due to the combined support of our stakeholders, our customers, shareholders, suppliers and business partners. Let me take this opportunity to extend a special word of thanks to each and everyone of you for your contribution towards LBF's journey so far. Rest assured that your interests will remain at the heart of our future strategy as well.



Sumith Adhietty
Managing Director

18 May 2022

BOARD OF DIRECTORS



Mr. G A R D Prasanna
Chairman



Mr. Sumith Adhihetty
Managing Director



Mr. Niroshan Udage
Deputy Managing Director



Mr. Dhammika Perera
Deputy Chairman

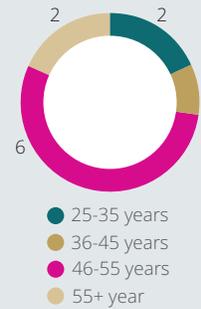


Mrs. Yogadinusha Bhaskaran
Non-Executive Director

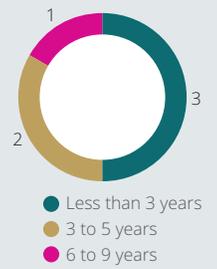


Mrs. Ashwini Natesan
Independent Non-Executive Director

AGE ANALYSIS



TENURE OF THE NON-EXECUTIVE DIRECTORS



BOARD COMPOSITION





Mr. B D A Perera
Executive Director



Mr. Ravindra Yatawara
Executive Director



Mr. Ashane Jayasekara
Independent Non-Executive
Director (Senior Director)



Mr. Dharmadasa Rangalle
Non-Executive Director



Ms. Yanika Amarasekera
Independent
Non-Executive Director

Female
♀ **3**
Directors

Male
♂ **8**
Directors

DIVERSITY OF EXPERTISE



1 Mr. G A R D Prasanna

Appointed to the Board

Appointed to the Board on 1st December 2021 and as the Chairman of the Board of Directors on 1st March 2022.

Role

Chairman/Non- Independent
Non-Executive Director

Skills, experience

Mr. G A R D Prasanna has wide experience in various business management strategies and a business leader in manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has couple of years of experience in managing businesses and extensive governance experience gained through leadership of the Boards of quoted and unquoted companies.

Current appointments

Independent Non-Executive Director of Royal Director of Ceramics Lanka PLC, Director of Multi Finance PLC, Director of Rocell Bathware Limited, Director of Rocell Ceramics Distributors (Private) Limited, Director of Rocell Properties Limited, Director of Country Energy (Private) Limited, Director of Wise Property Solutions (Pvt) Ltd, Director of La Forteresse (Private) Limited, Director of Demege Forsyth & Co. (Exports) (Pvt) Ltd, Director of Delmege Coir (Pvt) Ltd, Director of Delmege Forsyth & Co. (Shipping) Ltd, Director of Lewis Shipping (Pvt) Ltd, Director of Delmege Air Services (Pvt) Ltd, Director of Delmege Aviation Services (Pvt) Ltd, Director of Delmege Aero Services (Private) Limited, Director of Delmege Insurance Brokers (Pvt) Limited, Director of Delmege Airline Services (Private) Limited, Director of Grandmark (Pvt) Ltd and Alternate Director of Lanka Tiles PLC

Former appointments

Director of Lanka Ceramics PLC, Managing Director of Tekro Holdings (Pvt) Ltd, Director of Delmege Forsyth & Co. Ltd, Director of Delship Services (Pvt) Ltd, Director of Hayley's Global Beverages (Pvt) Ltd and Director of Lewis Brown Air Services (Pvt) Ltd

2 Mr. Dhammika Perera

Appointed to the Board

On 22nd October 2002, appointed as the Chairman on 7th October 2010 and Executive Deputy Chairman on 21st October 2011

Role

Executive Deputy Chairman

Skills, experience

Mr Dhammika Perera is a quintessential strategist and a business leader with interests in a variety of key industries including manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has over 30 years of experience in building formidable businesses through unmatched strategic foresight and extensive governance experience gained through membership of the Boards of quoted and unquoted companies.

Current appointments

Mr Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resort PLC, Vallibel Power Erathna PLC, Greener Water Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co Chairman of Hayleys PLC, The Kingsbury PLC and Singer (Sri Lanka) PLC. Executive Deputy Chairman of L B Finance PLC, Deputy Chairman of Horana Plantations PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC. Also, a Director of Dhammika and Priscilla Perera Foundation.

Former appointments

Chairman of Sampath Bank PLC

3 Mr. Sumith Adhietty

Appointed to the Board

On 10th December 2003

Role

Managing Director

Skills, experience

He is a well-known professional in the marketing field, counts over 43 years of experience in the finance sector.

Current appointments

Director of Vallibel One PLC, The Fortress Resorts PLC, Greener Water Ltd., Summer Season Ltd., Summer Season Mirissa (Pvt) Ltd., Summer Season Residencies Ltd., La Fortresse (Private) Limited and LB Microfinance Myanmar Company Limited.

Former appointments

Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Private) Limited, Royal Palm Beach Hotels Limited, Tangerine

Tours Limited, Security Ceylon (Private) Limited, Director of Vallibel Finance PLC and Pan Asia Banking Corporation PLC. Also served as the Managing Director of The Fortress Resorts PLC.

4 Mr. Niroschan Udage

Appointed to the Board

On 1st January 2007

Role

Deputy Managing Director

Skills, experience

He holds Bachelor's Degree in Science from the University of Colombo and possesses 31 years of experience in the field of leasing and finance, including 10 years at Lanka Orix Leasing Company PLC and 03 years at Mercantile Investments Limited prior to joining L B Finance PLC in 2004.

He has undergone extensive training in Strategy and Management in Banking conducted by Intentional Development Ireland Ltd in Dublin and London and also successfully completed High Potentials Leadership Program at Harvard Business School in Boston, MA, USA in 2012.

Current appointments

Director of L B Microfinance Myanmar Company Limited, Non-Executive Director of Multi Finance PLC, Council Member of the Finance Houses Association of Sri Lanka (FHA), Director of Credit Information Bureau of Sri Lanka (CRIB)

Former appointments

Director of Hayleys Fibre PLC, Chairman of the Finance Houses Association of Sri Lanka (FHA), Member of the Financial System Stability Consultative Committee established by the Central Bank of Sri Lanka.

5 Mr. B D A Perera

Appointed to the Board

On 1st January 2007

Role

Executive Director

Skills, 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 Jayewardenapura, successfully completed High Potentials Leadership Program in 2012 at Harvard Business School in Boston, MA, USA. Counts over 24 years of experience in the leasing industry that includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and a Merchant Bank in Bangladesh.

Current appointments

Director of L B Microfinance Myanmar Company Limited, Non-Executive Director of Multi Finance PLC, Director of Pan Asia Banking Corporation PLC

Former appointments

Director of Hayleys Fibre PLC

6 Mr. Ravindra Yatawara

Appointed to the Board

On 15th March 2016

Role

Executive Director

Skills, experience

He Holds a BSc. Degree in Business Administration from the Oklahoma State University, USA. Counts over 26 years' experience in the Finance Industry, including both Managerial and Senior Managerial positions in the LOLC Group, Hatton National Bank PLC and AMW Capital Leasing PLC.

Current appointments

Director of L B Microfinance Myanmar Company Limited, Non-Executive Director of Multi Finance PLC.

Former appointments

General Manager of L B Finance PLC, Chairman of The Finance Houses Association of Sri Lanka (FHA). Vice Chairman of the Leasing Association of Sri Lanka (LASL).

BOARD OF DIRECTORS

7 Mr. Ashane Jayasekara

Appointed to the Board

On 30th October 2017, Appointed as Senior Director on 1st March 2022

Role

Independent Non-Executive Director (Senior Director)

Skills, experience

He is the Deputy Managing Partner of BDO in Sri Lanka & the Managing Partner for BDO in the Maldives. He heads the Risk, Cyber Security and the Fraud & Forensic Service Practice in the firm. As the IT Director he oversees the IS security strategy and privacy function in the Firm. He has over 18 years of experience in overseeing corporate governance reviews, risk assessments and compliance audits in private, publicly listed, multinational and government enterprises across a range of sectors. He has also managed fraud & forensic investigations and has prepared Forensic Audit reports for cases ranging from arbitration hearings to High Court cases. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK) and the British Computer Society (UK). He holds a Bachelor of Science Degree in Information Systems from the London Metropolitan University and a Master Degree in Business Administration from the University of Southern Queensland. He also Holds a LLM from Cardiff Metropolitan University. He is a Certified Internal Auditor, Certified Fraud Examiner, a Certified Information Systems Auditor and a Computer Hacking Forensic Investigator - USA. At CA Sri Lanka he currently serves as a Member of the Governing Council and Chairman of the Board of Management of the School of Accounting & Business. 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 programs in Sri Lanka.

Current appointments

Director – BDO Partners (Pvt) Ltd, Chairman Integrated Reporting Council of Sri Lanka, Member of the Governing Council - Institute of Chartered Accountants of Sri Lanka, Member of the Governing Council/ Chairman Audit Committee - Open University of Sri Lanka, Member - Digital Forensics Advisory Board of the EC Council – USA, Director - Information Systems Audit and Control Association (USA) Sri Lanka, Non-Executive Director of Multi Finance PLC.

Former appointments

Director of B T Communications Lanka (Pvt) Ltd., Director of BDO BPO Services (Pvt) Ltd, Chairman of the Information Technology Faculty of the Institute of Chartered Accountants of Sri Lanka, President/ Governor of Sri Lanka Chapter of the Institute of Internal Auditors (USA).

8 Mrs. Yogadinusha Bhaskaran

Appointed to the Board

On 15th March 2016

Role

Non-Executive Director

Skills, experience

She is a Fellow member of the Chartered Institute of Management Accountants UK (FCMA), Fellow of CPA Australia (FCPA) and Fellow Member of the Institute of Bankers, Sri Lanka

Current appointments

Chief Executive Officer of Vallibel One PLC. Director of Vallibel Power Erathna PLC and Alternate Director to Mr. Dhammika Perera on the Boards of Dipped Products PLC, Hayleys Fabric PLC and Haycarb PLC. Director of Delmege Limited, Country Energy (Private) Limited and Vacashe Fintech (Private) Limited. Chairperson of LB Finance Audit Committee

Former appointments

Assistant General Manager (Finance & Planning) of Pan Asia Banking Corporation PLC, Financial Controller of several Australian companies in Melbourne

9 Mrs. Ashwini Natesan

Appointed to the Board

On 1st September 2018

Role

Independent Non-Executive Director

Skills, experience

She is a qualified legal practitioner from India, specialising in Technology, Media and Telecommunications (TMT) Law. She consults on TMT Law issues including those concerning financial technology (FinTech). She also works on research projects relating to data protection, privacy, right to information, alternative dispute resolution mechanisms, etc. She frequently participates in national and international forums to speak on broader TMT law issues.

In India, she has previously worked in litigation and corporate law offices including with Senior Counsel Mr. P. Wilson, former Additional Solicitor General of India and former Additional Advocate General of Tamil Nadu.

She holds an LL.M (Master of Laws) in International Business Law from Faculty of Law, National University of Singapore where she graduated in the top five of her class. She has a Bachelor of Arts and Law (B.A. LL.B (Hons.), Distinction) from the School of Excellence in Law, Tamil Nadu Dr. Ambedkar Law University, Chennai, India. Additionally, she has diplomas in International Business Management (offered by Loyola Institute of Business Administration, India) and Commercial Arbitration (offered by ICLP, Sri Lanka).

Current appointments

Non-Executive Director of Multi Finance PLC

Former appointments

None

10 Mr. Dharmadasa Rangalle

Appointed to the Board

On 10th April 2019

Role

Non-Executive Director

Skills, experience

He is a retired Senior Commissioner of the Department of Inland Revenue (Special Grade). He has over 34 years of experience in the Government (Public) Sector, including 31 years of experience of Tax Administration as an Assessor, a Deputy Commissioner, a Commissioner, and a Senior Commissioner. He obtained the Master of Commerce (M. Com) Degree from the University of Kelaniya, the Bachelor of Commerce (B. Com) Special Degree- Second Class Upper Division (Honours) from the University of Kelaniya. He has completed all course work relating to the Doctoral Degree Programmer at the Open University of Malaysia. He is also a fellow member of the Sri Lanka Institute of Taxation, Sri Lanka. He was a visiting Lecturer at the University of Kelaniya, Malambe Campus (SLIIT), Business School of Institute of Chartered Accountants of Sri Lanka, and the Sri Lanka Institute of Taxation-Sri Lanka.

Current appointments

Mr. Rangalle serves as a Non-Executive Director of Fentons Limited, Hayleys Aventura (Pvt.) Ltd., and Hayleys Advantis Limited, which are subsidiaries of Hayleys PLC, and DHS Holdings (Pvt) Ltd, He is also a member of the Executive Council - Sri Lanka Institute of Taxation - Sri Lanka, Non-Executive Director of Multi Finance PLC.

Former appointments

Senior Commissioner of the Department of Inland Revenue (Special Grade)

11 Ms. Yanika Amarasekera

Appointed to the Board

On 01 July 2021

Role

Independent Non-Executive Director

Skills, experience

She is an alumni of the prestigious UC Berkeley from where she obtained two Bachelor of Arts degrees in Political Economy and Media Studies with an emphasis on Digital Marketing. She completed her MSc in Entrepreneurship, Innovation, and Management in Imperial College, London. She founded the country's first online wedding gift registry, Silver Aisle, which has since evolved into a multi-dimensional E-commerce gifting site and is now considered the premier platform of choice.

Current appointments

Non-Executive Director of Multi Finance PLC.

Former appointments

None

SENIOR MANAGEMENT



Mr. Marlon Perera

Senior Deputy General Manager – Deposits



Mr. Bimal Perera

Deputy General Manager – Strategy and Digital Finance



Mr. Ainsley Motha

Deputy General Manager – Credit and Branch Operations



Mr. Chethana Kahandugoda

Deputy General Manager – Information Technology



Mr. Roshan Jayawardena

Senior Assistant General Manager – Micro Leasing



Mr. Prasanna Kalinga

Assistant General Manager – Human Resources



Mr. Wickrama Punchihewa

Assistant General Manager – Legal



Mr. Kalpa Sanjeewa

Assistant General Manager – Credit and Branch Operations



Mr. Malith Hewage

Chief Financial Officer



Mr. Suneth Dabarera

Chief Internal Auditor



Mr. Kenneth Daniel

Senior Chief Manager – Credit and Branch Operations



Mr. Chintaka Chandrasena

Chief Manager – Credit and Branch Operations



Mr. Gihan De Silva

Chief Manager – Recoveries



Mr. Gayan Ayuwardane

Chief Manager – Central Region



Ms. Deshika Yatawara

Chief Manager – Treasury



Mr. Suraj Karunanayaka

Chief Manager – Gold Loan



Mr. Dinudaya Abeywardena

Chief Manager – Personal Financing & Branch Credit Operations



Mr. Dinusha Mudunkotuwa

Chief Manager – Information Technology



Ms. Niroscha Amanulla

Senior Manager – Micro Finance



Mr. Shanaka Perera

Senior Manager – Administration



Mr. Sudeep Perera

Senior Manager - Marketing



Mr. Waruna Perera

Country Manager – Myanmar



Mr. Sameera Wanninayake

Senior Manager – Business Process Development



Ms. Waruni Perera

Senior Manager – Risk Management



Mr. Maheshan Karunaratne

Senior Manager – Credit & Branch Operations



Mr. Prasad Surendra

Senior Manager – Credit & Branch Operations



Mr. Chanaka Alexander

Senior Manager – Credit & Branch Operations



Mr. Leonard Perera

Compliance Officer



Mr. Surain Silva

Senior Manager – Information Systems Audit

OUR CARBON JOURNEY

Our commitment to protect and preserve the environment by continuously refining our policies and procedures and improving our products and services through the use of technology has enabled L B Finance PLC to be certified as a Carbon Neutral Company until last year.

LBF's commitment towards nature and sustainability by promoting environment-friendly business practices to the various business segments of the country as well as reducing carbon footprints from our organisational framework.

2012/13

- » Introduced Environmental Management Policy
- » Identified the importance of carbon footprint

2013/14

- » Joined hands with Sri Lanka Carbon Fund
- » Became the first carbon conscious finance company in Sri Lanka
- » Carbon footprint **2,006 tCO₂e**

2014/15

- » Carried out energy audits with assistance from Sri Lanka Carbon Fund
- » Promoting the importance of knowing the carbon footprint
- » Carbon footprint **2,343 tCO₂e**

2015/16

- » **Became the first carbon neutral financial institution in Sri Lanka**
- » Implemented a Carbon Management Policy
- » Neutralised carbon footprint **2,717 tCO₂e**

2017/18

- » Neutralised carbon footprint **3,223 tCO₂e**

2018/19

Neutralised carbon footprint **3,997 tCO₂e**

2016/17

- » Neutralised carbon footprint **4,361 tCO₂e**

2019/20

Neutralised carbon footprint **4,484 tCO₂e**

2020/21

Neutralised carbon footprint **3,110 tCO₂e**

2021/22

Carbon conscious company **3,259 tCO₂e**

ClimateSmart Organisation

CARBON CONSCIOUS CERTIFICATE

Climate Smart Initiatives (Pvt) Ltd assures that GHG Inventory of **LB Finance PLC** for the financial year **2021/22** has been measured and reported in accordance with the requirements of ISO 14064-1:2018 - Specification with guidance at the organizational level for the quantification and reporting of greenhouse gas emissions and removals.

Certificate No : ClimateSMIRV/035
 Date of Certification : 25.05.2022
 Period of Assessment : 01.04.2021 to 31.03.2022
 Scope of Certification : Operationally controlled business activities belongs to LB Finance PLC

Total Direct GHG Emissions	: 148 tonnes of CO ₂ equivalent
Total Indirect GHG Emissions	: 3,111 tonnes of CO ₂ equivalent
Total	: 3,259 tonnes of CO₂ equivalent

(Signature)
 Eng. H. M. Buddika Hemashantha
 (BSc (Hons) Eng., M. Eng.)
 Chief Executive Officer
 Climate Smart Initiatives (Pvt) Ltd

Direct Emissions : Onsite diesel generators, Company owned vehicles, Employee commuting paid by company, Fire extinguishers, Refrigerant leakage
 Indirect Emissions: Imported energy (Grid electricity), Transmission and distribution loss, Employee commuting not paid by company, Municipal water, Paper waste, Business air travel

Exclusions: Transportation of locally purchased items, Emissions of client/guest transportation, Waste disposal (except paper waste) & transportation

Period of validity : 01.04.2022 to 31.03.2023





moving
firmly
onwards

Section 3

Management Discussion and Analysis

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Capital management reports

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MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT



1 GLOBAL ECONOMIC HIGHLIGHTS

While grappling with the COVID-19 pandemic for the second consecutive year, global economies appeared to have moved forward to record solid growth in 2021. Robust expansion across advanced economies together with more restrained results from emerging economies saw global GDP expanding by 5.5% in 2021.

Global trade rebounded in tandem with global economic activity, while global investment also gathered momentum in 2021.

Despite these positive indications, underlying issues continued to weigh in on global growth. COVID-19 induced supply chain challenges remained largely unresolved even at the end 2021. Soaring commodity prices were another major concern. The combined impact of supply chain bottlenecks and strong demand recovery, saw the price of natural gas, coal and gold reaching all-time highs in the second half of 2021.

Amidst this backdrop, inflation has become a central concern for many countries. In some advanced economies, including the United States and some European countries, inflation in 2021 was at the highest level seen in more than 40 years.

Meanwhile, the Ukraine / Russia war that commenced in February 2022, has raised fresh concerns regarding the stability of

the global economy. In the immediate aftermath of the invasion, a notable increase in capital outflows was observed from emerging markets and developing economies, in turn applying downward pressure on the currencies of the most exposed countries. The war has also increased the risk of a more permanent fragmentation of the world economy into geopolitical blocks, which represents a major challenge to the rules based framework that has governed international and economic relations for the last 70 years.

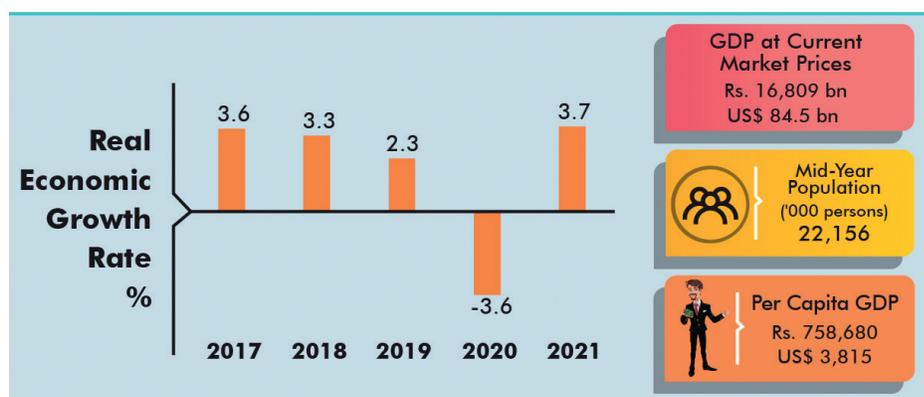
Sources: *Global Economic Prospects - January 2022 (World Bank) & World Economic Outlook - April 2022 (International Monetary Fund)*

2 INDUSTRY OVERVIEW

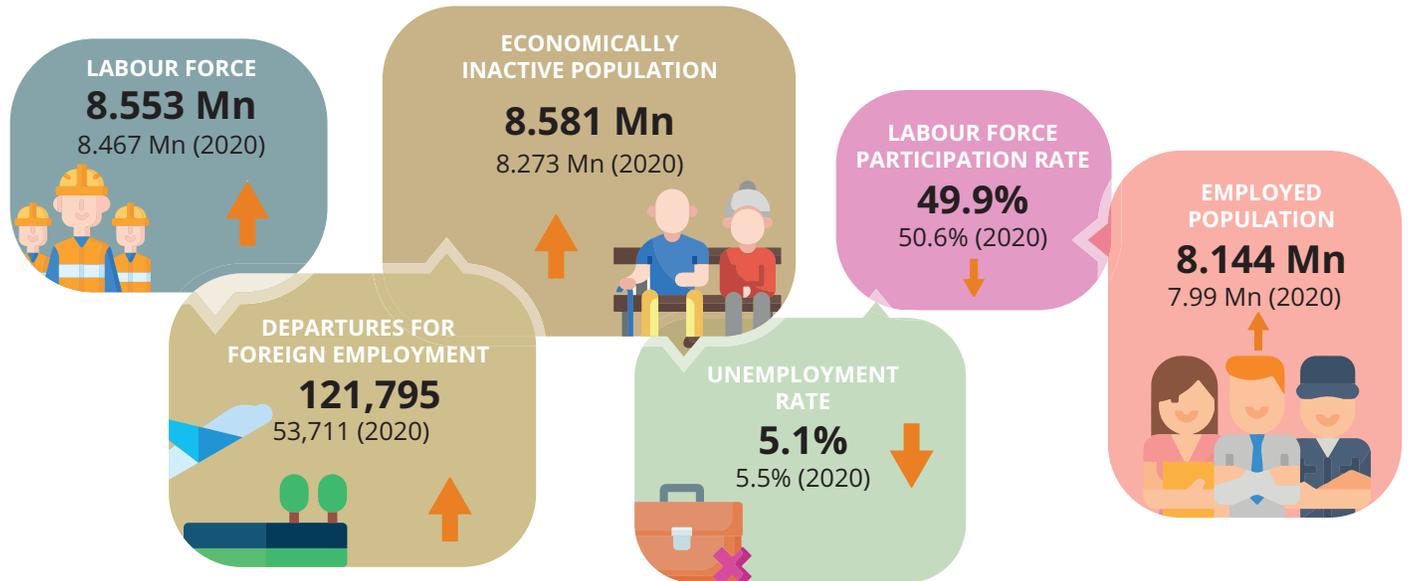
After the pandemic induced contraction in 2020, the Sri Lankan economy rebounded in 2021. The highly accommodative monetary policy measures implemented by the government helped to keep key

sectors up and running, resulting in robust GDP expansion of 3.7% for 2021 compared to the 3.6% deterioration in 2020. Both public and private sectors benefited from low funding costs to ride out the tough times, which in turn ensured uninterrupted provision of public services, utilities and goods and services to the public as well as other essential supply chains.

The steady uptick in economic activity was reflected in the decline in the unemployment rate from 5.5% in 2020 to 5.1% in 2021. Inflation, which for nearly a decade had been well anchored, came under pressure in the second half of 2021. The combined impact of pandemic induced global supply chain disruptions together with the surge in global commodity prices and upward revisions to administered prices locally, saw headline inflation in Sri Lanka accelerating to 12.1% by end 2021 - a substantial deviation from the desired 4% - 6% range maintained for many years.



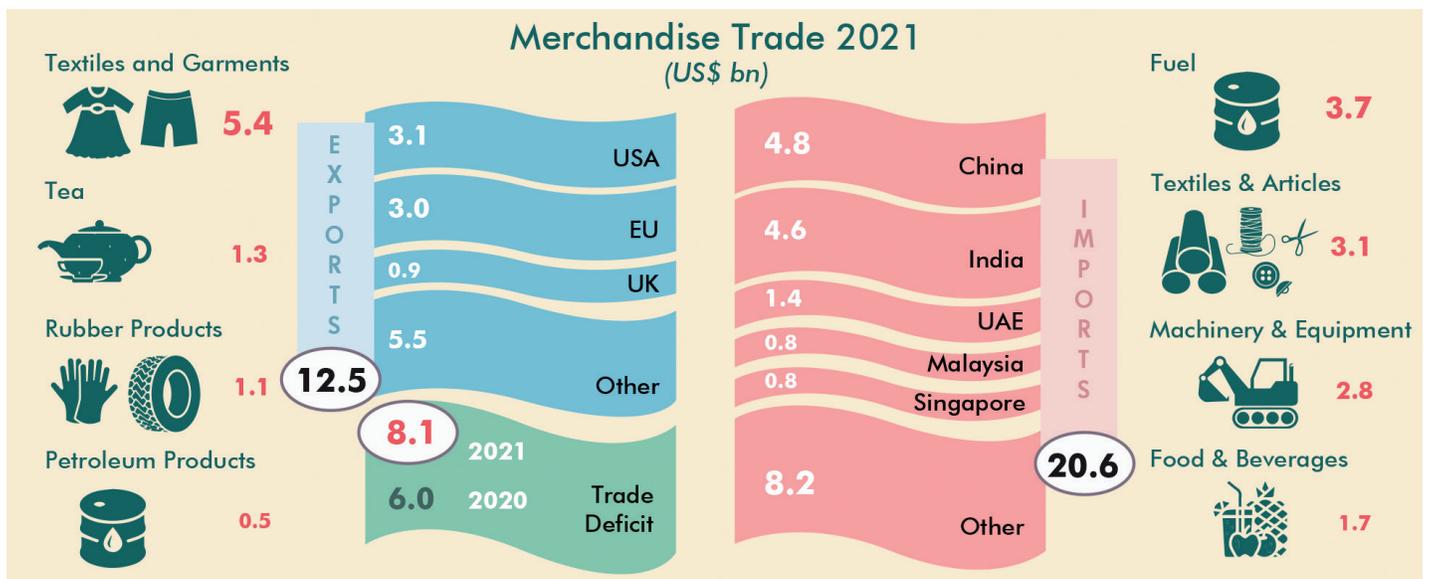
2.1 Labour market indicators



The external sector remained under stress as the increase in imports outpaced the growth in exports, causing the trade deficit to widen notably. Increased import expenditure was driven by several factors - the higher commodity prices, mainly high crude prices, the surge in demand for imported items due to the resumption of domestic economic activity as well as the Country's higher import bill for medical and pharmaceutical items such as vaccines and essential medicines. The broad based relaxation of import controls on non-essential goods in the second half of the year also contributed towards pushing up imports.

In an effort to tackle the build-up of excessive inflationary pressures and to address imbalances in the external sector the government tightened its monetary policy stance from August 2021 onwards. Accordingly, the key policy interest rate, i.e. the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised by 50 basis points to 5% and 6%, respectively, in mid August 2021. With continued challenges emanating from the external sector and inflation front, the CBSL has revised the policy rates upward several times with the SDFR and SLFR at 6.50% and 7.50% respectively as at March 2022.

Government intervention ensured the Sri Lanka rupee stayed stable at around the Rs. 200 level during 2021 and in early 2022. However, the severity of the external shocks prompted the Central Bank to allow greater flexibility in the determination of the exchange rate in March 2022. The decision saw the Sri Lankan Rupee slide by 33% by end of March 2022 quarter alone, in sharp contrast to the 7% depreciation throughout 2021.



MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT



As these developments coupled with several decades worth of pent-up structural weaknesses boiled over, the Country was pushed into unprecedented socio-political

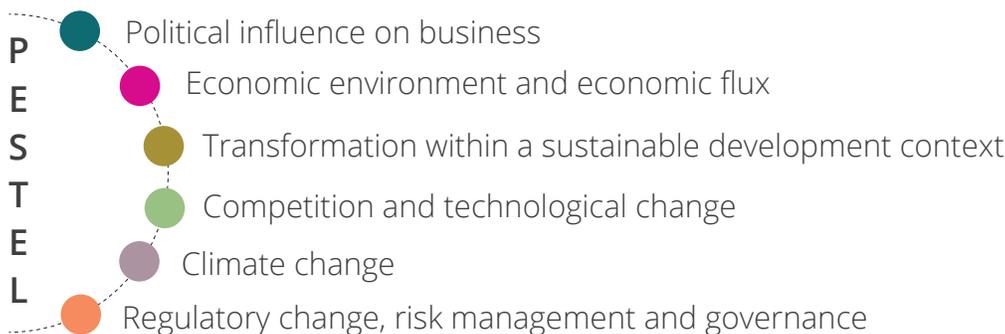
tensions in early 2022, a situation that remains active even at the time of writing.

Given the severe strain on the economy, the government announced a suspension of external debt servicing for an interim period pending orderly and consensual restructuring of debt obligations.

Alongside this latest turn of events, the government also sought the assistance of the IMF to begin implementing urgent measures to address external sector vulnerabilities through broader economic reforms aimed at resolving persistent and long-standing issues in the economy.

Source: CBSL AR 2021

3 MACRO ENVIRONMENT ANALYSIS - PESTEL ANALYSIS



3.1 Political influence on business

Impact **H**

Operating environment and its impact on the NBFIs sector

Policy decisions by governing bodies weigh heavily on the effective functioning of the NBFIs sector. For example; COVID-19 related lockdowns and mobility restrictions imposed by the government during 2021 had an impact on the continuity of business operations of the NBFIs sector during these times.

LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment

LBF remained fully committed to managing its business to ensure the continuity of operations during lockdown periods.

Strategic response

» Company played a critical role in mitigating the impact of the pandemic through customer relief measures, and as lockdown restrictions were gradually lifted, economic activity improved. Industry profitability also recovered in 2021, and LBF demonstrated resilience in the face of unexpected events. Management remained focused on executing the strategy and has delivered solid results. This is commendable, and it is a demonstration of a strong and committed leadership team that has the support of our employees.

Key Highlights

» Rs. 6,555 Mn paid as taxes

Governance in action

The Board of Directors remained fully engaged in monitoring the effect of the pandemic and accompanying lockdowns vis-a-vis the risks connected with lending and the debt servicing capability of customers.

H High **M** Medium **L** Low

Related opportunities » Benchmark global best practices for business continuity		Related risks » Operational risk » Strategic risk	
Links to short term strategies Consolidate core business competencies based on good governance and solid risk fundamentals	Links to medium term strategies Monitor and improve the responsiveness of business continuity plans on an ongoing basis	Links to long term strategies Diversify business models to strengthen overall resilience	
Impacted SDGs 8 16	Capital impacted FC SC	Related material matters SBG PSS	Strategic focus SB

3.2 Economic environment and economic uncertainty

Impact **H**

Operating environment and its impact on NBFI sector

Post COVID-19 resumption of economic activities created a conducive environment to mobilise public savings and to support private sector credit expansion in 2021. Led by low interest rates in the first half of 2021, the NBFI sector made good progress in 2021. Sector performance improved significantly, with credit growth and profitability showing notable growth over the previous year.

Credit Growth	Profitability	Credit Risk	Liquidity Risk
Strong acceleration in NBFI sector lending was observed as the credit appetite picked up amidst the resumption of economic activities	Healthy improvements in NII (Net Interest Income) coupled with a substantial increase in non-interest income helped to boost NBFI sector profits	The broad based revival of economic activity helped to reduce credit risk of the sector	The sector as a whole remained sufficiently liquid with liquidity buffers above the regulatory minimum
Solid increase in the NBFI asset base by 6.1% to Rs. 1,487.7 Bn in 2021, compared to the 2.2% contraction observed in 2020	The sector's profit after tax reported a three-fold increase from Rs. 13.7 Bn in 2020 to Rs. 55.6 Bn in 2021	Total gross NPL's of the sector reduced by 13.9% (Rs. 22 Bn) by end December 2021 on a year-on-year basis, compared to an increase of 26.2% (Rs. 33.4 Bn) recorded at end December 2020	The overall regulatory liquid assets available in the sector was Rs. 155.9 Bn by end December 2021, against the stipulated minimum requirement of Rs. 89.9 Bn

LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment

LBF capitalised on the demand for credit from individuals and businesses keen to restart their operations after almost twelve months of weak economic activity following the on-set of COVID-19 in 2020.

Strategic response

- » The main strategic thrust was to effectively manage liquidity by leveraging on the low interest rate in the first half of 2021 to drive lending, while securing low cost funding
- » This was combined with dynamic risk management approaches and proactive reorientation to take account of new and emerging threats.

Key highlights

- » Growth in Asset base - 17%
- » Profit growth - 27%
- » NPL ratio - 4.44%

MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT

Governance in action The Board took steps to review and update LBF's risk tolerance limits to accommodate the expansion in lending activities, while remaining mindful to minimise the exposure to risk elevated industries under the COVID-19 scenario. In parallel, a special due diligence programme was developed and rolled out to focus on permeating the "anti-fraud" culture at all levels of the business				
Related opportunities » The high vehicle prices resulting from the restriction on vehicle imports have opened up some viable opportunities to pursue the refinancing model » High world gold prices create a platform to grow the gold loan portfolio.		Related risks » Global recession with forward looking uncertainty » Self-governing intervention having long-term impacts » Pressure on the financial services industry		
Links to short term strategies Exercise tight control over recoveries to ensure credit risk appetite limits are not exceeded		Links to medium term strategies Minimise the maturity mismatch between assets and liabilities	Links to long term strategies Seek out alternative sources for low-cost funding	
Impacted SDGs 8 10 11		Capital impacted FC MC IC HC	Related material matters SBG MCN	
			Strategic focus SB DB RO	

3.3 Transformation within a social sustainable development

Impact 

Operating environment and its impact on NBFi sector

Recessionary conditions in 2020 raised major concerns regarding higher unemployment and lower disposable income. Broad-based economic recession as a consequence of repeated disruptions in diverse sectors such as retail, manufacturing, SME and business industries has worsened inequality, raised unemployment and drawn attention to the fragility of social resilience.

However, the strong revival in economic activity in 2021 has triggered a correction of these social imbalances. Relief packages offered by the government to COVID-19 affected business and individuals have also provided much needed breathing space for large sections of the populace especially SMEs, which in turn has helped to strengthen social resilience. A resilient social ecosystem improves the payment health of borrowers and lowers defaults, thereby paving the way for more sustained livelihoods over time. Meanwhile, disruptions to workplace norms due to COVID-19 were also largely reversed in 2021, enabling all sectors including the NBFi sector to proceed with cadre expansion.

Per Capita GDP Sri Lanka's per capita GDP increased to US dollars 3,815 in 2021 from US dollars 3,695 in 2020	Unemployment The unemployment rate declined to 5.1% in 2021 from the 5.5% recorded during the previous year
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LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment LBF remained steadfast in its commitment to support customers, employees, suppliers and the wider community	Strategic response » Prioritising the needs of COVID-19 hit individuals and businesses, LBF secured two successive tranches of USD funding to support livelihood development of the SME sector » LBF did refrain from declaring any retrenchments or pay cuts despite pandemic induced challenges
	Key highlights » Rs. 3,193.77 Mn - value distributed to employees » Rs. 4,520.58 Mn - value distributed to providers of capital » Rs. 12.94 Mn incurred on CSR initiatives

Governance in action

LBF's Board reiterated its commitment to align the Company's business strategy with the objectives of society in order to ensure all Sri Lankans have equitable access to sustainable development.

Related opportunities

- » Seek out partnerships to expand financial inclusion across Sri Lanka

Related risks

- » Environment and social risk
- » Pressure on the financial services industry
- » Strategic, execution and business risks from external and internal drivers

Links to short term strategies

- » Develop new technology-based solutions tailored to meet the needs of different customer segments

Links to medium term strategies

Focus on improving financial literacy among SME's

Links to long term strategies

Track customer satisfaction and loyalty as a more frequent indicator across business units, channels, product interactions and customer journey moments

Impacted SDGs



Capital impacted



Related material matters



Strategic focus



3.4 Competition and technological change

Impact

Operating environment and its impact on NBFIs sector

Technology transformation in financial services has continued to evolve at a rapid pace in the COVID-19 environment, with NBFIs eagerly absorbing technology mega trends to reform both front-end and back-end system infrastructure. Compared to the pre-COVID-19 era, all large NBFIs in Sri Lanka now operate multiple digital customer interfaces with many offering omni-channel connectivity. At the same time, these NBFIs have shown a keenness to automate and digitise their back-end system architecture in order to subscribe to greater efficiency and propagate a never before seen level of service delivery.

LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment

COVID-19 has been a key catalyst in reinforcing LBF to expedite its digital transformation programme to holistically reform the customer experience and also reduce costs through improved efficiency.

Strategic response

- » Producing stand-out digital solutions that are tailored to match the precise needs of different customer
- » Extensive use of big data and advanced analytics skills to offer preemptive solutions to customers
- » Reorganise internal process architecture through systematic digitisation and automation initiatives

Key highlights

- » Expanded the functional capability of the LB CIM wallet app
- » Increased process automation
- » Cost-to-income ratio - 29.28%

Governance in action

Increasing Board oversight with regard to the management of cyber-security risk in the context of accelerated digital migration

Related opportunities

- » Exploring partnerships to gain access to industry leading technology solutions.
- » Fully leverage on the versatility of cloud-based and open-source software to dynamically reorient the business model in response to market dynamics.

Related risks

- » Resilience, fraud, people and cyber risks
- » Strategic, execution and business risks from external and internal drivers
- » New and emerging regulations and oversight increase compliance risk

MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT

Links to short term strategies Further strengthen information security architecture by implementing the data protection protocol	Links to medium term strategies Target 100% automation of internal systems	Links to long term strategies Expand system integration to include regional connectivity	
Impacted SDGs 8 9 10 11 16	Capital impacted FC MC IC	Related material matters MCN DTD	Strategic focus SB DB

3.5 Climate change and environmental impact

Impact 

Operating environment and its impact on NBFi sector

Developing nations, like Sri Lanka, will be the hardest affected by climate change, and the least prepared to deal with the resulting economic, social and environmental shocks. As the issue of climate change reaches crisis proportions, all sectors of the economy are starting to pivot towards becoming eco-friendly in their business model. Financial service providers are seen as vital stakeholders in this journey through their green lending activities - be it for energy efficient infrastructure, renewable energy or circularity.

The CBSL joined the sustainable finance network supported by the International Finance Corporation (IFC) in 2016, with a view to promoting sustainable finance practices in Sri Lanka. Subsequently, with the technical assistance of the IFC and the financial assistance of the United Nations Development Programme (UNDP), the Central Bank launched a 'Road Map for Sustainable Finance in Sri Lanka' in April 2019. This Road Map provides a broad direction to financial regulators, financial institutions and the markets to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and promotes assistance to businesses that are greener, climate-friendly and socially inclusive.

LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment

LBF multi-pronged climate action programme is designed to offer assistance to stakeholders - customers, employees, suppliers and the wider community to form a coalition to work for the betterment of the environment

Strategic response

- » Schematised green lending solutions for various different customer segments
- » Deliberate management of the Company's own carbon footprint
- » Conscious undertaking of high impact environmental projects with special emphasis on reforestation and preservation of ecosystems.

Key highlights

- » Rs. 326.88 Mn disbursed as green lending
- » 3,259 tCO₂e - carbon footprint

Governance in action

The Board reviewed the progress made by the Sustainability Committee in implementing the Company's climate action programme and approved the way forward via the climate action roadmap.

Related opportunities

- » Developing solutions that aid the transition to a low-carbon economy.
- » Working with the CBSL to implement the 'Road Map for Sustainable Finance in Sri Lanka'

Related risks

- » Strategic, execution and business risks from external and internal drivers
- » Environmental and social reputation risks

Links to short term strategies

Create a cohesive framework to promote green ethics among all stakeholders

Links to medium term strategies

Expand the coverage of green lending line to include large scale renewable energy projects

Links to long term strategies

Invest in alternative energy such as solar power to meet LBF's energy requirements

Impacted SDGs

11 12 13

Capital impacted

FC NC
IC SC

Related material matters

PSS DTD

Strategic focus

RO DB

3.6 Regulatory/ Legal change, risk management and governance

Impact L

Operating environment and its impact on NBFi sector

The legal and regulatory framework in the country provides the building blocks for safeguarding the stability and sustainability of the NBFi sector. The rules and regulations applicable to NBFis have continued to evolve with increasing frequency as the CBSL strives to further strengthen overall system stability. By end 2021, the CBSL increased the NBFi sector's core capital and total capital ratios to 15.5% and 17%, respectively, by end 2021 from the reported levels of 14.5% and 15.7% at end 2020.

The CBSL's ongoing Financial Sector Consolidation Masterplan (Masterplan) is also a commendable effort as it aims to build strong and stable NBFis in the medium term, with the objective of safeguarding depositors of the Non-Bank Financial Institutions sector.

In 2021, the CBSL issued the Finance Business Act Direction No.5 of 2021 on Corporate Governance principles for NBFis. The Directive intends to establish clear guidelines to create greater uniformity in governance and risk practices across the NBFi sector.

LBF'S VALUE CREATION SCORECARD - FY 2021/22

Commitment

LBF has made an explicit commitment to lead by example in the early adoption of legal and regulatory changes applicable to the NBFi sector and to entities listed on the CSE.

Strategic response

- » The Board, as apex governing body provides oversight for good governance practices
- » A strong compliance culture permeates across the business underpinning efforts to maintain compliance leadership.

Key highlights

- » Tier I Capital adequacy ratio - 25.95%
- » Tier II Capital adequacy ratio - 26.90%
- » LBF expressed its solidarity for the Masterplan through the acquisition of a 64.63% stake in Multi Finance PLC in late March 2022.

Governance in action

The Board directed its attention towards the early adoption of the Finance Business Act Direction No.5 of 2021 on Corporate Governance. In this regard, some notable initiatives were taken to strengthen governance frameworks and also to review and update pre existing governance mechanisms well ahead of their stipulated timelines.

Related opportunities

- » Collaboration and active participation in industry forums to collectively work to strengthen system stability of the NBFi sector.

Related risks

- » Strategic risk
- » Business risk
- » Compliance risk

Links to short term strategies

Increase vigilance to ensure early adoption of regulatory requirements

Links to medium term strategies

Expand liquidity buffers to a level that is significantly higher than regulatory minimum

Links to long term strategies

Contribute towards the overall stability of the NBFi sector through strategic investment

Impacted SDGs

8 9 10 16 17

Capital impacted

FC SC
HC

Related material matters

PSS SBG

Strategic focus

RO SB
ET

H High M Medium L Low

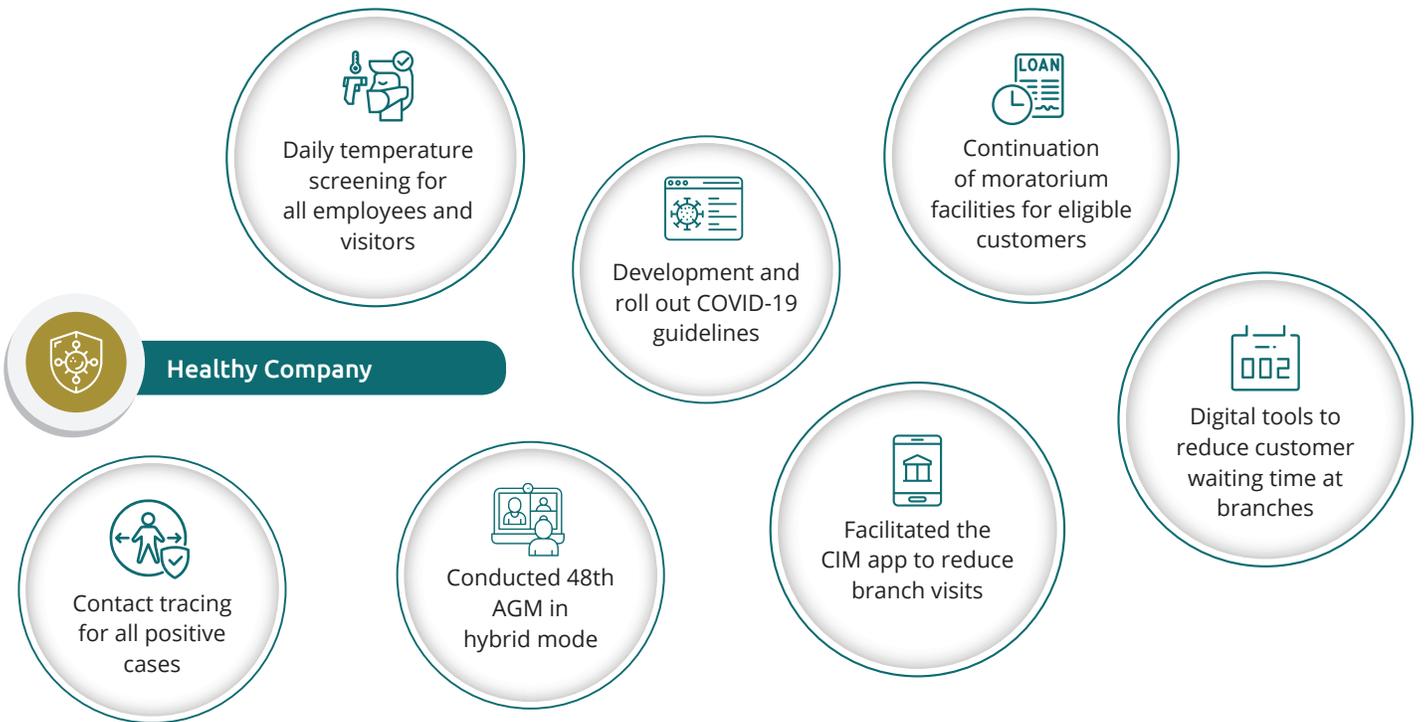
MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT

4 OUR RESPONSE TO COVID-19

The COVID-19 pandemic has impacted the way the world works in every conceivable way, causing unprecedented shifts in how businesses operate. LBF for its part, has also undergone some major transformations in these past two years in its quest to create value for its stakeholders. Led by a three-pronged approach, the Company has proven itself to be a champion of healthy people; healthy communities and a healthy Company.

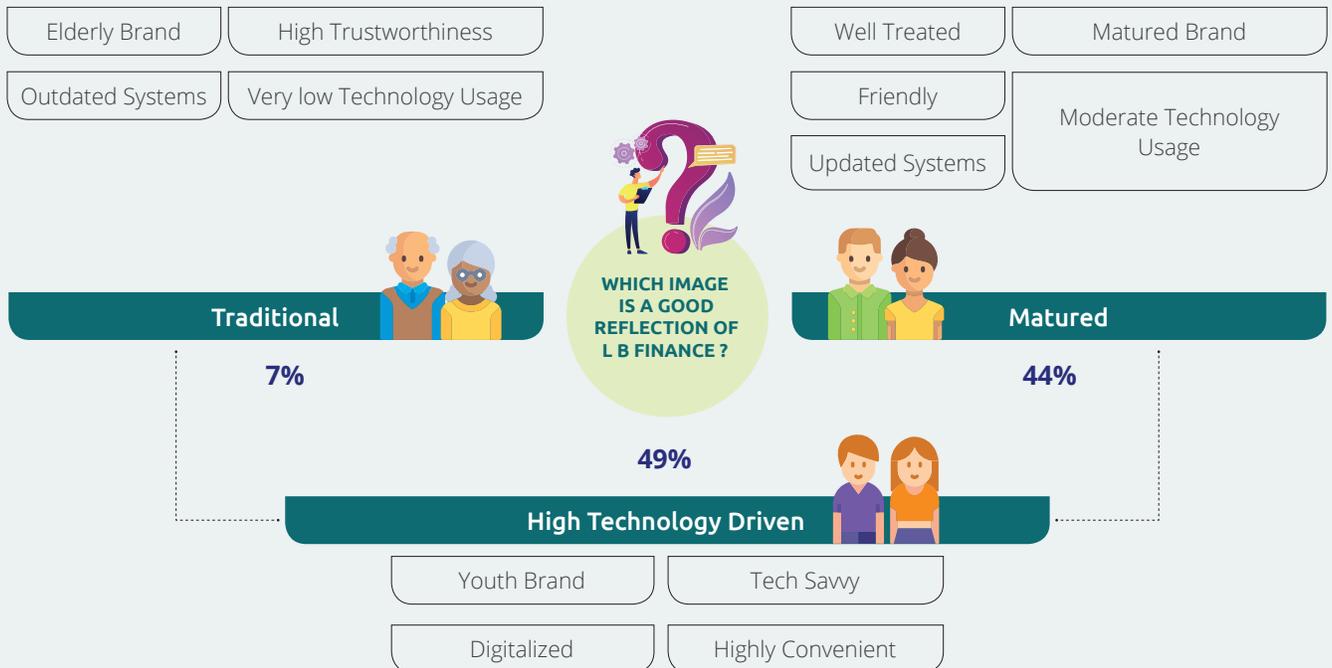




SURVEY INSIGHTS



Study conducted by:
The Department of Marketing Management
University of Sri Jayewardenepura



MANAGEMENT DISCUSSION AND ANALYSIS

OUR OPERATING CONTEXT

5 INFLUENCING MARKET DRIVERS, RISKS AND OPPORTUNITIES

There are number of distinct factors that are shaping the financial services industry now and will continue to do so into the future. Linked to these market drivers are risks and opportunities, both general to the external environment and a number that is specific to LBF. These are actively assessed and appropriate responses are implemented, with the performance monitored both against our strategic ambitions as well as through our principal and key risks as defined in our Risk Management Framework. Read more about on our Risk Management Report.



Competition and technological change

Increasing competition, technology and the pace of change, impacts our ability to remain relevant to our customers as well as our competitiveness and the associated operational risk

LBF context

Launch of L B Finance CIM (Cash In Mobile) digital wallet to engage our customers in digital transactions

Market drivers

- » Disruption through new digitally led competitor platforms which have the capacity to influence customer preferences
- » The need for threat detection software to safeguard against security breaches and the possibility of data leakage
- » Ever increasing sophistication of cybercrime, fraud risk and financial crime requires continuous monitoring and ongoing investment to protect customers

Opportunities

- » Focus on creating innovative products and solutions to cater to maintain top of mind recall across a broader spectrum of customer segments
- » Leveraging on AI tools to strengthen resilience and protect against cyber crimes

Key risks

- » Reputational risk (specifically brand risk) and people risk

Mitigation activities

- » Ongoing employee education on the prevention of cyber related risks
- » Ongoing investment in technology platforms, processes and controls including monitoring



Regulatory oversight

New and emerging regulations impact on our operations as well as our products and services

LBF context

Early adapted the new regulations which are imposed by the regulatory bodies

Market drivers

- » The increasing pace and evolving complexity of regulatory and statutory requirements across the Group's operation

Opportunities

- » Maintaining a coordinated, comprehensive and forward-looking approach to evaluate regulatory change and respond through early adoption

Key risks

- » Market risk

Mitigation activities

- » Participating in regulatory and statutory advocacy groups across all stakeholder groups



Focus on social, governance and environmental matters

Social and climate change risk impact on the Company, its customers and other stakeholders

LBF context

Promoting corporate social initiatives within the organisation and outside the organisation. At LBF, we are 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. The 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 corruption and bribery, guidelines on receiving and giving gifts and the exclusion of political party sponsorships. Frequently we communicate these policies to our employees and also continuously reiterate the importance of legal and regulatory compliance.

Market drivers

- » Persistent inequality, increasing activism as well as emerging regulation and reporting requirements focused on a broader range of ESG (Environmental, Social and Governance) matters
- » Adverse weather conditions resulting in extreme environmental events (e.g. floods) impacting community sustainability

Opportunities

- » Engaging internally and with external stakeholders through Company-wide strategic sustainability programmes to understand and assess impacts and opportunities on the Group for customers and other stakeholders
- » Engaging with communities and supporting initiatives as part of the Company's commitment to play a role in society

Key risks

- » Credit risk

Mitigation activities

- » Continuously assessing the suitability and strategic alignment of products and customer value propositions against changing environmental factors, anti-corruption and the impact on the Company's risk profile



Macroeconomic, socio and political flux

The macro-economic environment impacts on our ability to sustain business and achieve our strategic objectives, while the social and political environments impact on our ability to deliver on stakeholder commitments

LBF context

Provide highest contribution to the economy in numerous ways

Market drivers

- » Increasing cost and scarcity of capital, funding and liquidity across Sri Lankan and global markets
- » Subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting the Sri Lankan economy

Opportunities

- » Strengthening the Company's position in key growth markets, while seeking opportunities to diversify into new markets

Key risks

- » Political risk

Mitigation activities

- » Monitoring and managing risk strategy and appetite based on the ongoing evaluation of global and Sri Lankan developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities

OUR OPERATING CONTEXT

6 SWOT ANALYSIS

<p>S</p> <p>STRENGTHS</p> <ul style="list-style-type: none"> » More than 50 years track record of excellence » Best brand amongst NBFIs » Widest geographical reach » A-(Ika) credit rating from Fitch Ratings (RWN) » Sustained financial stability (profitability, capital adequacy and low NPLs) » Vastly experienced and qualified top leadership 	<p>W</p> <p>WEAKNESSES</p> <ul style="list-style-type: none"> » High attrition among front office and field staff » Non availability of fully fledged digital approval system for entire Company 	<p>O</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> » Promote financial inclusion among the lower and middle income bracket » Untapped gold loan customer base of banks » Huge demand for working capital financing from the informal sector 	<p>T</p> <p>THREATS</p> <ul style="list-style-type: none"> » Stiff competition from banks/NBFIs in the vehicle financing market » Emerging competitive pressure from Telco's and Fintech's entering the financial services domain » Policy uncertainty disrupting overall vehicle financing demand
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7 MARKET FORCES AND COMPETITIVE LANDSCAPE (FIVE FORCES)

I. Power of the customer

 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.

<p>Strategic response</p> <p>Focus on relationship building among existing customer base and channel resources towards finding new opportunities</p>	<p>Impact</p> <p> MD's statement on page 36, social and relationship capital on page 184, business line review page 102</p>
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II. Threat of new entrants

 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.

<p>Strategic response</p> <p>Build a strong and credible brand that stands out among peers</p>	<p>Impact</p> <p> MD's statement on page 36, business line review on page 102</p>
---	---

 High  Medium  Low



III. Competitive rivalry

Number of competitors

The financial sector of Sri Lanka consists of 33 banks and 43 NBFIs operating in the space

Switching cost

The switching cost for a customer is low due to a high concentration of service providers

Customer loyalty

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

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.

Impact



MD's statement on page 36, social and relationship capital on page 184, business line review on page 102



IV. Power of the business partners

As a financial institution, our major suppliers comprise of support services. Given that they only provide support services, the bargaining power of business partners are 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

Impact



Social and relationship capital on page 184, business line review on page 102



V. Threat of substitute products

Low threat within the NBFIs industry. However, if we consider loan and leasing products from banks and non-bank sector 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 installments, 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

Impact



Social and relationship capital on page 184, business line review on page 102

MANAGEMENT DISCUSSION AND ANALYSIS

OUR VALUE CREATION BUSINESS MODEL

BUSINESS MODEL EXPLAINS THE KEY ELEMENTS AND DRIVERS OF OUR VALUE CREATION PROCESS.

It is a snapshot of how we do our business through the resources input, processing and output. We have linked the business model throughout the annual report by page referencing. Investors believe clear disclosure of the key elements and drivers of the business model provides a basis for reporting on a company's strategy. The risks of the business model drivers and the strategies have been clearly disclosed in the risk management part of the report.

We seek to actively manage our business activities and assess the impacts to ensure we enhance the positive and minimise the negative outcomes of our business model, thereby sustaining value for all our stakeholders.

Our stakeholder interest was derived aligned with the United Nations Sustainability Development Goals. Which were discussed in the page 268 of the section sustainability at LBF. Main SDGs are identified against each capital and addressed in the business operations.

OUR CAPITAL INPUTS AND OUTPUT

Our inputs were classified under each capital as resources for the business operations of the model. In a process there should be inputs to make outputs such as raw material, in here our business we use resources as inputs defined under capitals. These are the inputs which go through the process to make the outputs and outcomes. Therefore, inputs and outputs can be classified under the capitals as follows. Inputs would be the resources what we had in start of the financial year and outputs are the year-end position.

Item	Measurement	Input 2020/21	Output 2021/22	Change
Financial capital				
Total assets	Rs. Bn	140.57	164.36	17%
Shareholders equity	Rs. Bn	28.19	33.05	17%
ROE	%	26.58	28.29	6%
Manufactured capital				
PPE	Rs. Bn	8.24	8.42	2%
Total outlets	Number	169	181	7%
Human capital				
Total workforce	Number	3,536	3,822	8%
Training cost	Rs. Mn	4.01	6.17	53%
Salaries and benefits	Rs. Mn	2,959.82	3,193.77	8%
Intellectual capital				
Investment in intangible assets	Rs. Mn	0.65	-	-
Brand Value	Rs. Mn	6,237	5,821	(7%)
Brand Rank	Number	25	24	(4%)
Social and relationship capital				
Customer base	Number Mn	Over 0.6	Over 0.65	8%
Tax paid to government	Rs. Mn	3,968.85	6,555.45	65%
CSR investment	Rs. Mn	37.29	12.94	(300%)
Natural capital				
Environment based initiatives	Number	15	5	(300%)
Electricity consumption	GJ	15,418	30,944	200%
Carbon emission foot print	tco2e	3,110	3,259	5%

Value creation means to LBF

The success of our business is determined by the ability to create value for our stakeholders. Value creation is therefore the key principle that underpins everything we do. Our value creation process is embedded in our Vision, Mission, Values and Goals (page 16) which forms an integral part of our business model. It is how we ensure that the way we think, our strategy and the decisions we make are all driven by the desire to create stakeholder value.

Value creation via the six capitals

Our relevance as a financial institution today and in the future is fundamentally depend on the capital inputs available to us and how we channel these resources into value-adding activities in order to generate results by the way of outputs and outcomes. Please refer to the capital management report on page 120 to 122.

This value creation process often calls for some compromise. Such tradeoffs between our capital areas are discussed on capital reports.

Balancing stakeholder interests

The LBF group is constantly working to balance the interest of its various stakeholders, for we believe that doing so enhances the legitimacy of our business and strengthens our position against powers. In this regard, we aim to develop solutions that will not have a detrimental impact on the environment or the community. At the same time, we continue to undertake environmental and community-based initiatives for the benefit of society at large.



WHAT WE DO WITH CAPITALS

What we do as LBF embedded with our Vision, Mission, Values and Goals. These are the map for the company to show the way to where to go and where are we are now. Governance framework, risk management and sustainable practices are the value creation foundations for us. Our capital management strategy is dynamic. Our capital allocation decisions are based on the potential returns of each capital deployment opportunity in a limited and expensive capital environment. The decisions we make regarding the sourcing, deployment, management, and, on occasion, recycling of our manufactured capital in accordance with our investment plan in order to produce continuous cash flow to support our company operations.

SUPPORT OF VALUE CHAIN ACTIVITIES AND IMPACT

The management of our portfolio necessitates the use of both human and intellectual resources in order to foster connections with key stakeholders, keep our tenants happy, and implement strategies to improve our performance. Human, social and relationship capitals are all enhanced through our inclusive stakeholder approach, both locally and internationally.

Financial capital is increased as a result of LBF's cost-efficiency optimization. Our environmental efficiency actions need financial investment, but they lessen our overall effect on the world's natural resources because of their efficiency. Throughout the cycle, we operate within a strong governance framework and account for effect of external pressures and market forces in our strategies and risk mitigation efforts, which enhance our ability to create value in future

DELIVERING OUR STRATEGY THROUGH OUR BUSINESS CLUSTERS

- » Stabilisation business
- » Build digital-first business
- » Engage talents and reputation
- » Resource optimisation

BUSINESS ACTIVATION

We do our business based on the four core competencies such as simplicity, affordability, accessibility and personalised experience.

Key activities are accepting customers' deposits, provide financing services and value-added services for the customers. We are customer centric business which focus on the customer service and accessibility. As a financial service provider our main income and expenses come from rent paid by customers and interest payments to depositors.

Our business supported by the strong stewardship and governance framework. Risk management support to overcome the difficulties and ethics ensure the accountability of everything we do. LBF as a sustainable business model always keep sustainable business practices as the bedrock.

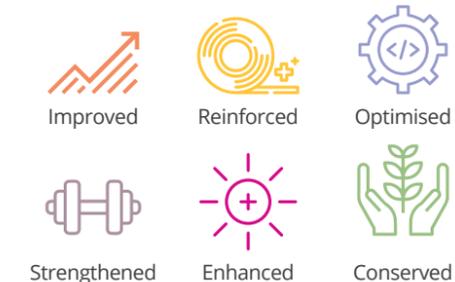
Our Products portfolio describes in page 18.

OUR OUTPUTS

Outputs are the harvest of the Company, it is the results of our business efforts. In our business model it is described under each capital topics. LBF's core output is quality financial products for the customers. Through our business activities of investing, managing, developing and sometimes re-arrangements of these financial services to recycle capital, we aim to create value across our capitals, while recognising that some capitals are negatively affected through this process, despite our best efforts

OUR OUTCOMES

Outcomes are the impacts received through the results or company operations. Above table provide the snapshot of the key results of the Company. we acknowledge that sustainability is no longer a bolt-on to how we do business but that it runs across all of our business and functional activities and is part of our mindset. With the formulation of our future strategy and related strategic targets, we took the opportunity to visibly and clearly entrench our sustainability levers into our outcomes and to categorise our next level strategic targets according to the sustainability outcomes which they related to;



IMPACT ON STAKEHOLDERS AND TRADE-OFFS

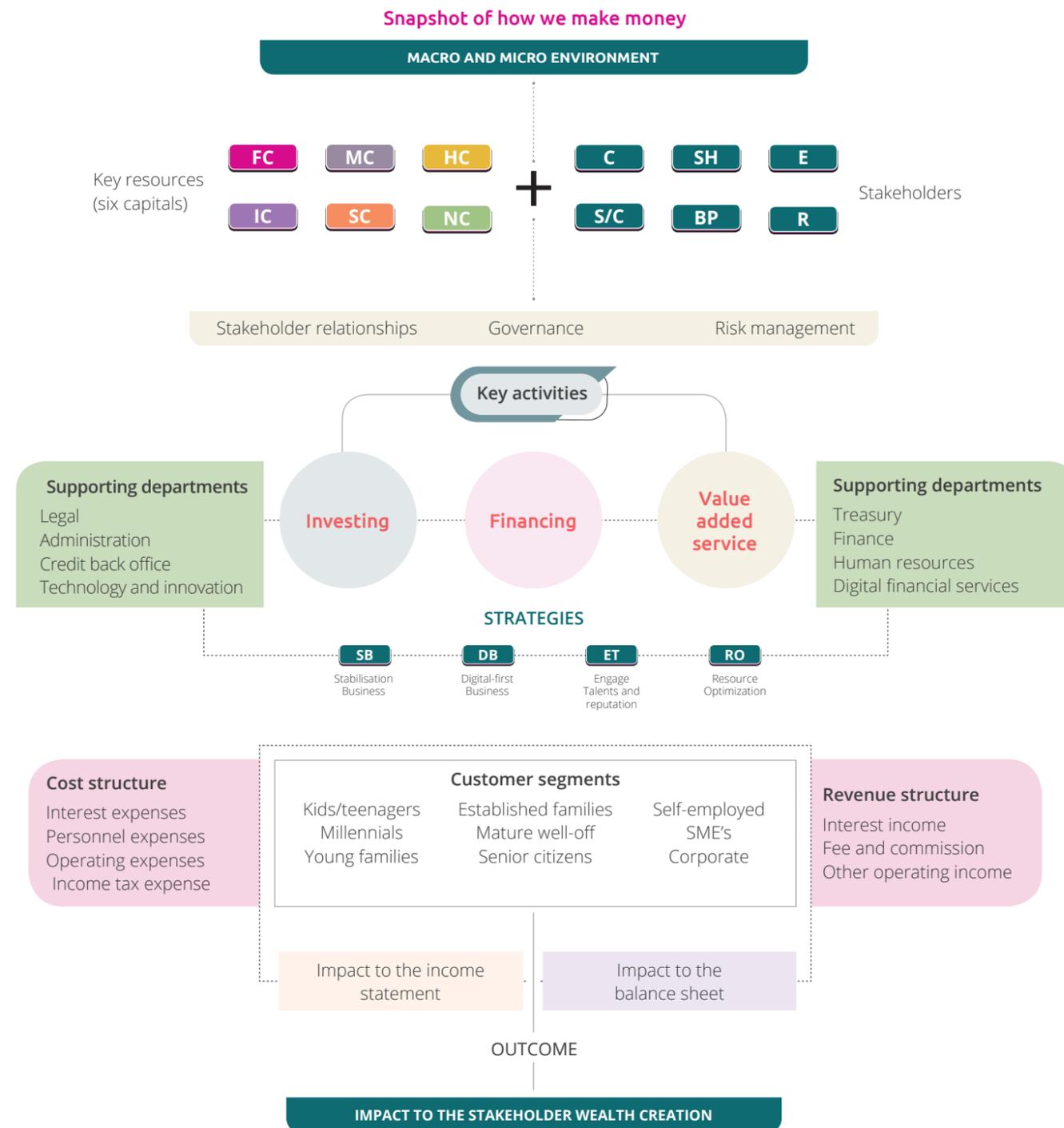
When making decisions on how to manage our business, we consider the trade-offs between the various capitals with the aim of maximising the positive outputs and outcomes and limiting value erosion. To ensure a future-fit organisation, we assess the availability and quality of capital inputs, balance the short and long term and take tough decisions to create long-term value and to limit near-term negative impacts. Impact on each stakeholder group should be measured and should look at the tradeoffs. If there are trade offs company should try level best to over come them. For more details, refer the pages 68 and 99.

MANAGEMENT DISCUSSION AND ANALYSIS

LBF BUSINESS MODEL

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

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



Understanding stakeholder needs and expectations, communicating through stakeholder engagement (page 68) Integrated stakeholder engagement

SDG



OUR CAPITAL INPUTS



Our funding sources of operations from investors and clients
 Shareholders' funds
 Borrowings
 Deposits
[Refer to page 120](#)



Our assets such as infrastructure, properties, equipments and business process
 Property plant and equipments
 Total outlets
 Physical and digital infrastructure
[Refer to page 148](#)



Our employees' culture, skills and competencies
 Total workforce
 Investment on training
 Skills and competencies
[Refer to page 158](#)



Our brand, innovation, technology, process and experience
 Trusted brand
 Investment on ICT
 Experience
[Refer to page 172](#)



Our relationships with customers, funders, partners and government
 Customer base
 Community development programmes
 Strong relationships and networks
[Refer to page 184](#)



Our Environmental resources and power used
 Energy consumption
 Water consumption
 Investment on green initiatives
[Refer to page 212](#)

- Finance
- Treasury
- Credit
- Deposits

STRATEGIC FOCUS

Delivering our strategy through our business clusters



Administration

Human Resource

Information Technology



Legal
Risk



Marketing and promotions

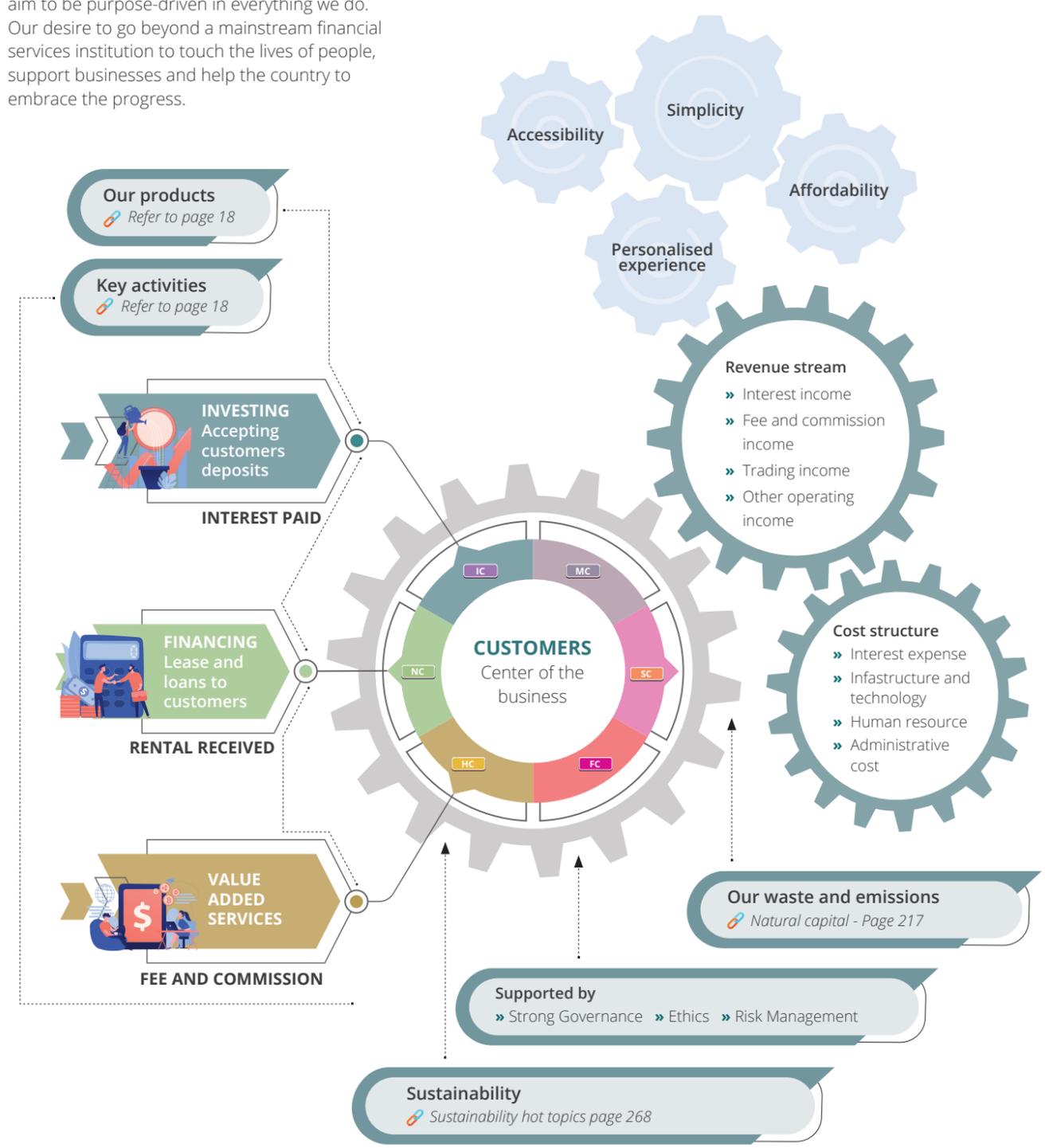


WHAT WE DO

Being a purpose-driven financial institution, we aim to be purpose-driven in everything we do. Our desire to go beyond a mainstream financial services institution to touch the lives of people, support businesses and help the country to embrace the progress.

HOW WE CREATE VALUE

How we do business



Our material matters
[Refer to page 82](#)

Stakeholders' expectations
[Refer to page 68](#)

Delivering on our strategy and resource allocation
[Refer to page 92](#)

Our corporate governance
[Refer to page 224](#)

Our top risks and risk management
[Refer to page 262](#)

Impact of disruptive innovations

Business model reinvention

OUR OUTPUTS

OUR OUTCOMES

Key results page 64

2021/22

FINANCIAL CAPITAL

Profit after tax Rs. 8.66 Bn
 Return on equity - 28.29%
 Earning per share - Rs. 15.63

See pages 120 for more information



Enhanced

Financial growth and stability
 Competitive pricing on short term
 Shareholder value appreciated

MANUFACTURED CAPITAL

Total outlets 181
 Investment on PPE Rs. 1,014 Mn
 New branches 12

See pages 148 for more information



Strengthened

Established premium branches
 System to streamline back-end systems
 Further expansion of reach

HUMAN CAPITAL

Salaries and benefits - Rs. 3,199 Mn
 Investment on training - Rs. 6.17 Mn
 New employees hired - 1,734

See pages 158 for more information



Reinforced

Motivated employees
 Efficient work force
 New blood

INTELLECTUAL CAPITAL

Brand value - Rs. 5,821 Mn
 Brand rank - 24th
 Investment on ICT - Rs. 69.66 Mn

See pages 172 for more information



Optimised

Brand name enhanced
 Sophisticated systems
 New solutions

SOCIAL AND RELATIONSHIP CAPITAL

Customer base - Over 650,000.00
 Financial solutions - 32
 Community development initiatives - 20

See pages 184 for more information



Improved

Community development contribution
 Improved relationships
 Satisfaction of customers

NATURAL CAPITAL

Total carbon footprint 3,259 tco₂e
 Energy consumption - 30,944 GJ
 Investment on environment - Rs. 3.81 Mn

See pages 212 for more information



Conserved

Reduced energy consumption
 Carbon neutral
 Conserved nature

Impact on stakeholders & trade-offs



Shareholders

Provide investment opportunities
 Profitability
 Return on investment



Customers

Effective customer complaints mechanism
 Customer service
 Satisfaction



Employees

Fair and responsible remuneration
 Development of skills
 Job Protection



Business Partners

Provide the valued expertise
 Provide fair chances for local suppliers



Society/Community

Supporting SDGs local development goals
 Community development supports



Regulators

Comply with laws and regulations
 Transparency
 Accountability

Managing trade offs

Refer to page 99

Informing the stakeholders on company performances and manage the trade offs, through stakeholder engagement (page 68 - 81)

MANAGEMENT DISCUSSION AND ANALYSIS

INTEGRATED STAKEHOLDER ENGAGEMENT

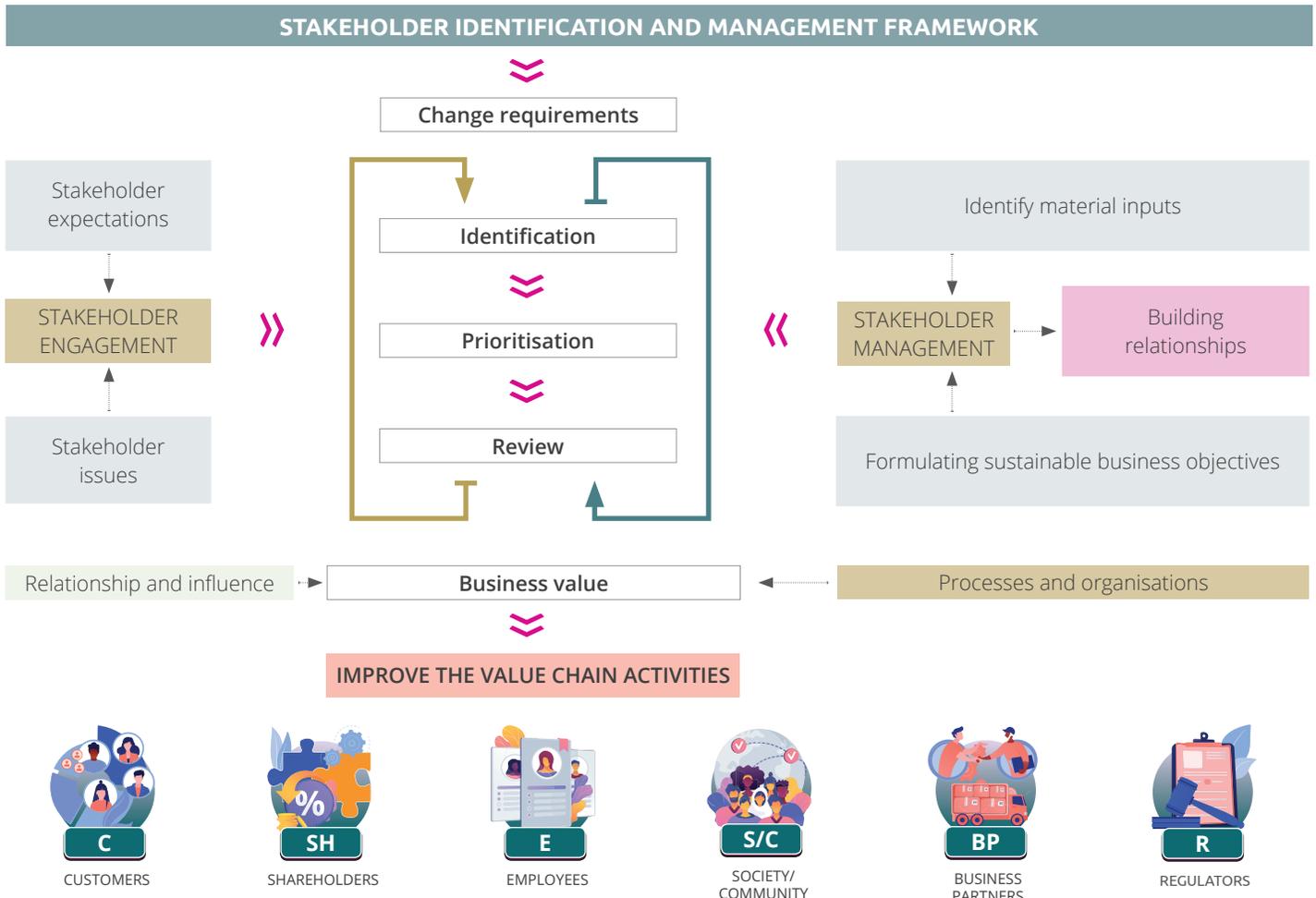
The success of LBF depends on the effectiveness of which it handles its relationships and involvement with material stakeholders.



1 STAKEHOLDER IDENTIFICATION

1.1 Stakeholder management framework

Our stakeholders are the individuals, groups of individuals or organisations that impact and/or could be impacted by LBF's activities, products or services and associated performance. As the apex body in charge of maintaining stakeholder relations, the LBF Board advocates regular and ongoing engagement with stakeholders in a structured and inclusive manner in order to maintain trust-based relationships for mutual benefit.



How to determine our stakeholder engagement



Visit our youtube playlist

2 ADDRESSING STAKEHOLDER INTERESTS

Based on the results of the below stakeholder mapping exercise, we develop appropriate engagement strategies to support the desired level of engagement with each respective stakeholder group. Our main aim is to ensure our engagement methodologies have the capacity to identify stakeholder priorities in terms of interests, concerns, and aspirations, and to ensure that we identify issues that impact our core business as well as our broader sustainability ambitions.

Across our operations, the emphasis of our engagement continues to be on those stakeholders that have the most effect on LBF's capacity to generate value for our stakeholders. The following table gives a high-level overview of our main stakeholder groups, including their contribution to our value generation.

Prioritising engagement with stakeholders based on their ability to influence LBF's ability to create value

The extent to which we rely on the assistance of our stakeholders in order to achieve our strategic objectives	The extent to which a stakeholder may have an impact on the success of an organisation	The relevance issues are discussed below in accordance with the respective stakeholder	The problems that we face if we do not actively organise our initiatives to address stakeholder views and points:
--	--	--	---

Many of our usual stakeholder engagement processes were disrupted due to pandemic related constraints and social distancing requirements. Nonetheless we remained firm in our commitment to stay connected to LBF's stakeholders - shareholders, customers, regulators, communities, employees, business partners and the wider community. To facilitate this, we modified our engagement channels significantly by relying heavily on digital communication to guarantee that interactions are frequent and successful.

3 STAKEHOLDER ENGAGEMENT PROCESS

3.1 Material stakeholder engagement objectives

» PROMOTE RELATIONSHIPS with all stakeholders based on mutual understanding, collaboration, and constructive participation	» Improve corporate AWARENESS of larger socioeconomic and environmental RISKS AND OPPORTUNITIES , in order to keep stakeholders updated in a timely manner
» INFORMED STRATEGIC PLANNING that takes into account the interests of all stakeholders	» Ensure stakeholder develop a BETTER UNDERSTANDING the challenges faced by LBF through information accuracy and frequency
» Ensure that stakeholder GOALS AND EXPECTATIONS are in sync with LBF's strategy	» Encourage COMPROMISE IN DECISION-MAKING
» Establish a foundation for joint RESPONSIBILITY AND ACCOUNTABILITY	» Support the long-term VIABILITY AND RELEVANCE of LBF's operations in order to generate value for all stakeholders

3.2 Stakeholder engagement during covid-19

The outbreak of COVID-19 pushed us to be more forward-thinking and creative in our approach to achieving our vision to “contribute to the quality of life experienced by our shareholders, 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”.

Having built more than 50 years of institutional memory to ensure the very best outcome for all LBF stakeholders,

we moved ahead swiftly to do what was needed to understand and respond to the needs of our stakeholders during these unprecedented times. This entails doing all in our power to guarantee that the financial solutions we provide to our customers are handled with care. We help them to increase and safeguard their money, as well as to guarantee that legitimate concerns are handled and that we continue to deepen our ties with them in order to effectively meet their requirements. We will continue to place a high priority on our employees and make every effort to ensure that every aspect of our employee value offer, especially

employee welfare is maximised. A long period of time is anticipated to be required to fully recover from the economic, health and social consequences of the pandemic. Due to the fact that our Company is deeply rooted in Sri Lanka and that our future is inextricably tied with the growth of the continent, we are determined to taking an active part in the battle against COVID-19 across the continent. In order to support and help our diverse spectrum of stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

INTEGRATED STAKEHOLDER ENGAGEMENT

3.3 Principle of engagement

<p>Purposeful</p> <p>Conducting focused and meaningful engagement, while striving to meet the different communication needs and preferences of stakeholders wherever possible.</p> <p>Relevant</p> <p>Selecting the most suitable engagement methods to engage with stakeholders.</p>	<p>Open and honest</p> <p>Timely provision of information to stakeholders to promote meaningful participation and foster a culture of information sharing, including the provision of providing access to information about objectives, goals and strategies.</p> <ul style="list-style-type: none"> » Promoting transparency and feedback processes » Expressing the willingness to acknowledge mistakes 	<p>Inclusive</p> <p>Being open to alternative views and to listen as well as contribute to conversations.</p> <ul style="list-style-type: none"> » Respecting stakeholders expertise and appreciating the benefits of mutual learning <p>Responsive</p> <p>Proactively, acknowledging and addressing stakeholders needs and concerns and responding to stakeholders in a timely manner.</p>
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4 MANAGING STAKEHOLDER RELATIONSHIPS

4.1 Stakeholder relationships and level of engagement

Stakeholder engagements are managed through an approved formal stakeholder engagement framework. In developing this framework, the sustainability team has been guided by the best practices outlined under the AA1000 Stakeholder Engagement Standard to facilitate planned and productive discussions with stakeholders at appropriate levels within the organisation. This framework is deployed in small steps to guarantee effective stakeholder participation and responsiveness to the needs of the organisation.

Level of engagement	Relationship	
<ul style="list-style-type: none"> ● Involve – To work directly with the Company throughout the process to ensure that stakeholder issues and concerns are taken into consideration 	No existing relationship	★☆☆☆☆
	Relationship established, but much work to be done to improve quality of relationship	★★☆☆☆
<ul style="list-style-type: none"> ● Consult – To obtain stakeholder feedback for the decision making 	Relationship established and value-generating connection, but still room for improvement	★★★☆☆
	Good-quality, mutually-beneficial relationship, with some room for improvement	★★★★☆
<ul style="list-style-type: none"> ● Collaborate – To partner with stakeholders in all aspects, develop alternatives and identify preferred solutions 	Strong relationship with mutual benefit	★★★★★

Our stakeholder goals drive us forward, articulating the value we seek to deliver for each of our key stakeholders, and therefore serve to inform our strategy.

Key stakeholders	Goals	Icon	Level of relationship	Level of engagement
Shareholders	Sustained growth and wealth maximization	SH	★★★☆☆	● Consult
Customers	Customer at the center of the business	C	★★★★★	● Involve
Employees	Career progress and best place to work	E	★★★★☆	● Collaborate
Communities	Empowering communities through CSR	S/C	★★★☆☆	● Collaborate
Regulators	Full statutory compliance	R	★★★★☆	● Collaborate
Business partners	Sustainable business practices	BP	★★★☆☆	● Collaborate

4.2 Stakeholder mapping

		Reporting scope		
		Not reported	Less reported	Fully reported
STAKEHOLDERS INFLUENCE ON LBF	High	» Media	» Regulators » Government (National, Provincial and Local)	» Employees » Shareholders » Customers
	Medium	» General public	» Industry bodies	» Communities » Suppliers and service providers
	Low			
		Low	Medium	High
LBF'S IMPACT ON STAKEHOLDERS				

4.3 Managing stakeholder relationships

LBF's stakeholder management framework provides clear guidelines that help to streamline stakeholder engagement and communication activities and ensure they are undertaken in a coordinated manner in order to generate the desired mutually beneficial outcomes.

	Newsletters	AGM	Extra ordinary meeting	E-mails	Meetings	Social media	Events	Reports	Phone calls	Websites	Formal letters	Media release	Digital channels	Annual report	One to one	Survey	Site visits
Internal																	
Shareholder		A	W						W	Ah		A	Ah	A			
Board of Directors		A	W		W	R	Ah	M		W	P	W	R		W		
Management		A	W	W	W	R	Ah	R		W	P	W	R		W		
Employees	Q			W	W	R	Ah	W		R	W		R		W	A	
External																	
Customers				W	W	R	Ah		R	W		W	R		W	A	W
Business partners				W	W				R	W	W		W		W	A	W
Communities				W			Ah			W		W	W				
Regulators				W				M	W	W		Q	W				

R Regular basis M Monthly Q Quarterly A Annual W When necessary Ah Ad hoc P Periodic

MANAGEMENT DISCUSSION AND ANALYSIS

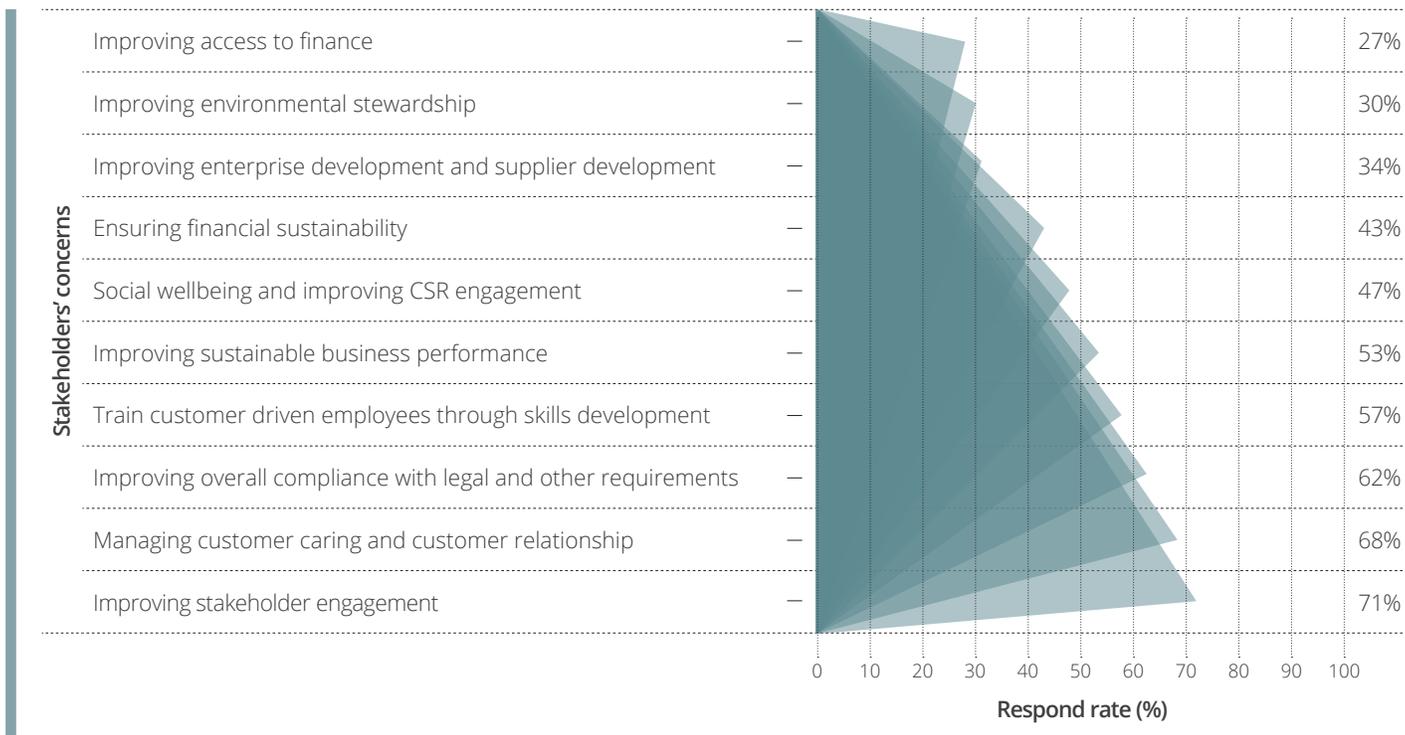
INTEGRATED STAKEHOLDER ENGAGEMENT

4.4 Addressing key stakeholder concerns

Results from the 2021/22 stakeholder engagement survey conducted by the University of Sri Jayewardenepura, indicated, the following key concerns raised by the stakeholders. The illustration depicts the key concerns outlined by the 1,000 respondents (based on their priority levels) who participated in the survey.



Visit web page for more information on detail stakeholder concerns



SURVEY INSIGHTS



Study conducted by:
The Department of Marketing Management
University of Sri Jayewardenepura



An official relationship

55%

Not friendly relationship

4%

Friendly relationship

41%

Treat as a friend

Friendly service

Strong bonded relationship

Customized solutions

5 STAKEHOLDER ENGAGEMENT CANVAS

Delivering on our objective of bringing possibilities to life is what adds value to our company. This is accomplished via the provision of concrete value to our stakeholders. As a result, we acknowledge that the strength of our connections with stakeholders has an influence on our capacity to achieve our mission. Because of this, we evaluate the quality of our relationships using a variety of techniques in order to make an educated decision.



CUSTOMERS

HOW WE MEASURE SUCCESS

- » Customer satisfaction measures
- » Business cross-sell ratio
- » Complaints management
- » Digital adoption
- » Market share and size

Level of engagement - **Involvement**

Relationship status FY – 2021/22 ■ ■ ■ ■ ■ FY – 2020/21 ■ ■ ■ ■ ■

Who are they

Customers are responsible for the very existence of LBF. Their decision to obtain our products and services is what determines the viability and growth prospects of LBF's business operations

Why we engage

We are determined to do our work in their best interests and have prioritized our customer interactions to understand them better. Engagements are aimed at understanding the environment, trends and market sentiment; exploring future relationships; and improving operational and financial performances

Engagement strategy

We aim to foster greater customer understanding through continuous engagement and information sharing, while also actively listening to their concerns

Contribution to value creation

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

Stakeholders perceive value

- » Affordable, convenient and innovative financial services
- » Best in-class customer service and advice
- » Responsible financing with transparent pricing
- » System reliability and ability to transact through their chosen platform

Identified material matters

- » Customer satisfaction
- » Technological advancement
- » Brand loyalty and Company reputation
- » Information security
- » Online customer support
- » Process excellence
- » Innovation

MANAGEMENT DISCUSSION AND ANALYSIS

INTEGRATED STAKEHOLDER ENGAGEMENT

Strategic response

- » Improving access to financial services by investing in local and regional expansion
- » Strengthening relationships with customers through a life-stage approach
- » Investing in expanding the channel architecture by combining physical touch points, call centers, digital platforms and strategic business partners
- » Protecting data privacy and ensuring cybersecurity through robust technology and data management

Measuring performance

- » Streamlining the complaints management processes with the help of digital technology
- » Seek out opportunities for cross-selling
- » Improving social media engagement

Risk identified and mitigation

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

Opportunities identified

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

Impact of strategic focus	Impact on capitals	Related SDGs
 	 	   



SHAREHOLDERS

HOW WE MEASURE SUCCESS

- » Shareholder returns
- » Revenue growth
- » Return on equity
- » Investor engagements

Level of engagement - **Consult**

Relationship status FY – 2021/22  FY – 2020/21 

Who are they

Shareholders are the providers of equity capital for our business and thus have a share ownership in the Company

Why we engage

To earn the trust and respect of shareholders, which will improve our standing as a business as well as in the industry

Engagement strategy

We encourage the active participation of shareholders in a range of matters pertaining to the Company in order to ensure they remain invested in LBF's success and sustainability

Contribution to value creation

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

Stakeholders perceive value

- » Sustained investment returns
- » Adequate shareholder returns
- » Improved efficiencies, while managing strategic investments
- » Transparent reporting and disclosures

Identified material matters

- » Sustainably growing revenue
- » Delivering appropriate shareholder returns
- » Ethics and transparency
- » Technological advancement
- » Risk and capital management

Strategic response

- » Driving sustainable growth in total shareholders return through a responsible dividend policy and a consistent increase in the share price
- » Delivering return on investments within agreed timeline
- » Manage credit risk stemming from the COVID-19 pandemic

Measuring performance

- » Market capitalisation – Rs. 31.13 Bn (Rs. 26.26 Bn – 2020/21)
- » Dividend per share – Rs. 5.00 (Rs. 7.00 – 2020/21)

Risk identified and mitigation

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

Opportunities identified

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

Impact of strategic focus	Impact on capitals	Related SDGs
		



EMPLOYEES

HOW WE MEASURE SUCCESS

- » Employee engagement
- » Diversity and gender balance
- » Ability to attract
- » Develop and retain talent and critical skills

Level of engagement - Collaborate

Relationship status FY – 2021/22  FY – 2020/21 

Who are they

Our employees are our greatest asset. They are the key enablers responsible for the delivery of LBF's value proposition to the customer

Why we engage

LBF's employees serve as the Company's strategy execution engine. In order to achieve this, it is critical that the emphasis, profile and development activities of LBF's staff base be consistent with the Company's goal. As a result, we communicate with our staff in a proactive manner via a variety of channels, both formal and informal

MANAGEMENT DISCUSSION AND ANALYSIS

INTEGRATED STAKEHOLDER ENGAGEMENT

Engagement strategy

Consult throughout the employee life cycle to understand and address concerns and improve relationships

Contribution to value creation

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

- » A diverse, inclusive and supportive workplace
- » Job security, strong leadership and change management, especially during the COVID-19 pandemic
- » Fair pay and terms of employment with market-related rewards and benefits
- » Training, development and career opportunities

Identified material matters

- » Employee engagement
- » Health, safety and wellbeing
- » Training and development
- » Benefit structure
- » Corporate citizenship
- » Process excellence

Strategic response

- » Creating a robust EVP that presents the best-in-class employee experience
- » Attracting, recruiting and retaining the best talent
- » Encouraging self-led development and opportunities for career progression.
- » Advocating for a diverse and inclusive workplace
- » Promoting a high performance culture through performance-based rewards and recognition.
- » Providing a comprehensive wellness programmes and supporting the transition to work-from-home under COVID-19 pandemic

Measuring performance

- » Rs. 6.17 Mn invested in training and development (2020/21: Rs. 4.01 Mn)
- » 1,734 New job opportunities (2020/21: 999)

Risk identified and mitigation

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

Opportunities identified

- » Digital-first organisation
- » Modernised work systems

Impact of strategic focus	Impact on capitals	Related SDGs
<div style="display: flex; gap: 10px;"> <div style="background-color: #004a7c; color: white; padding: 5px 10px; border-radius: 5px;">SB</div> <div style="background-color: #004a7c; color: white; padding: 5px 10px; border-radius: 5px;">ET</div> </div>	<div style="display: flex; gap: 10px;"> <div style="background-color: #4a4a4a; color: white; padding: 5px 10px; border-radius: 5px;">MC</div> <div style="background-color: #e67e22; color: white; padding: 5px 10px; border-radius: 5px;">SC</div> <div style="background-color: #f1c40f; color: white; padding: 5px 10px; border-radius: 5px;">HC</div> </div>	<div style="display: flex; gap: 10px;"> <div style="background-color: #e74c3c; color: white; padding: 5px 10px; border-radius: 5px;">5</div> <div style="background-color: #e74c3c; color: white; padding: 5px 10px; border-radius: 5px;">10</div> <div style="background-color: #2980b9; color: white; padding: 5px 10px; border-radius: 5px;">16</div> </div>



SOCIAL/ COMMUNITY

HOW WE MEASURE SUCCESS

- » Recognition for playing a role in growth and sustainable activities
- » Transformation performance and underlying metrics
- » Contribution towards the Sustainable Development Goals

Level of engagement - **Involve**

Relationship status FY – 2021/22 FY – 2020/21

Who are they

The people and communities in the wider society

Why we engage

The support of the community is imperative in safeguarding the Company's reputation

Engagement strategy

Building a strong rapport through proactive communication and engagement by branch level teams

Contribution to value creation

These stakeholders are key in holding us true to our commitment to positively impact lives. Through these relationships, we are able to know areas of need and focus in supporting the communities we work with

Stakeholders perceive value

- » The United Nations Sustainable Development Goals
- » National development plans, including transformation
- » Environmental, social and governance frameworks

Identified material matters

- » Corporate citizenship
- » Environmental management
- » Social licenses to operate
- » Information security

Strategic response

- » Supporting inclusive growth by aligning with national priorities and policies
- » Advancing financial literacy and inclusion through digital mediums
- » Providing internship opportunities for young graduates
- » Generating and distributing positive impact on environment

Measuring performance

- » Rs. 12.94 Mn on CSR activities (2020/21 - Rs. 37.29 Mn)
- » Carbon conscious company for 8th Consecutive year

Risk identified and mitigation

- » Health and safety of communities due to COVID-19
- » Holistic rural development programmes

Opportunities identified

- » Job creation to stimulate
- » Local economic growth

Impact of strategic focus	Impact on capitals	Related SDGs
SB ET RO	HC SC NC	1 2 4 6 13 15



BUSINESS PARTNERS

HOW WE MEASURE SUCCESS

- » Supplier registration
- » Strong business relationship
- » Continuous supply

Level of engagement - **Involvement**

Relationship status FY – 2021/22 FY – 2020/21

Who are they

Business partners are vital in our value chain

Why we engage

Business partner relationship management helps LBF to achieve its goals, reduce costs, meet sustainability goals, maintain supply security, and reduce business risk. Managing these partnerships for mutual benefit is part of our business continuity risk management strategy

Engagement strategy

Proactive communication plan and feedback mechanisms to understand needs, issues and concerns

Contribution to value creation

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

Stakeholders perceive value

- » Ability to grow with LBF through long-term mutually-beneficial relationships
- » Regular engagement, financial and non-financial support
- » Meeting contractual terms and agreements
- » Increased revenue and volume growth
- » More opportunities for localised partnerships

Identified material matters

- » Ethics and transparency
- » Social licenses to operate
- » Technological advancement

Strategic response

- » Robust business partner relationship processes that ensure fair and equitable terms including guaranteed on-time payments to suppliers
- » Strengthening our business partner networks through supplier development initiatives

Measuring performance

- » More than 3500 registered suppliers

Risk identified and mitigation

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

Opportunities identified

- » Promote local suppliers

Impact of strategic focus

ET RO

Impact on capitals

SC MC

Related SDGs

9 17

MANAGEMENT DISCUSSION AND ANALYSIS

INTEGRATED STAKEHOLDER ENGAGEMENT

VALUE CREATION SCORECARD - STAKEHOLDER VIEW

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

Stakeholder	Value for the stakeholder	Value for the Company	Indicator
CUSTOMERS	<ul style="list-style-type: none"> » Innovative, efficient, cost-effective financial solutions that meet customers' needs » Improved access to markets and financial services including access to information and advice » A safe and trustworthy financial services provider 	<ul style="list-style-type: none"> » More satisfied customers » Enhances LBF's reputation as a trusted financial services institution » Increased customer loyalty » Higher revenue from existing and new customers 	<ul style="list-style-type: none"> » Growth in customer base (%) » No. of complaints solved » No. of financial solutions offered » CIM app downloaded
	<ul style="list-style-type: none"> » A robust and challenging work environment where all employees can achieve their full potential » Performance-based culture that recognises and rewards high performance » Self-led development and opportunities for career progression 	<ul style="list-style-type: none"> » Highly motivated and engaged workforce as a key competitive advantage » A dynamic and experienced talent pool equipped to meet current and future needs of the Company 	<ul style="list-style-type: none"> » Employee voluntarism (hours) » Total headcount broken down by: <ul style="list-style-type: none"> - Full time - Contract » Female » Male » Investment on training (Rs. Mn)
	<ul style="list-style-type: none"> » Support for economic growth » Increased access to, and funding for, education opportunities » Lower environmental footprint 	<ul style="list-style-type: none"> » Access to new markets » Confirms LBF's status quo as a responsible corporate steward 	<ul style="list-style-type: none"> » Total energy use (Gj) » Carbon emissions (tCO₂) » No. of CSR projects » Invest on CSR (Rs. Mn) » No. of trees planted at present (50 to 50,000 tree planting programme)
SHAREHOLDERS	<ul style="list-style-type: none"> » Sustainable return on investment through attractive dividends » Increased earning potential due to the upward movement in the share price 	<ul style="list-style-type: none"> » Strong capital base to fuel growth » Public trust in the brand 	<ul style="list-style-type: none"> » Return on equity (%) » Return on assets (%) » Debt to equity (Times) » Cost-to-income ratio (%)
REGULATORS AND BUSINESS PARTNERS	<ul style="list-style-type: none"> » Fair and ethical engagement when dealing with the Company » Contribution towards the overall stability of the Country's financial system 	<ul style="list-style-type: none"> » Sound corporate values, high ethical standards, market integrity and good conduct practices » Sustainable operations 	<ul style="list-style-type: none"> Employees completing no. of training on compliance Fine or charge against non-compliance

Outcomes			Managing the outcomes
2020/21	2021/22	Trend	
			
8.81	3.76	▼	» Ongoing work to stem customer losses; re-shape the customer profile and restore trust and confidence
94%	95%	▲	» Driving innovation and articulation of a digital strategy to reshape the group
31	32	▲	
over 36,000	over 100,000	▲	
5,764	15,250	▲	» Culture reset
3,515	3,804	▲	» Delivering a target culture and new corporate values
49	18	▼	» Implementation of multiple engagement forums
1,407	1,626	▲	» Focus on employee turnover
2,157	2,196	▲	
4.01	6.18	▲	
15,418	30,944	▲	» Ongoing stakeholder engagements informed by a revised group policy and engagement framework
3,083	3,259	▲	
22	25	▲	» Continuous improvement of corporate governance, compliance and risk management practices
37.29	12.94	▼	
41,083	42,083	▲	» Establishment of a group wide sustainability programmes
26.58	28.29	▲	» New strategy and medium term performance targets alongside a focused separation programme
4.78	5.68	▲	
3.74	3.77	▲	» Amended remuneration approach to address shareholder concerns
30.56	28.00	▼	
2	3	▲	» Continued engagement with regulators across all presence countries with a focus on the separation
None	None	—	» Ongoing engagement/contribution to legislative developments

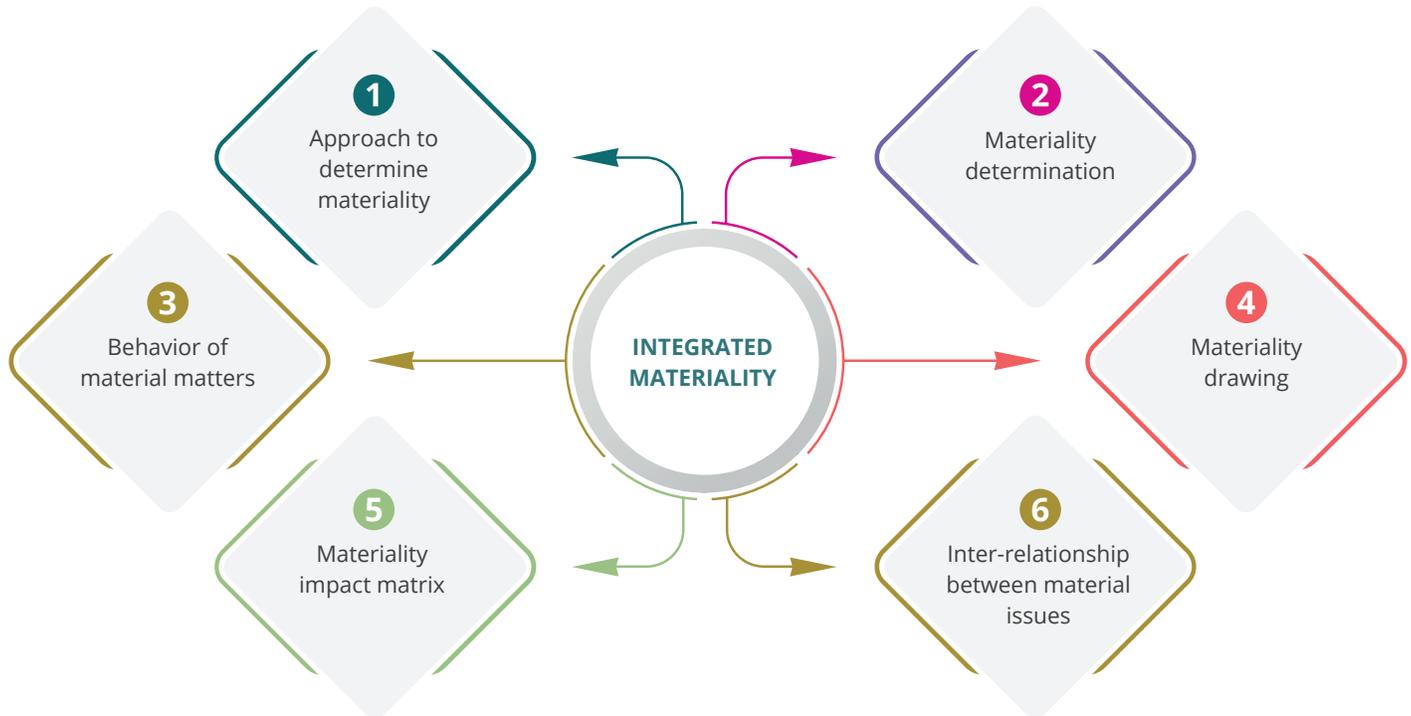
▲ Increase ▼ Decrease — Neutral

OUR MATERIAL MATTERS IN ACTION



Visit web page for more information on detail material determination

We identify our material matters by determining those issues that substantively affect our ability to create value over the short, medium and long term. We work on the basis that material matters are likely to change over time as the macroeconomic operating conditions shift, new trends develop, and the needs and behaviours of our stakeholders evolve.



1 APPROACH TO DETERMINE MATERIALITY

Identifying material issues that might impact LBF is therefore an ongoing process that revolves around intently studying our risks, evaluating stakeholder needs and expectations as well as carefully scrutinising our political, economic and legal environments while staying vigilant of best practices and emerging trends in the financial services industry both locally and around the world.

Our material issues relate how LBF creates value for stakeholders, our business and our wider community in the short, medium and long term. These material issues therefore form the foundation of LBF's strategy. More informative with International Integrated Reporting Council's (IIRC) <IR> Framework, the Global Reporting Initiative (GRI) Standards and with reference to the AccountAbility-AA1000SES. On this basis, the company has

considered and approved the disclosed material matters. To achieve this task, we have linked each material issue with five key performance outcomes. Throughout this report, we make reference to these performance outcomes, where each relevant material issues are discussed.



How to determine our materiality



Visit our youtube playlist

2 MATERIALITY DETERMINATION

We consider matters to be material, if they have the potential to substantially alter our strategic direction or impact our ability

to fulfill our commitment to create and sustain value for our stakeholders over the short, medium and long-term. Identifying

our material themes, therefore goes hand in hand with our integrated decision-making approach.



2.1 Filtering the material matters



MANAGEMENT DISCUSSION AND ANALYSIS

OUR MATERIAL MATTERS IN ACTION

3 BEHAVIOUR OF MATERIAL MATTERS

3.1 **SBG** Sustainable business growth

S Short term **M** Medium term **L** Long term

About this material matter

As a leading financial institution in Sri Lanka, we aim to strike a balance between our financial performance and our ability to provide appropriate business outcomes. This will ensure LBF's long term sustainability, improve trust in the financial system and safeguard the Company against future shocks

MATERIAL DRIVERS	TARGET SET IN 2021/22	PROGRESS
I. Sustainably growing revenue	M Focus on productivity and efficiency improvements in order to achieve cost leadership (Ongoing)	Process digitalisation
II. Risk and capital management	S Continue to implement and support a comprehensive enterprise risk management approach (Achieved)	
III. Delivering appropriate shareholder returns	L Focus on long-term profit growth to produce regular dividend payouts for shareholders. (Ongoing)	Dividend per share Rs. 5.00 (2021/22)
IV. Process excellence	S Bring NIM on par with the historical average levels (Achieved)	

Link to strategic objectives

- » Improve business margins and create shareholder value in a sustainable way
- » Demonstrate sector leadership by creating a more innovative and sustainable business
- » Implement a robust ERM framework to proactively manage factors that could affect LBF's risk profile



Strategy relevance

- SB**
- DB**
- RO**

Opportunities for future value creation

- » Identify most appropriate financial requirements to tap into under-served market segments
- » Pursue continuous innovation to develop and launch groundbreaking solutions to gain first mover advantage in the mainstream financial solutions market

Capital Impacted **FC** **MC** **IC**

Related Risks Credit Risk, Market Risk

Related Stakeholders **SH** **E** **C**

Related SDGs **8** **11** **17**

3.2 **DMW** Delivery through a motivated workforce

S Short term **M** Medium term **L** Long term

About this material matter

An agile and highly skilled workforce is vital to ensure business continuity and to maintain its competitive advantage

MATERIAL DRIVERS	TARGET SET IN 2021/22	PROGRESS
I. Employee engagement	S Increase CSR activities through digital platforms (Ongoing)	More than 60% of CSR activities were conducted through digital mediums
II. Health, safety and wellbeing	L Maintain a safe work environment to ensure zero absenteeism due to ill health	Continuous monitoring of safety systems
III. Training and development	M Systematically increase training hours to focus on specific areas (Ongoing)	21 main training programmes were conducted
IV. Benefit structure	L Expand the special reward schemes to recognize high performers (Achieved)	Performance-based bonus for employees

Link to strategic objectives

- » Develop human capital to complement the Company's long term aspirations
- » Increase motivation levels in order to reduce employee turnover
- » Surprise and delight employees by going above and beyond to assure their wellbeing



Strategy relevance

- ET**
- RO**
- SB**

Opportunities for future value creation

- » Fostering higher levels of collaboration and engagement through diversity and inclusion workshops
- » Present a high quality EVP to improve employee retention among field staff
- » Invest in employee development through structured individual development plans

Capital Impacted **IC** **SC**

Related Risks Operational Risk, Reputational Risk

Related Stakeholders **E** **C**

Related SDGs **5** **10**

MANAGEMENT DISCUSSION AND ANALYSIS

OUR MATERIAL MATTERS IN ACTION

3.3 **MCN** Meeting changing customer needs

S Short term **M** Medium term **L** Long term

About this material matter

LBF's ability to grow sustainably depends on understanding and responding to the evolving needs of the customers with a greater degree of efficiency, precision and personalization

MATERIAL DRIVERS	TARGET SET IN 2021/22	PROGRESS
I. Customer satisfaction	L Deliver customer value through digital solutions (Ongoing)	CIM digital loan granted - Rs. 534.12 Mn
II. Brand loyalty and Company reputation	M To become the most trusted financial services brand (Achieved)	
III. Regional expansion	L Promote greater financial inclusion among undeserved communities (Ongoing)	55% branches opened outside of Western Province
IV. Online customer support	S Increase brand visibility on social media (Ongoing)	More than 9,000 members in LB Fan Club Facebook page

Link to strategic objectives

- » Be a leader in customer satisfaction by placing the customer at the center of everything
- » Earn the trust and loyalty of customers through straightforward and open communication
- » Provide a range of alternatives to enable customers to gain remote access to LBF's products, services and care support



Strategy relevance

- SB**
- DB**
- RO**

Opportunities for future value creation

- » Optimise systems and invest in fit-for-purpose technology solutions to support strategy delivery
- » Leverage digital technology and data assets to understand customer needs and develop timely and relevant responses to meet these requirements

Capital Impacted **SC** **MC** **HC**

Related Risks Reputational Risk

Related Stakeholders **E** **C** **S/C**

Related SDGs **8** **9**

3.4 **PSS** Prosperous and sustainable society

S Short term **M** Medium term **L** Long term

About this material matter

Complying with legal and regulatory frameworks and operating in good faith in-line with industry best practices, strengthens the legitimacy of the business, reaffirms LBF's status quo as a responsible corporate steward and enhances the reputation of the LB brand within the NBF sector

MATERIAL DRIVERS	TARGET SET IN 2021/22	PROGRESS
I. Ethics and transparency	L Align with the value culture set out in under LBF's Code of Business Conduct (Ongoing)	Online awareness initiatives to reinforce of ethics and integrity
II. Corporate citizenship	S Raise awareness regarding LBF's CSR initiatives on social media (Ongoing)	Investment Rs. 12.94 Mn in CSR initiatives
III. Social licenses to operate	S Supporting job creation and employment opportunities (Ongoing)	1,734 new employees recruited
IV. Environmental management	M Digital innovations and process digitization contributes to a reduction in carbon emissions (Ongoing)	Reduction of paper usage

Link to strategic objectives

- » Maintaining high ethical standards, responsible lending practices, proactive risk management and fair treatment of employees, customers and other stakeholders in compliance with all regulatory frameworks applicable to the business
- » Leverage LBF's expertise as a financial solutions provider to offer rural communities the benefits of the formal financial system



Strategy relevance

- DB**
- ET**
- RO**

Opportunities for future value creation

- » Increase the opportunity, capacity and capability of employees to drive operational excellence
- » Prevent the further spread of COVID-19, and comprehensively manage its impact on the lives and livelihoods of our people.
- » Consistently ensure socioeconomic value creation and environmental stewardship

Capital Impacted **SC** **NC** **FC**

Related Risks Legal Risk, Reputation Risk

Related Stakeholders **C** **S/C**

Related SDGs **1** **2** **3** **4** **13**

MANAGEMENT DISCUSSION AND ANALYSIS

OUR MATERIAL MATTERS IN ACTION

3.5 **DTD** Disruptive technologies as a key differentiator

S Short term **M** Medium term **L** Long term

About this material matter

Technology is at the heart of LBF's business approach and defines the way we think and act. We use technology driven platforms as a key differentiator to achieve business excellence in a fiercely competitive market

MATERIAL DRIVERS	TARGET SET IN 2021/22	PROGRESS
I. Innovation	Increasing investment to develop digital channels (Ongoing)	Rs. 69.66 Mn invested on IT (ongoing)
II. Information security	Further strengthening of business continuity and disaster recovery plans (Ongoing)	Continuous awareness building on transformation security (ongoing)
III. Technological advancement	Improving efficiency of operational processes and workflow systems through automation and the use of machine learning tools	Digitalising core business systems (ongoing)

Link to strategic objectives

- » Leverage technology and innovation to stay ahead of peers by achieving value creation outcomes
- » Pursue collaborative and value adding partnerships to strengthen LBF's overall capabilities



Strategy relevance

- SB**
- DB**
- RO**

Opportunities for future value creation

- » Invest in digital and data initiatives to drive growth and create new revenue streams
- » Ensure adequate investment in digital core systems, processes and people to support growth and strategy
- » Invest proactively in digital and data initiatives that drive transformational change and strategy

Capital Impacted **SC** **IC** **HC**

Related Risks Information Security Risk

Related Stakeholders **E** **C**

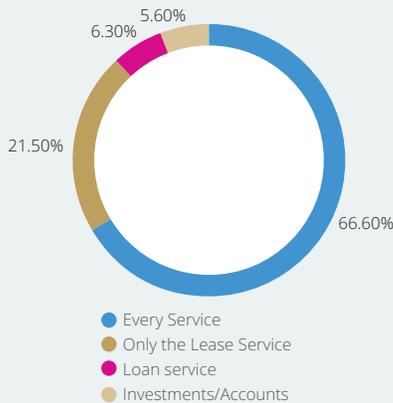
Related SDGs **9** **11**

SURVEY INSIGHTS

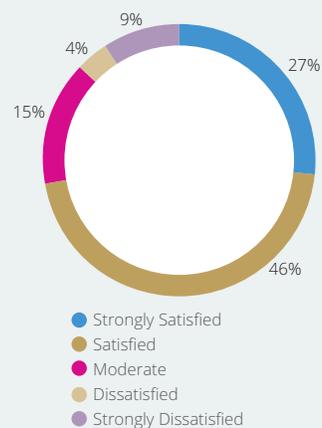


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The Department of Marketing Management
University of Sri Jayewardenepura

ASSESSING THE CUSTOMER PERCEPTION TOWARDS LB FINANCE PLC



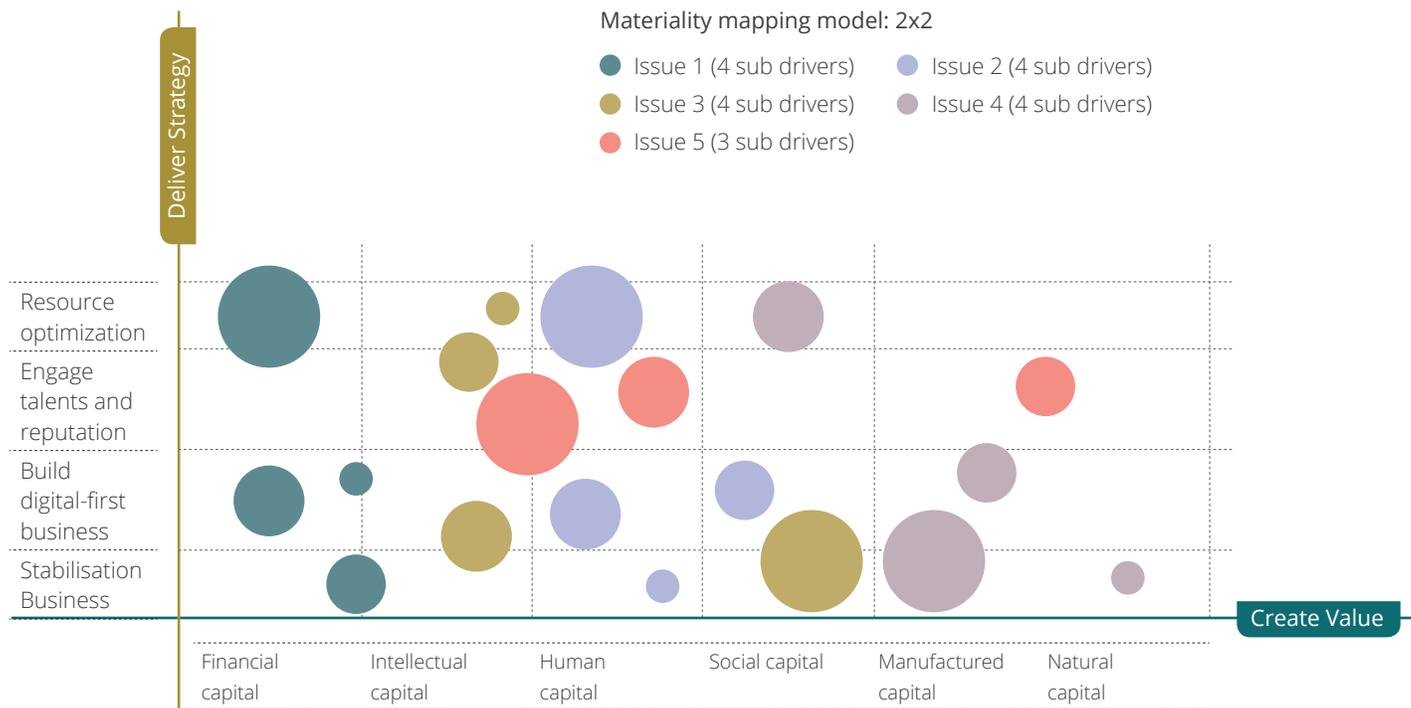
TRUSTWORTHINESS OF THE COMPANY



4 MATERIALITY DRAWING

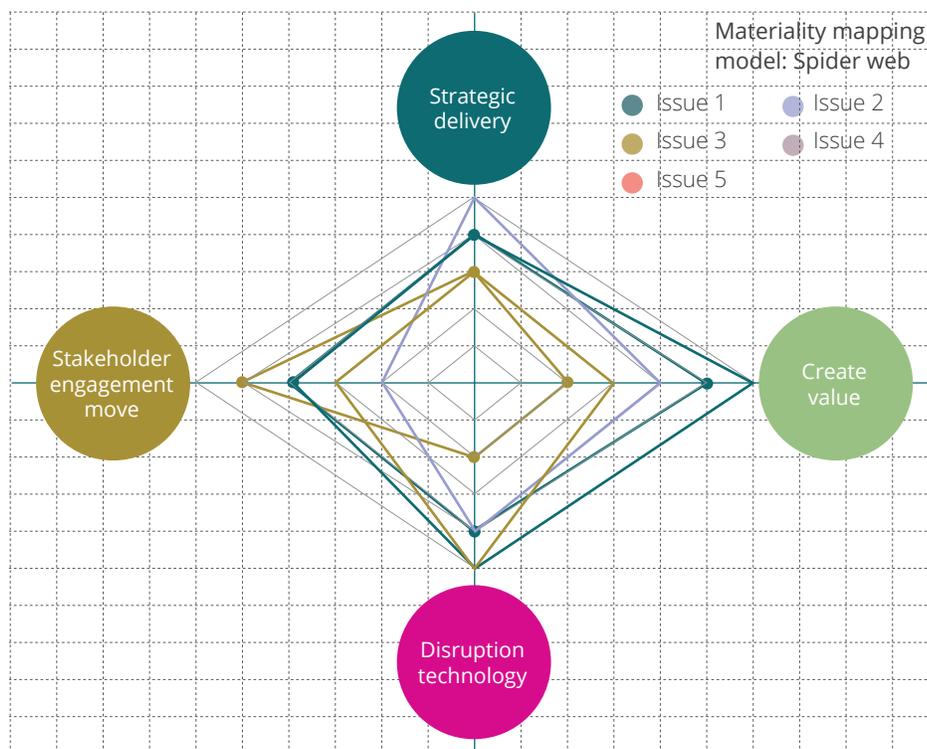
4.1 Materiality mapping

Determining material themes is crucial to guide the decision making, since it provides a broader vision of the risks and opportunities inherent in the business and connects strategies to the multiple external interests. We present below material themes which impact on our strategy and six capitals to deliver value to the stakeholders.



4.2 Materiality radar

We seek to ensure that our reporting continues to reflect our response to the material issues raised by our stakeholders and hence have plotted these issues on a materiality radar. The materiality radar presents the results of the materiality process in a different way. The coloured lines show the business and external stakeholders' views and illustrates the synergy for most of our issues. We regularly review our material issues in the context of the rapidly changing business and societal context, as well as stakeholder feedback and emerging trends.



MANAGEMENT DISCUSSION AND ANALYSIS

OUR MATERIAL MATTERS IN ACTION

5 MATERIALITY IMPACT MATRIX

To ensure that our reporting continues to reflect our response, all material topics are mapped onto a materiality scorecard. The materiality scorecard showcases how

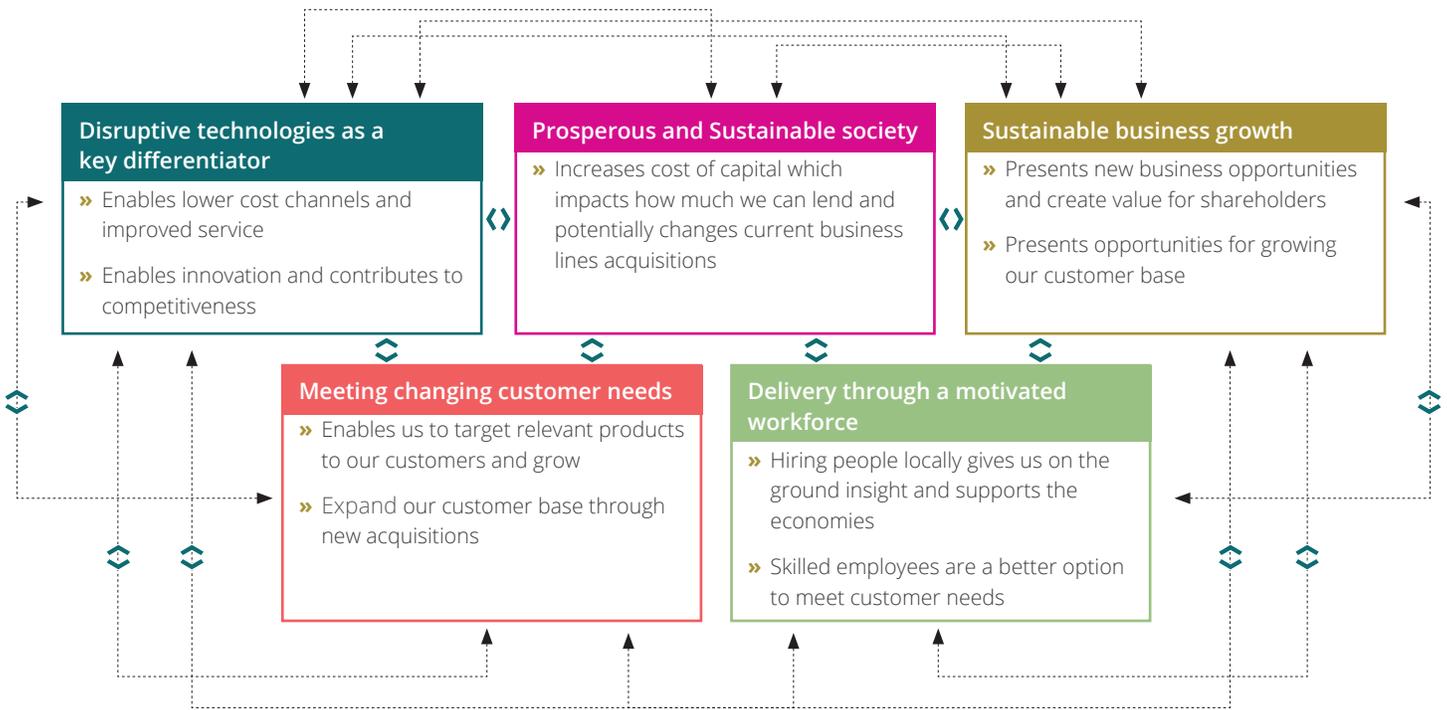
each material topic is cascaded down and operationalised. It highlights the resources allocated through the six capitals in line with our strategic focus to measure the

effectiveness of the value-driven outcomes delivered to stakeholders.

H High impact **M** Medium impact **L** Low impact

Material matters	Material themes	Impact to the six capitals						Strategic focus				Stakeholders					
		FINANCIAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	ENVIRONMENTAL CAPITAL	STABILISATION BUSINESS	BUILD DIGITAL FIRST BUSINESS	ENGAGE TALENTS AND REPUTATION	RESOURCE OPTIMIZATION	SHAREHOLDERS	CUSTOMERS	EMPLOYEES	COMMUNITIES	REGULATORS	BUSINESS PARTNERS
Sustainable business growth	Sustainably growing revenue	H	M	M	M	M	L	H	H	M	H	H	M	M	L	L	L
	Risk and capital management	H	H	H	H	M	L	H	H	H	M	L	H	H	L	L	L
	Delivering appropriate shareholder returns	H	L	L	M	H	L	M	M	M	M	H	M	H	L	H	L
	Process excellence	H	H	H	H	H	M	H	H	H	H	H	H	H	M	H	L
Delivery through a motivated workforce	Employee engagement	H	H	H	M	M	H	H	H	H	H	M	H	H	L	L	L
	Health, safety and wellbeing	H	H	H	M	H	L	H	H	L	L	M	H	M	L	H	L
	Training and development	H	H	H	H	H	H	H	H	H	L	M	H	H	M	M	L
	Benefit structure	M	M	H	M	H	L	H	H	M	M	L	H	H	M	H	L
Meeting changing customer needs	Customer satisfaction	M	H	H	H	H	L	H	M	H	M	M	H	M	M	L	L
	Brand loyalty and Company reputation	M	M	H	H	H	H	H	H	M	M	H	H	H	H	H	L
	Regional expansion	H	H	H	M	M	L	H	M	H	M	H	H	M	M	M	L
Prosperous and sustainable society	Ethics and transparency	L	L	M	H	H	L	L	M	M	H	H	M	H	H	H	H
	Corporate citizenship	M	M	M	H	H	H	H	H	H	H	H	H	H	H	H	M
	Social licenses to operate	H	H	H	H	M	L	H	M	M	M	M	H	M	H	H	H
Disruptive technologies as a key differentiator	Innovation	H	H	H	H	H	H	H	H	H	H	H	H	M	M	H	H
	Information security	H	M	H	M	M	L	H	M	H	M	H	M	M	H	H	M
	Technological advancement	H	H	H	M	M	H	H	H	M	M	M	M	M	M	M	M

6 INTERRELATIONSHIP BETWEEN MATERIAL ISSUES



FOCUS FOR THE FUTURE

The Stakeholder Engagement survey for 2021/22 - the fourth consecutive study commissioned by LBF was conducted with the expertise of several leading state universities. As in the past, the recent survey too provided the opportunity to mine stakeholder views, exchange ideas as well as to understand their needs and

expectations. Based on the findings of the survey, we have learnt that there are certain issues that show a divergence between the business and external stakeholders' views. We feel that such issues require more attention, particularly where they are more important to external stakeholders than they are to the business. Accordingly, we are now taking steps to

refine our strategies to address these issues more holistically in the future. Going forward, we are also planning to expand the scope of our next stakeholder survey by focusing on a larger sample size under each stakeholder group, which we hope would provide a broader situational assessment of our material issues.

SURVEY INSIGHTS

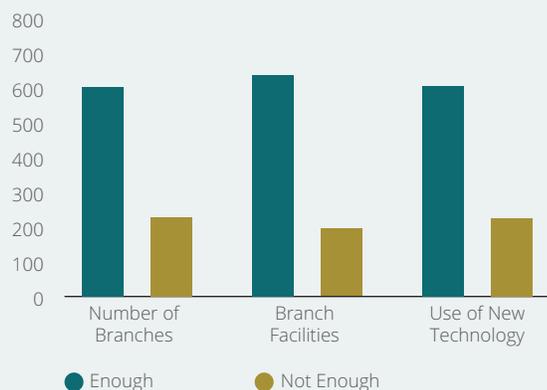


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ADEQUACY OF THE SERVICES OFFERED BY LB FINANCE PLC

No. of response





Visit web page for more information on detail strategic focus

ENERGISING THE STRATEGIC PATH

Given that our immediate operating environment was in a constant state of flux due to the repercussions of the COVID-19 pandemic, we decided to revisit our LBF's strategic objectives by end of 2021. Taking into consideration that by 2021/22, the operating environment will have shifted significantly compared to pre-pandemic levels, we sought to reassess our expectations of the future and align our growth plans accordingly. The main goal here was to put in place a framework that will allow us to balance our desire to safeguard the stability and long term sustainability of our Company, while at the same time pursuing viable growth opportunities to ensure LBF retains its industry leading position even amidst myriad challenges.



1 OUR STRATEGIC PROMISE

PROMISE TO LBF

Shared identity

- » Individually responsible for our organisation's success
- » Stronger together, than the sum of our individual parts
- » Embrace individual uniqueness and diversity
- » Transformed and diverse workforce

Common purpose

- » Each colleague has a role in achieving our purpose
- » Bringing to life the 'art of the possible'
- » People united in serving customers and humanity

Meaningful experiences

- » Actively promote learning and growth
- » Create organisation-wide development opportunities
- » Enabled working environments

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 customer's needs and aspirations
- » We will empower our customers to make their future better
- » We will provide integrated solutions that address customer needs

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
- » We will make financial services possible anytime and anywhere

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
- » We will contribute by caring for our environment and by helping others to do the same

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

Strategic direction



Visit our youtube playlist

IR	1.21	1.22	1.33	1.45	1.72	1.73.3	1.73.4	1.74
	1.75	1.82	3.2	1.4.10				



2 OUR STRATEGIC AGENDA

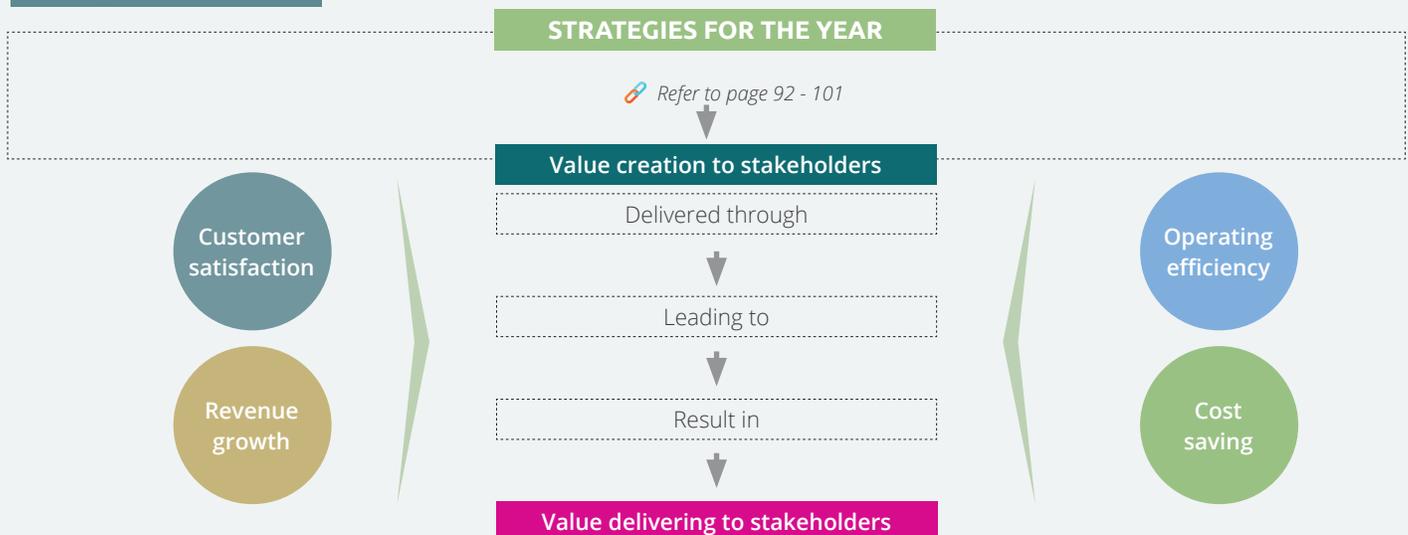
Our strategy is implemented through our key drivers, which take into account stakeholder aspiration, influences arising from our immediate operating environment, including the risks and opportunities that could potentially impact our business model. Our strategic agenda consists of three interconnected components: strategic planning, strategic matrix and strategic value creation, which collectively help to optimise the use of capitals and achieve our objectives enrooted to our ultimate goal of sustainable income and capital growth.

To support the systematic allocation of capital resources, we have established three distinct planning cycles; short term strategies, medium term strategies and long term strategies.

2.1 Strategic matrix

		TIME FRAME				
		10 – 20 Years	05 – 10 Years	01 – 05 Years	01 Year	Day/Week/Month
	Purpose	Align with country goals and SDGs	Long term business capacity development	Achieve strategic targets	Resource planning	Resource allocation
	Focus (What)	Contribution to the economy	Value creation for all stakeholders	Company overall profitability	Business line growth	Business targets
	Focus (Where)	National economy	Entire company	Main business domains	Individual product lines	Business units
	Plan	National level strategies	Long term strategies	Corporate level strategies	Business level strategies	Operational level strategies
		Level 05	Level 04	Level 03	Level 02	Level 01

Strategic value creation



MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC ROADMAP

2.2 Strategic planning





3 STRATEGIC PERFORMANCE



BUSINESS STABILITY

Related material theme	Capital relevance	SDG impacted
SBG	FC	9

Objective

As a responsible organisation, it is our duty to provide a range of immediate and medium-term measures to mitigate the detrimental impacts of a crisis like COVID-19. To stay ahead of peers in amidst this fluid environment, we seek to continuously improve our value propositions. Our strategy is to pursue growth prospects via acquisitions, expansion into high-potential areas and partnering with key organisations.

Action plan

- » Strategic approach to cost management and investments to unlock future growth potential
- » Managed evolution through process automation to strengthen our core systems
- » Integrated, omni-channel infrastructure to give customers to seamless access high-quality products

Target

Drive inorganic growth by developing a dedicated digital financing platform for small businesses to be operationalised through ground level partnerships

KPI	2016/17 (5 years back)	2019/20	2020/21	2021/22	Trend			Responsibility assigned to
					Current year	Medium term	Long term	
Cost to income ratio	39.01	33.44	30.56	29.28	▼	▼	▲	Finance Department
Branch openings	8	2	4	12	▲	▲	▲	



Potential risks implications

The COVID-19 pandemic restricted business expansion, while the ban on vehicle imports affected our ability to canvas new leasing business

Resource allocation

We have significantly increased the allocation of financial and human capital resources in-line with our objective to grow the business and maintain operating margins

Value creation activities

- » Cost control programmes and deployment of digital financing solutions to exposit the customers migration to digital channels
- » Recruited, trained and mobilised additional human resources to strengthen the IT based solutions
- » Rolled out a new Gold Loan system "Eclipse" to enhance the customer experience through faster turnaround times

Looking ahead

- » Evolving LBF's physical distribution networks by deepening the integration with digital technology
- » Increasing the number of self-service solutions available to the customer

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC ROADMAP

 BUILD A DIGITAL FIRST BUSINESS	Related material theme	Capital relevance	SDG impacted
	SBG	FC	9

Objective

Become the first financial service provider who responds to the digital challenges in a customer-centric manner by delivering market-leading customer solutions to improve client satisfaction levels

Action plan

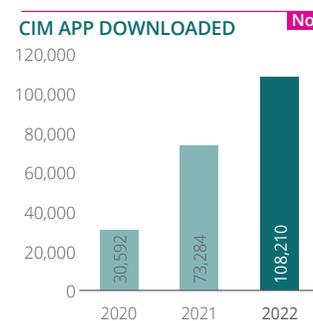
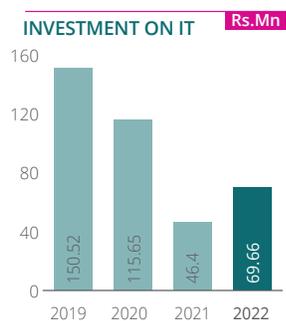
- » Leverage on the versatility of LBF's core system to enhance digital transaction growth and automate workflow systems
- » Digitisation to simplify product and system landscape and to enable customer to access the requisite products and services digitally

Target

The digitisation of our products and services remains a key focus as we continue to invest in our platforms and innovative customer value propositions.

Performance

KPI	2016/17 (5 years back)	2019/20	2020/21	2021/22	Trend			Responsibility assigned to
					Current year	Medium term	Long term	
CIM wallet transactions (No.)	-	1,445.04	6,257.85	1,1049.92	▲	▲	▲	DFS and IT
CIM digital loan granted (Rs.Mn)	-	-	-	534.12	▲	▲	▲	



Potential risks implications

Inadequate digital coverage with regard to cyber security and data privacy

Resource allocation

We devote financial resources to cater to the needs of the market. Our aim is to assign financial capital to accelerate core business activities in order to attract and maintain a loyal base of high quality customers

Value creation activities

- » The launch of the LB CIM wallet supports greater customer convenience as it allows customers to perform business transactions 24/7, 365
- » Opportunities to promote financial inclusion and increase the number of customers using formal financial services

Looking ahead

- » In the next few business cycles, we will look into harness big data capability as we seek to personalise our customer's offer of goods and pursue cross-selling
- » We will also increase the use of AI based predictive analysis tools to pre-empt customer behaviour



ENGAGE TALENT

ET

Related material theme

SBG

Capital relevance

FC

SDG impacted

9

Objective

Drive a high performance culture by offering the best in-class employee value proposition. By focusing on offering a superior employee experience, we are also looking to enhance LBF's reputation as an employer of choice among Sri Lanka's financial sector institutions

Action plan

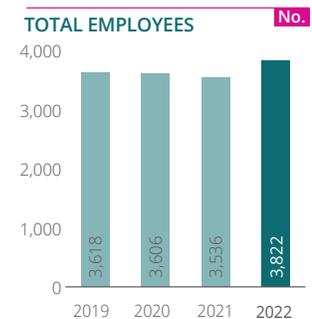
- » Create a bi-model delivery team to drive change and innovation within the Company and speed up the implementation of strategic initiatives
- » Manage multi-skills of employees to create a high-performing organisation
- » Create compelling reasons for the wider public to engage with the brand on an ongoing basis through social media

Target

Empower LBF with dynamic, engaged and high-performing human capital capable of driving continuous change initiatives across the Company including managing the culture shift to support digital transformation

Performance

KPI	2016/17 (5 years back)	2019/20	2020/21	2021/22	Trend			Responsibility assigned to
					Current year	Medium term	Long term	
New recruitments	1,096	1,291	999	1,734	▲	▲	▼	Marketing and HR
Brand ranking	80	29	25	24	▲	▼	▲	HR



Potential risks implications

Skill obsolescence and change management issues that arise due to employees resist in digital adoption

Resource allocation

Financial products and services are increasingly digitised, it will lead to a reduction in overall headcount, headcount dependent activities, outlets (both the branch numbers and size) and resulting in cost savings. These cost savings are partially offset by the impact of IT investments

Value creation activities

- » Ongoing training interventions to build a stable talent pipeline among the middle, senior and executive cadre
- » Targeted skill development training activities to strengthen critical skills in areas such as IT, customer services and marketing

Looking ahead

- » Creating a compelling and differentiated Employer Value Proposition (EVP) to attract and retain talent in the highly competitive financial services sector

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC ROADMAP

 RESOURCE OPTIMISATION RO	Related material theme	Capital relevance	SDG impacted
	SBG	FC	9

Objective

Ensuring resource allocation is not only for the purpose of business growth, but also cascades down to benefit the environment over time, which would ultimately contribute towards lowering the global risk of climate change.

Action plan

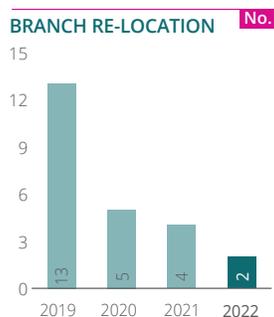
- » Automate internal processes to bring about a systematic reduction in company wide use of paper
- » Re-engineer digital channel architecture to support customers to regulate their carbon footprint
- » Encourage green business practices and process within the organisation

Target

Being purpose led includes optimizing our role, and impact across our value chain in such a way that would deliver meaningful social and environmental benefits.

Performance

KPI	2016/17 (5 years back)	2019/20	2020/21	2021/22	Trend			Responsibility assigned to
					Current year	Medium term	Long term	
Green lending (Rs. Mn)	2,471.36	5,401.45	3,515.66	3,268.88	▼	▲	▲	Finance and business units
Carbon footprint	4,361	4,484	3,110	3,259	▲	▲	▼	



Potential risks implications

Adverse economic conditions that were seen in 2021 might result in a shift in resource utilisation priorities.

Resource allocation

We continue to measure and monitor our progress against global benchmarks to recalibrate the use of existing resources to support the business and drive revenue.

Value creation activities

- » We seek opportunities to generate new revenue streams from existing and emerging digital services. Each opportunity will be considered on its merits, and will inform the decision to build or partner.

Looking ahead

- » LBF's capacity to fulfill its strategic imperatives as a leading Sri Lankan financial institution will depend on our ability to manage resources in an efficient manner to fuel organic growth potential and produce a range of diversified revenue streams while also reducing costs.

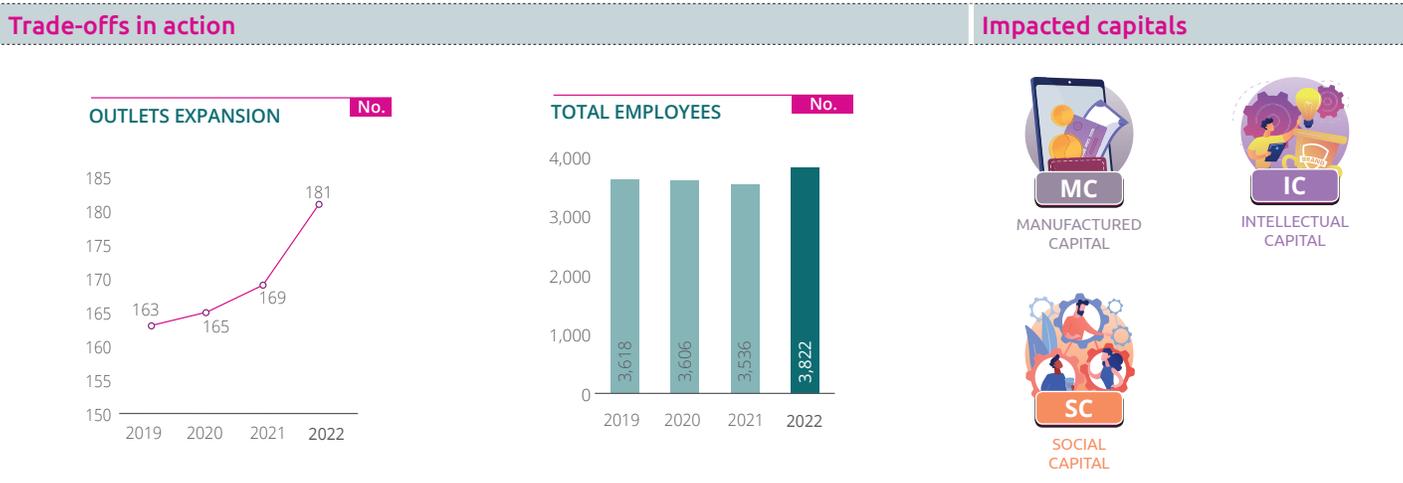
4 STRATEGIC TRADE-OFF

4.1 Strategic focus making trade off with capitals

We continue to allocate our capital and resources efficiently via our strategic enablers towards our four strategic priorities. This requires making tradeoffs, by assessing the availability and quality of capital inputs while making tough decisions to balance the short and long term objectives of the Company and that of its stakeholders. Below are the primary tradeoffs we made and the rationale behind our decisions.

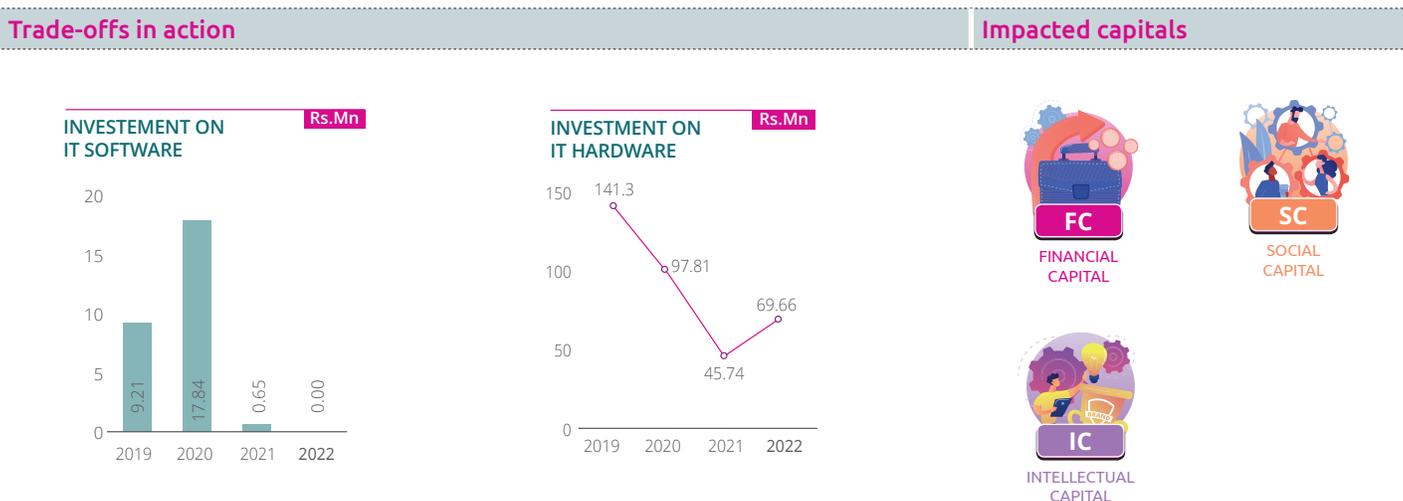
STABILISATION BUSINESS - DIGITAL FINANCING VS. TRADITIONAL FINANCING

As we proceed to innovate our offerings with the use of digital solutions, we need to consider the trade-off between staff, physical outlets and digital innovations. We also consider how customer adoption of digital solutions can have a bearing on reducing human interaction



BUILD DIGITAL- FIRST BUSINESS VS. MIGRATING TO A DIGITAL WORKPLACE

Automating workflow systems are intended to improve employee productivity. However, the resistance to change may have a negative impact on employee satisfaction levels.



MANAGEMENT DISCUSSION AND ANALYSIS

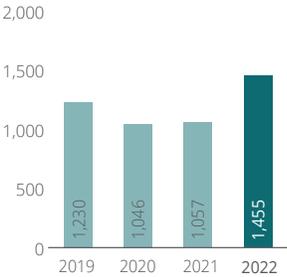
STRATEGIC ROADMAP

ENGAGE TALENTS AND REPUTATION VS. MANAGE MULTI-SKILLING OF EMPLOYEES TO CREATE A HIGH-PERFORMING CULTURE

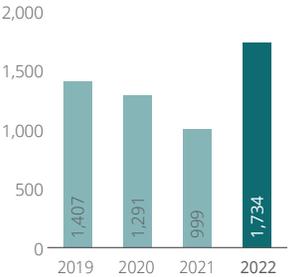
Comprehensive culture shaping initiatives to embed the principles of inclusivity, diversity, entrepreneurship and ownership in the workplace aims to bring employees closer to our customers. However, at the same time, being in the financial services industry, employee turnover remains high.

Trade-offs in action **Impacted capitals**

EMPLOYEE TURNOVER No.



EMPLOYEE RECRUITMENT No.



RESOURCE OPTIMISATION

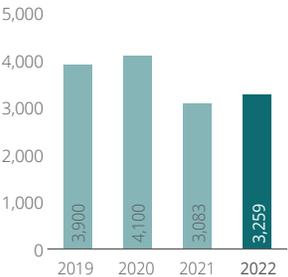
We are concentrating our efforts on green financing operations (natural capital); to help the transition to a low-carbon economy via the mobilisation of additional financial resources coupled with more sophisticated climate risk management skills in the future. Our continued efforts to decrease our direct operating footprint will be guided by our science based objectives for the year 2030.

Trade-offs in action **Impacted capitals**

ECONOMIC VALUE DISTRIBUTION AND RETAIN Rs.Mn

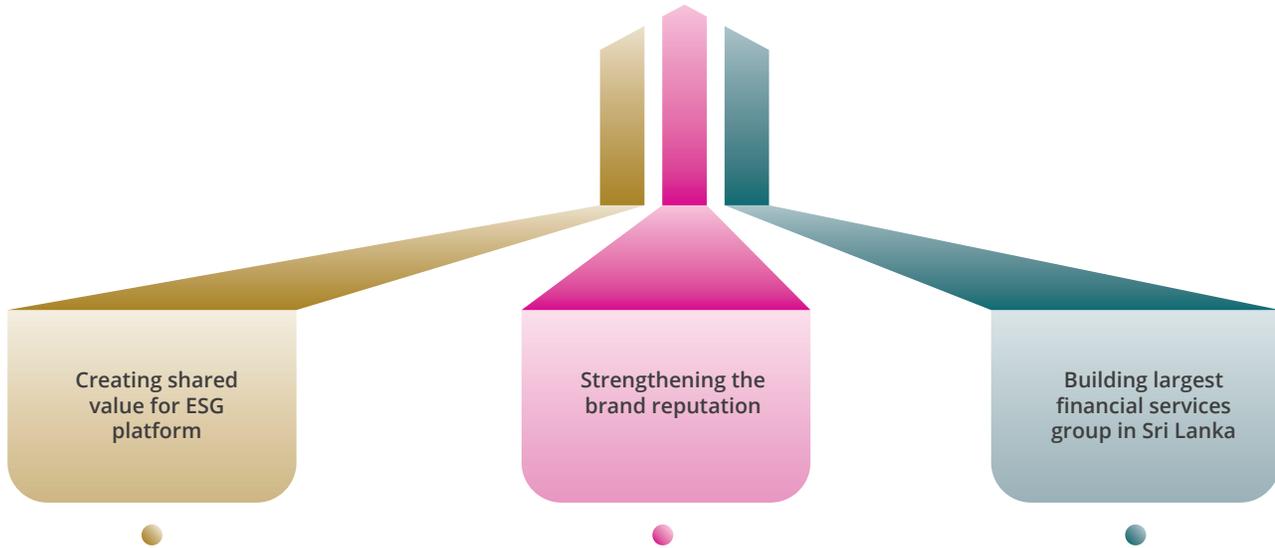


CARBON FOOTPRINT tCO₂e



5 OUR 2030 SUSTAINABILITY AMBITION

AMBITION 2030 Pillars of Success



Medium term objectives

- » Scaling our social and environmental impact
- » Accomplishing the utmost ratings across selected environmental, social and governance indexes and awards

- » A dominant and most recognised brand
- » Guided by a strong core purpose and values
- » Analyse geographic footprint to enhance resilience to market shocks

- » Be the largest and most sophisticated behavioural platform linked to financial services
- » Product differentiation across companies and operation as a fully integrated composite company with an emphasis on the customer journey
- » Using the best composite business model, LBF is poised for development as the leading composite financial service provider in Sri Lanka.

Long term objectives

- » Set aspiration for sustainability, climate change, financial inclusion and other ESG factors
- » Integrate ESG, corporate prolonged existence and shareholder value

- » Brand measure and market position
- » Review purpose in light of customers' and stakeholder's expectations
- » Develop plans with new and more severe scenarios for cyber attack

- » Reinventing the business model
- » Business expansion
- » Embrace with digital product portfolios
- » Consistent 360 view of customers
- » Hyper personalise financing and beyond financial offerings
- » Advance IT design to support massive transfer of customers to digital channels and propositions

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW



INVESTING

SAFE PLACE TO SAVE AND INVEST YOUR MONEY

We focused on educating our customers to choose institutions with financial strength and stability. This was the selling proposition to increase our deposit base at a lower cost. Deposit products form the primary funding source of our Company. Fixed Deposits and Savings Deposits constitute our deposit base. Mobilising and maintaining a healthy deposit base is critical for further expansion and growth. The strength of our brand and market confidence has enabled us to achieve one of the largest deposit base among the LFCs in Sri Lanka. Our diversified branch network and strong corporate image are key drivers of customer confidence in our Company.



Mr. Niroshan Udage
Deputy Managing Director

OUR APPROACH

The outbreak of the COVID-19 has altered the way businesses are conducted, with a new focus placed on digital technologies. There are a number of elements that are coming together to provide a positive prognosis for both developing and established economies in the year. LBF investing activities maintain its emphasis on product innovation and distribution in the face of this challenging environment. Furthermore, a number of efforts are now ongoing to uncover new possibilities and enhance the company's digital offering in order to provide compelling customer experiences while also streamlining user and administrative operations. We are also committed to extending our market-leading collaborations with world-class asset managers, which will allow our customers to take advantage of global investment possibilities in the future.

Core competencies

- » A diverse range of highly customer centric innovative products
- » Convenient process for deposit account opening at any branch
- » Additional support including greater flexibility and improved visibility through the digital process and CIM wallet

Product Offerings



Value additions through digital transformation

Deposits

New features, including real time updates introduced to the LB CIM Wallet app

Enabling the issuing of FD certificate from any branch



Stakeholders expectations

- » Highest security
- » Best return for the investment
- » Strong operational performance including efficiency, revenue growth and returns
- » Excellent customer service and advice
- » Customer satisfaction and enhance service standards
- » Best practice safety measures for customer wellbeing
- » Well-being initiatives to manage the stress brought on by the pandemic and recent unrest

English version PLAY LIST 16

Sinhala version PLAY LIST 17

Tamil version PLAY LIST 18



SWOT ANALYSIS

S STRENGTHS

- » Having over 50 years of experience in the marketplace, track record as a responsible, stable, proactive and customer-focused financial service provider in investment products

W WEAKNESSES

- » Business direct focus on becoming the primary channel for new customer acquisition
- » Not focus on cross-sell opportunities into merchant services base

O OPPORTUNITIES

- » Identifying initiative to ensure the integrate the business financing model into some common shared services capabilities that drive business process efficiencies and reduce overheads

T THREATS

- » Increased pressures from competitors who resort to price wars and other unethical business practices

1 DEPOSIT

Offering competitive interest rates and a broad range of tenure options, LBF's term deposits cater to all segments of the market. Similarly, LBF's savings proposition too serves all main segments of the market.

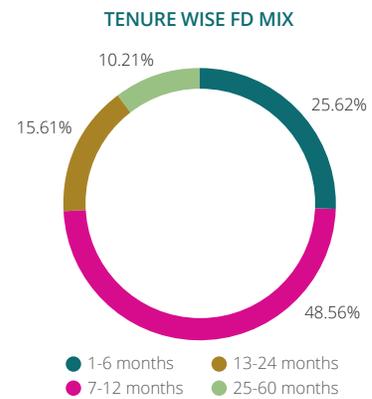
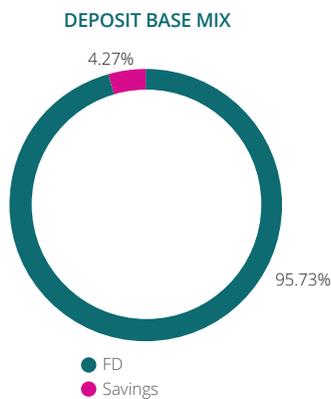
1.1 Fixed Deposit



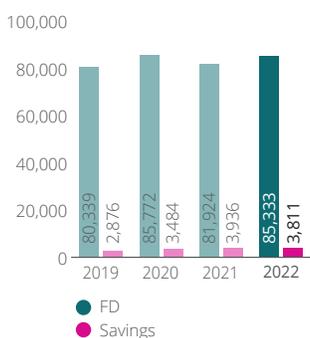
Having experienced limited opportunities for fixed deposit mobilisation throughout the last financial year and in the first half of the current financial year, the second half of financial year 2021/22 presented some clear opportunities for portfolio growth as the appetite for term deposits finally picked up in tandem with the upward movement in policy interest rates from August 2021 onwards. While keen to capitalise on the renewed interest for term deposits, the Company continued to be mindful that the deposit mobilisation activities should remain strictly aligned to LBF's funding and liquidity requirements. Accordingly, it was decided to prioritise customer retention, with broad based efforts in this regard ensuring overall retention ratios were maintained at best level. On a related note, a significantly higher retention ratio was observed in the senior citizen's category.

brand equity and legacy of success of over 50 years. These efforts yielded good results as evidenced by the changes in the deposit mix, in particular the strong improvement in the 1 -3 month tenure deposits base. The resulting year on year increase in the overall term deposit customer base also further supports the Company's portfolio diversification strategy.

Performance



DEPOSIT BASE Rs.Mn



Meanwhile, special emphasis on portfolio diversification continued in this year as well in line with LBF's approach to managing its cost of funds. Seeking to take advantage of customers' preference for shorter tenure deposits in the context of rising interest rates, LBF leveraged on social media to create awareness regarding its offerings. The social media campaign was not structured specifically to promote term deposits, but rather to highlight LBF's

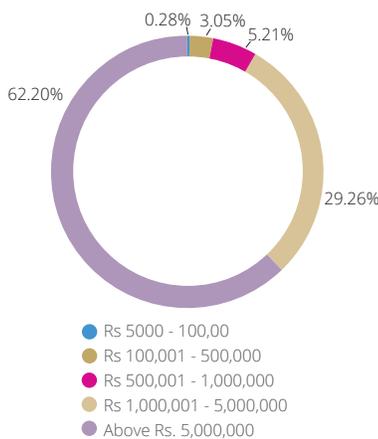
Impact on LBF's Risk Profile Liquidity Risk (H)

Refer Risk Management Report on page 262

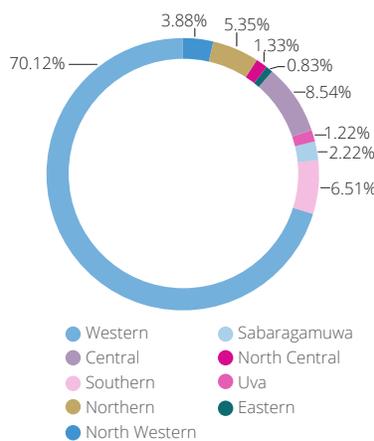
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW

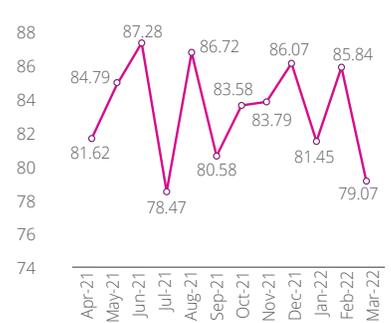
AMOUNT WISE FD MIX (VOLUME)



PROVINCE WISE FD BASE (NUMBER OF CUSTOMERS)



FD RENEWAL RATIO



1.2 Savings



Decreasing movement was observed in LBF's savings portfolio in the current financial year. While retention ratios have remained strong throughout the year, the ability to generate new volumes in the few months of the current financial year was dampened as the market proclivity for savings diminished amidst low interest rates. However, a slight reversal in this trend was seen following the interest rate hikes starting from August 2021 which allowed the Company to generate some new volumes in the second half of financial year 2021/22. Consequently, LBF's savings portfolio recorded a marginal increase in the year under review compared to the previous financial year. In an environment where interest rates appear to be on the

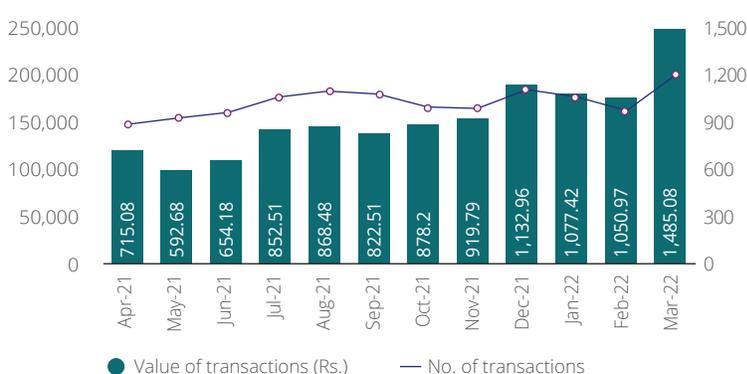
rise, LBF will accelerate efforts to grow its savings portfolio through a combination of customer retention and new customer acquisition strategies. In this regard, the Company has set an ambitious target of doubling its current savings base by end-2022/23.

Performance

ATM TRANSACTIONS



CIM WALLET TRANSACTIONS



Special Promotions





OUTLOOK FOR THE FUTURE

LBF's deposit mobilisation strategy will remain more or less unchanged. Going forward, the Company will focus on further strengthening its retention ratio, while strategically pursuing opportunities to secure lower the cost of funding via the FD proposition. As always building up the savings base will also be a key priority in the years ahead. In this regard LBF will strive for differentiation through structured savings products coupled with advanced technology based solutions to secure a definite competitive advantage over peers.

BUILDING FOR FUTURE

Term	Objectives	Related strategic focus	Related material drivers	Related stakeholders	SDGs impact
Short term	Digitalisation of deposit products under the LB CIM digital wallet			C SH E	8 12
Medium term	Explore alternative channels to on-board customers			C SH S/C	9 11
Long term	Interactive digital platform to facilitate real time customer engagement			C SH	9 12

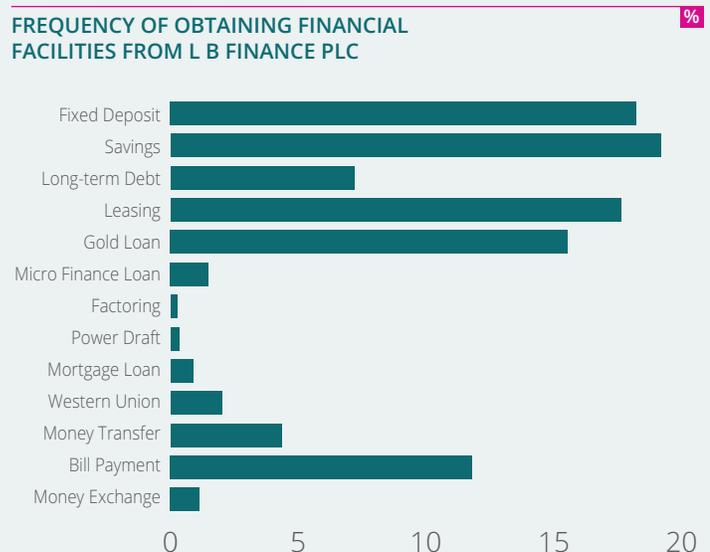
SURVEY INSIGHTS



Study conducted by:
The Department of Marketing Management
University of Sri Jayewardenepura



FREQUENCY OF OBTAINING FINANCIAL FACILITIES FROM L B FINANCE PLC



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW



FINANCING

BEST PLACE TO OBTAIN FINANCING FACILITIES

With the economic crisis that arose on the back of the COVID-19 pandemic setting the backdrop for the year, the entire financial services sector found itself challenged by the sluggish credit appetite in the market. Not willing to let this scenario define LBF's prospects for the financial year 2021/22, the Company's lending teams swung into action in a bid to seize available opportunities in the market. Tactical strategies were deployed with the aim of retaining LBF's captive market in the auto finance segment as the Company's core business.



Mr. Ravindra Yatawara
Executive Director

OUR APPROACH

In the recent year with the pandemic, tools in the financial market such as interest rates and vehicle prices performed well in this financial year. LBF's financing activities having made some good headway in this market in the current financial year and the finance portfolio will look to further expand in the captive market share and consolidate its position in this space in the year.

Core competencies

- » A diverse product suite to cater all customer segments
- » Flexible and tailored solutions to match customer needs
- » Robust multi channels environment for convenient access
- » Best-in-class service that includes guaranteed quick turnaround times and continuous support

Product Offerings



Value additions through digital transformation

Auto Finance	Gold Loans
Digital credit approval system	Gold Loan top integration with the LB CIM wallet app

Stakeholders expectations

- » Speed of delivery
- » Innovate new products and operational process to improve efficiency
- » Cost-effective, convenient and innovative financial services
- » Enforcing processes, practices and controls to comply with all applicable rules and regulations
- » Customer education and building relationships
- » New products enabled by the Company's digitisation strategy

Financing



Visit our youtube playlist

SWOT ANALYSIS



Business performance

Portfolio growth (%)	2017/18	2018/19	2019/20	2020/21	2021/22
Lease	13.62	6.01	(8.18)	(21.88)	(11.46)
Vehicle loan	(3.10)	40.91	107.63	40.55	47.30
Mortgage loan	12.49	(10.56)	(18.15)	(28.85)	(9.01)
Personal loan	190.57	38.76	29.09	6.44	33.87
FD loan	34.94	10.69	15.98	(10.10)	17.63
Power draft	25.54	38.50	4.33	0.59	200.30
Gold loan	23.61	27.89	20.02	17.32	26.22
Other	(42.78)	(58.55)	(45.22)	(18.37)	5.40

1 AUTO FINANCE



The continuation of the COVID-19 pandemic and its related challenges for the second consecutive year, yet again had a sizable impact on LBF's auto finance business. The leasing operation remained under stress due to the ongoing vehicle import ban preventing any new vehicles from entering the market. Supply side pressures stemming from this had a cascading effect leading to the artificial appreciation in the price of registered vehicles.

Anticipating that the higher vehicle prices would likely lead to unusually high volumes of loan / lease settlements, LBF took proactive steps to consolidate its auto finance portfolio. Strategic repricing was undertaken to support the retention

of existing customers. At the same time, capitalising on the conducive environment created by the elevated vehicle prices and the low interest rates in the first half of 2021, a concerted effort was made to drive granting volumes. Strong emphasis was also placed on expanding the island-wide customer reach and coupled with dealer engagement initiatives to further strengthen these networks. However the most significant development by far in terms of LBF's credit granting strategy was the live roll out of the digital credit approval procedure in 2021. The fully automated process, while eliminating the need for cumbersome paper-based forms and documentation, also has the added functionality to support remote approvals, which together has expedited the time taken between initial customer contact to final approval to a mere few hours as opposed to the standard 2 -3 days with the traditional physical file system.

Key Macro-Economic challenges

- » COVID-19 Pandemic impact
- » Ongoing tightening of LTV rules
- » Additional regulatory controls to restrict import of vehicles

1.1 Performance Outcome

In testimony to LBF's robust yield management strategies, the net interest margin of the auto finance business also improved significantly compared to the previous year, another commendable result that comes amidst policy rate hikes declared by the CBSL.

Impact on LBF's Risk Profile

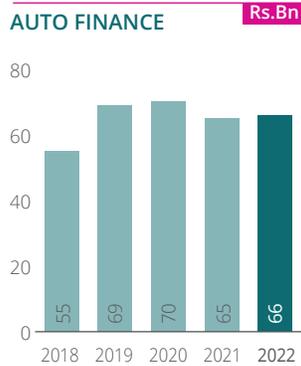
- » Credit Risk (H)

Refer Risk Management Report on page 262

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW

Meanwhile collections remained a key challenge, particularly when door collections were rendered impossible during COVID-19 lockdowns and travel restrictions periods. The moratorium extension granted to the tourism and transport sectors along with the ongoing ban repossession also had an impact on the recovery of arrears. However, aggressive recovery action to focus on arrears of non-moratorium customers, including the granting of special incentives such as special fee waivers for early settlement as well as digital payment solutions through the LB CIM wallet app all yielded good results and ensured the Company NPL's ratio was well managed throughout the year. The customer's tendency to take advantage of the higher asset cover to make bulk settlements also had a strong positive impact on the collections front and in reducing impairment provisions for the year.



Special Promotions



1.2 Outlook for the future

Having responded remarkably well to the challenges of the past two years, LBF will look to further consolidate its position in the auto finance sphere in the coming year. Given that the economic environment is likely to remain in a state of flux for some time to come, maintaining portfolio quality will take immediate precedence. The focus for the next twelve months would be centered primarily on recoveries as the moratoriums that are currently in force come to end. As always, growing captive market share remains a priority. Nonetheless in light of the extensive economic uncertainties a prudent lending approach will serve as the key underpinning factor in LBF's medium term credit granting strategy.

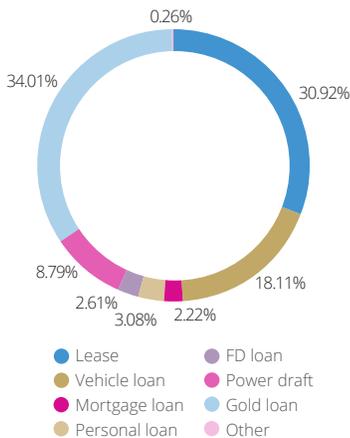
2 GOLD LOAN



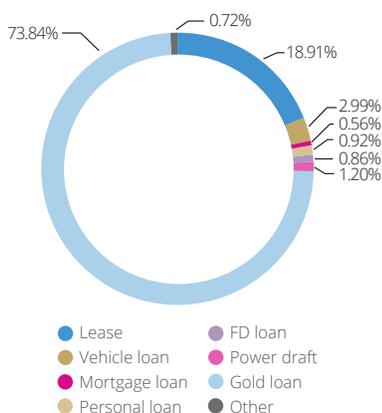
LBF's Gold Loan operation made some significant strides in the current financial year. In an environment, where the appetite for Gold Loans from the market was seemingly unaffected by pandemic related challenges, LBF moved swiftly to strengthen captive market share. Faced with stiff competitive pressure from the NBF sector as well as from the banking sector, LBF adopted a multi-pronged approach to focus on new customer's acquisition as well as retention of existing customers.

The Company's Gold Loan product basket was streamlined with precise product profiles introduced in a bid to provide greater clarity and transparency regarding the advance quota, applicable rate structure and benefits entitlements under each product. Moreover, the advance quota offered through all these Gold Loan products were dynamically revised throughout the year in tandem with the upward movement in world gold prices, thus ensuring LBF Gold Loan customers were afforded the opportunity to benefit from the net value gain for their gold items. Similarly, pricing structures were revised to capture movements in the policy interest

LENDING PORTFOLIO (VOLUME)



LENDING CUSTOMER BASE COMPOSITION



rates. A culmination of these efforts ensured a solid improvement in granting volumes compared to the previous year, while LBF's Gold Loan portfolio grew by a healthy year on year.

Another notable achievement for 2021 was the launch of the Gold Loan digital facilities on the LB CIM wallet app. With this new development, customers no longer need to visit the branch counter to obtain an additional facility as they can remotely activate the pre-approved top up loan assigned to their account and instantly receive funds to his/ her wallet account. The top up loan facility, which has proven to be overwhelmingly popular among LBF's Gold Loans customers especially during COVID-19 lockdown periods.

From a promotional perspective, the Company curtailed BTL activities such as pocket campaigns in the current financial year due to COVID-19 restrictions on gatherings. The propaganda vehicle however, continued to operate throughout the year, while electronic and print and social media was also used extensively to promote LBF's Gold Loan proposition. To further improve, the effectiveness of marketing and promotional activities, the existing customer base was scrutinized and segmented into three main silos; active, inactive and matured. Call center teams were assigned to conduct call-out campaigns for each silo to raise awareness of LBF's Gold Loan products as well as to motivate dormant customers to resume their relationship with the Company, key among them was the raffle draw programme entitled, "Ran Udanaya Athata Salli Karata Maala", where winners selected at random were guaranteed to receive a gold chain.

In an effort to further strengthen LBF's Gold Loan proposition, pre-existing Gold Loan service centers were also converted into fully fledged branches. The rationale behind the conversion was to ensure Gold Loan customers have access to the full gamut of services offered by LBF including access to digital services such as CDM's (Cash Deposit Machine) installed at branches.

Key Macro-Economic Challenges

- » COVID-19 pandemic impact
- » Movements in world gold prices
- » Tough competition in the market



Special Promotions



2.1 Outlook for the future

As it stands now, it can be reasonably assumed that the future prospects for the Gold Loan business will be promising, with the size of the market expected to double over the next 3 - 5 years. Amidst this backdrop, LBF expects to divert considerable resources to firm up the Company's footprint and strengthen its island-wide reach in order to position its Gold Loan proposition as the most versatile offering available in the market.

3 MICRO - LEASING

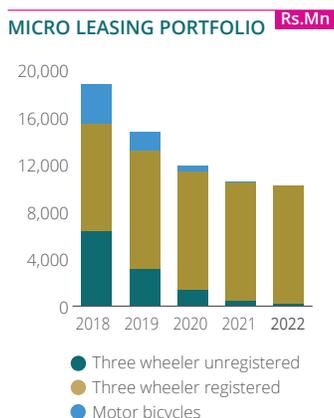


In 2021 due to the government bans of new vehicles imports, the unregistered three wheelers declined noticeably on account of the weak economic conditions in the country. Given this limited market, competitive pressures also intensified in this year under review. But the ongoing active market is used vehicle market. Also the interest rates were coming down in the previous year and it helped significantly. Now the interest rates are going up and those mentioned effects are reverse. This will be the most significant challenge. Also the foreign exchange crisis will expect to remain for another year and the contingency strategies are implemented aiming those challenges. The repayments are slowed but the customer awareness programs are conducted through the marketing officers. Faced with these multiple challenges, LBF's micro leasing operation refreshed its rate structures and rolled out several focused campaigns to appeal to the target market.

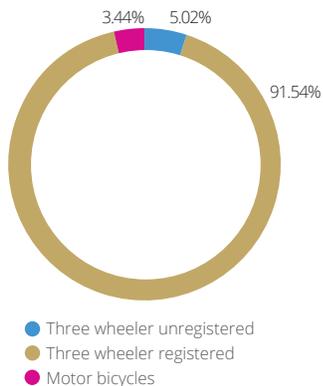
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW

3.2 Performance outcome



MICRO LEASING CUSTOMER BASE COMPOSITION



3.3 Special promotion



3.4 Outlook for the future

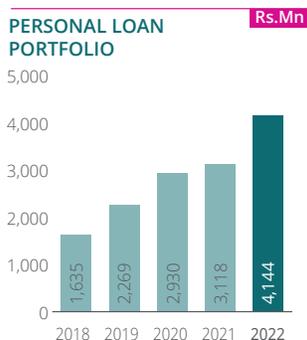
The micro leasing segment will move forward based on the assumption that the import ban will remain in place for at least the next twelve months. Amidst this backdrop it would be imperative for the segment to improve the competitiveness of its offering in order to target the broader island-wide market for registered three wheelers.

4 PERSONAL LOANS

LB FINANCE PERSONAL LOANS

It was another successful year for LBF's Personal Loan operation as the Company's key personal loan product - the "Kruthahastha" Pension Loan gained further traction among its target market. Being the only such product offered by the NBF sector, the "Kruthahastha" Pension Loan competes with similar products offered by the banks. However, the unique value added features offered through the LB CIM wallet app together with faster service delivery gives the "Kruthahastha" product a considerable competitive edge, which has made it a popular choice in the market.

Aggressive island-wide campaigning by branch teams to drive the "Kruthahastha" value proposition enabled LBF to grab a larger share of the overall pension loan market in the year under review. This was reflected in terms of a full increase in granting volumes and a healthy growth in the portfolio value compared to the previous year.



4.1 Outlook for the future

Going forward LBF will seek to further build on the success of this past year to ensure the "Krutha Hastha" pension loan product can make a steady contribution to the Company's performance. Strengthening island-wide product coverage is seen as the key catalyst in achieving these objectives.

5 MORTGAGE LOAN

LB FINANCE Mortgage LOANS

The Mortgage Loan portfolio made good headway in the year under review aided by strong demand recovery. Lending continued to be dominated by working capital and personal loan categories which accounted for close to 17% of portfolio decline for the year.

Notable growth was observed in the housing loan category as well. Low interest rates in the first half of the year saw LBF's flagship "Mul Gala" product gaining good ground. To keep the growth momentum going amidst rising interest rates in the latter part of 2021, the housing loan product was revamped and coupled with the power draft product. A focused social media campaign was also launched to promote the housing loan product to foreign income earners, mainly Sri Lankans working overseas. The campaign generated strong interest and is expected to be a key growth driver going forward.

NPL's remained under control. The strategy to focus mainly on small ticket lending over the past three years together with aggressive follow up action continued to ensure that recovery targets were achieved. Meanwhile the new credit scoring model introduced during the year is expected to be a key catalyst in safeguarding loan quality over the longer term.

5.1 Performance outcome

The mortgage loan portfolio recorded a year-on-year decline of 17%

5.2 Special promotion



5.2 Outlook for the future

As the economic environment regains a sense of normalcy over the coming months, construction activity is thought to be one of the first to restart. This scenario presents some clear opportunities for the mortgage loan operation to drive growth of its "Mul Gala" product in the FY 2022/23.

6 FACTORING



As was the case for the past few years, LBF's Factoring operation continued at a subdued pace in the FY 2021/22 as well. With the pandemic induced economic slowdown affecting a majority of the Company's Factoring client base, recovery action was further intensified in the current financial year. It was also decided that a broader strategic approach was needed to improve collections ratios and mitigate default risk associated with the Factoring portfolio. Stemming from this, scenario analysis were performed on a case-by-case basis with reschedule and flexible repayment plans offered to identified clients in risk elevated sectors.

6.1 Outlook for the future

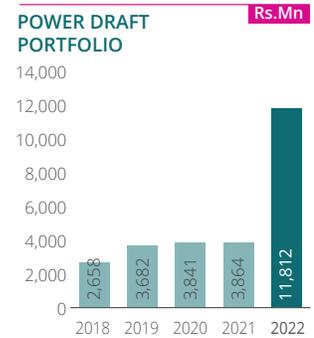
The main aim here was to help these customers to stabilise their cash flows to ensure business continuity while balancing their repayment obligations in a sustainable manner.

7 POWER DRAFT



The power draft was introduced in April 2011 to enable individuals and SMEs to obtain an overdraft facility against asset-backed collateral, with the value of the facility being used to determine the duration, usually up to maximum twelve months.

7.1 Performance outcome



7.2 Outlook for the future

- » Portfolio growth of 30% in 2022/23
- » Increase market share to achieve market leadership

BUILDING FOR FUTURE

	Term	Objectives	Related strategic focus	Related material drivers	Related stakeholders	SDGs impact
GOALS	Short term	Differentiate LBF's value proposition through a more personalised, relationship based approach	SB	SBG	C SH E	8 12
	Medium term	Enhance the customer experience through the CIM wallet integration	DB	DTD	C SH S/C	9 11
	Long term	Holistically improve the customer relationship management model	RO	PSS	C SH	9 12

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW



VALUE ADDED SERVICES

CONVENIENT PLACE FOR NON-FINANCIAL SERVICES

Continue to uphold our image in the community by continuing as a responsible, transparent and trust-worthy operator while focus will be on continuous innovation in value added services to cater to the evolving needs of the new niches that are identified. As a direct result of the economic downturn, the demand for most value added services declined sharply with the notable exception of the PayHub which recorded exponential growth in the financial year 2021/22.



Mr. B D A Perera
Executive Director

OUR APPROACH

As the busy work schedule transforms the way people think and act, we are providing our clients with simpler, more efficient payment system through integrated channels, including value added services. We have introduced a range of utility bill payment solutions and value added financial services apart from the core business to provide customer with control of all aspects of their financial needs, and improved the speed and efficiency of delivery on our value added platforms. There has been steady growth in our customer's adoption of LBF's other services, with millions of transactions generate significant amount process on

Core competencies

- » Versatile customer-focused solutions
- » Consistent and uninterrupted Service delivery

Product Offering



our value added service platforms. This service was added to the product portfolio with the intention of making our customer's lives easy. All utility bills, money exchanges,

Western Union transfers of customers are accepted through our wider spread branch network, move beyond traditional boundaries to satisfy all our customer requirements.



Stakeholders expectations

- » Simple and transparent payment platforms
- » Useful information, financial education and advice that leads to financial wellness and peace of mind
- » Trusted transaction relationship
- » Ease of transacting across channels

SWOT ANALYSIS



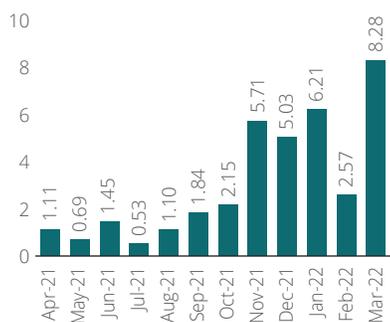
1 FOREIGN CURRENCY OPERATION



As currency circulation in the market declined for the second consecutive year amidst weak economic activity and the muted recovery of the tourism sector, LBF's foreign currency money exchange business experienced another challenging year. Volumes in the first three quarters fell sharply compared to pre-pandemic levels, before picking up in the January to March quarter following a gradual uptick in tourist arrivals from early 2022.

Currency trading activities too were largely curtailed in the year under review as many banks suspended dealing operations owing to the shortage of foreign currency in the market.

FOREIGN CURRENCY EXCHANGE TRANSACTIONS



Outlook for the future

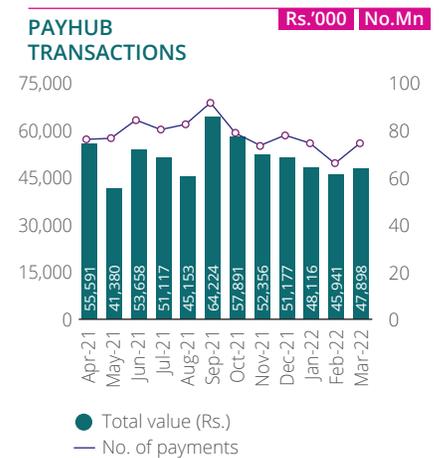
The foreign currency operation remains cautiously optimistic regarding the future. It is hoped that reopening of the airport will slowly pave the way for tourist arrivals to start trickling into the country, thus providing a much needed boost for LBF's currency exchange business.

2 PAYHUB



LBF's PayHub operation concluded FY 2021/22 on a high note by marking its best ever performance to date. Fuelled by a series of joint promotional campaigns with service providers together with general awareness building initiatives, new PayHub registrations increased by a solid base while overall transaction volumes topped the Rs. 47 Mn mark, reflecting exponential growth compared to the previous year. Meanwhile PayHub transactions channelled through the LB CIM wallet app also doubled in the year under review, as more and more customers began to appreciate the ease of managing their routine utility payments remotely at their convenience using the CIM platform.

PAYHUB TRANSACTIONS



Outlook for the future

Building on the current growth momentum will be the key priority for the PayHub operation in the years ahead. This reinforces the importance of ensuring PayHub remains not only the most robust and functionally adopted utility payment model available in the market, but also the one that maintains the highest brand recall among existing and potential users.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS LINE REVIEW

3 WESTERN UNION



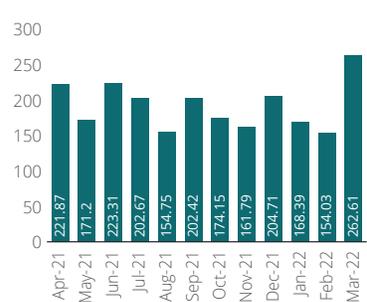
LBF's money transfer operation recorded a satisfactory performance in the current financial year. Stable remittance inflows throughout the year - albeit at a slightly more subdued pace than in previous years saw LBF's overall remittance volumes for FY 2021/22 recording a marginal decline against the previous year. Comparatively overall remittance inflows to the Country fell sharply by 7.21% on the back of severe currency volatility in the latter half of the financial year.

LBF's ability to sustain volumes was the result of aggressive promotional efforts along with extensive value added services to assist remittance beneficiaries to access funds despite pandemic related travel restrictions.

Another key enabling factor in capturing a higher share of the island-wide market was LBF's appointment as a main agent for Western Union (WU) in April 2021 which allowed the Company to build its own network of sub-agents. Following a strict screening process to evaluate the potential candidates, approval was granted by WU for the appointment of more than 10 WU

sub-agents under LBF's purview. This sub-agent network was responsible for transaction volumes for the current financial year, a commendable achievement in such a short space of time.

WESTERN UNION TRANSACTIONS Rs.Mn



Outlook for the future

With the most recent currency devaluation in March 2022 likely to prompt higher remittance flows to the Country in the coming months, LBF will aim to seize all available opportunities to grow market share. In this regard, expanding the sub-agent network is seen as a key strategic imperative. At the same time added emphasis will be put into further strengthening WU value proposition offered through the LBF branch network.

BUILDING FOR FUTURE

Term	Objectives	Related strategic focus	Related material drivers	Related stakeholders	SDGs impact
Short term	Increase targeted promotional activities to create top of mind awareness across all relevant customer segments for foreign currency exchange			C, E	8, 10
Medium term	Enhance the customer experience through digital integration for money transferring			C, E, R	11, 12
Long term	Financial education and awareness building to enhance for digital utility payments			C, E, S/C	12, 10, 4

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS OF SUBSIDIARIES

**LB MICROFINANCE
MYANMAR**

100%



LB FINANCE

64.63%



OPERATION IN OVERSEAS - LB MICROFINANCE MYANMAR

LBF's LB Microfinance Myanmar (LBMF) is a 100% fully owned subsidiary of LB Finance PLC. LBMF started its journey in 2017 with a view to developing the SME segment of Myanmar

LBMF caters to the needs of its customers through a wide range of innovative and customer-centric products and services. LBMF's robust microfinance model is geared to support the growth and development of small-scale farmers in rural Myanmar through the provision of much needed financial assistance and business development advice that would enable them to develop stable livelihoods, raise their living standards and overall quality of life. Since its inception in 2017, LBMF has continued to make significant investments in infrastructure, technology, processes and human resources in order to further deepen its penetration into this key market.



Mr. Niroshan Udage
Deputy Managing Director



VISION

To contribute to the development of sustainable and socially-significant enterprises that improve the lives of the entire nation.



VALUES

- » Excellence
- » Ethics
- » Professionalism
- » Transparency
- » Respect
- » Quality



MISSION

The mission of LB Microfinance Myanmar is to bridge the gap between ambition and achievement of the low income individuals of Myanmar by providing financial assistance to creative entrepreneurs, value-demanding consumers and innovative business partners, through a robust microfinance model leading to the creation of businesses and markets, which mutually benefit LB Microfinance Myanmar and the poor communities of Myanmar.

1. BUSINESS FOCUS

In line with its mission, LBMF's microfinance model is geared to support the growth and development of small scale farmers in rural Myanmar through the provision of much needed financial assistance and business development advice that would enable them to develop stable livelihoods, raise their living standards and overall quality of life. As part of a broader strategy, the Company has also undertaken to improve the level of financial literacy among community stakeholders through grass-root level training and knowledge sharing workshops aimed at developing a strong credit culture

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS OF SUBSIDIARIES

2. REGIONAL FOOTPRINT

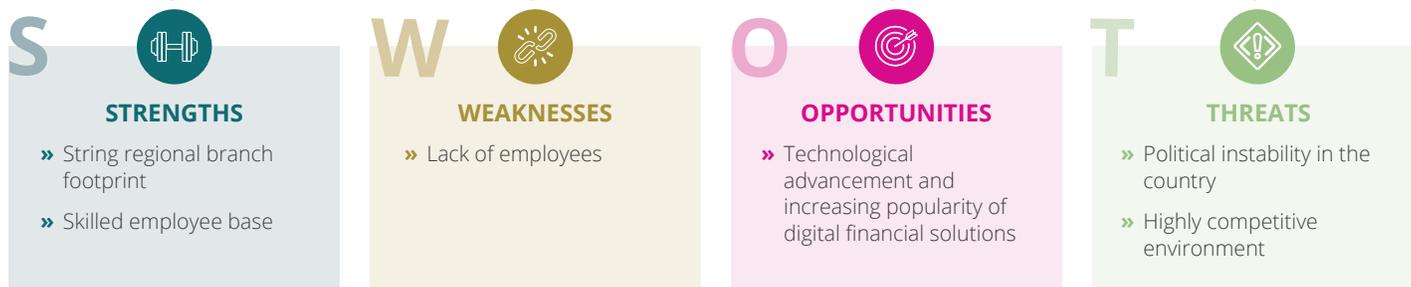


Region	Branch	Number of employees	
		Sri Lankan	Burmese
Magway	Sinbaungwe	-	7
	Magway	2	7
	Aunglan	-	7
	Minbu	-	4
	Thyet	-	5
Bago	Pyay	3	20
	Paukaung	-	8
	Shwedaung	-	9
	Paungde	-	10
	Letpadan	-	6
	Okeshitpin	-	8
	Nattalin	-	8

3. PERFORMANCE REVIEW

	2019/20	2020/21	2021/22
Total Equity (Rs. '000)	681,391	719,116	805,015
Total Assets (Rs. '000)	895,372	909,935	909,545
Income (Rs. '000)	136,811	153,235	60,552
Profit After Tax (Rs. '000)	23,805	4,208	(31,838)
ROA	3.65	0.47	(3.50)
ROE	4.58	0.60	(4.18)
Lending portfolio (Rs. '000)	554,090	688,394	804,936

SWOT ANALYSIS



4. BUILDING FOR FUTURE

Term	Objectives	Related strategic focus	Related material drivers	Related stakeholders	SDGs impact
Short term	New customer acquisition to grow the lending portfolio			C SH E	8 12
Medium term	Customer capacity building through regular and ongoing financial literacy programmes			C SH S/C	9 11
Long term	Adopt advanced technologies in business to drive operational efficiencies and expand the customer base			C SH	9 12

OPERATIONS IN LOCAL MARKET

1. MULTI FINANCE

Multi Finance PLC (MFP) is a licensed Finance Company under the Central Bank of Sri Lanka. The Company was incorporated on the 14th of October 1974 as a Limited Liability Company in Kandy. It was re-registered under the Companies Act No.07 of 2007 on the 26th of February 2009. The Ordinary shares of the Company were listed on the Colombo Stock Exchange on the 13th of July, 2011 and thus the Company changed its status to a public quoted company. In March 2022, L B Finance PLC, a Financial sector giant acquired Multi Finance under its patronage

LBF's acquired a 65% controlling stake of Multi Finance PLC (MFP) in March 2022 in line with the Central Bank's proposed consolidation strategy for the Non-Bank Financial Institutions (NBFIs) sector. Incorporated on the 14th of October 1974 as a Limited Liability Company, MFP was re-registered under the Companies Act No.07 of 2007 on the 26th of February 2009. The Ordinary shares of the Company were listed on the Colombo Stock Exchange on the 13th of July 2011, thus changing the Company's status to that of a public quoted company.

2. PRODUCT OFFERING AND BUSINESS OVERLOOK

Over the years, MFP have served all walks of life from grassroots level to the SME sector and high level corporate clients. MFP has made its presence felt with an innovative and differentiated array of products in terms of leasing, hire purchase, business loans, multi draft, SME financing, gold loan, micro finance, personal loans, educational loans and trader financing etc. MFP have been playing a pivotal role in the Sri Lankan economy in providing trustworthy, reliable, financial solutions to different sectors of the economy creating new markets and livelihoods with our expert and trained staff and go beyond with the strength of LB Finance PLC.

LBF's acquisition of MFP which was finalised just prior to the conclusion of the current financial year, underscoring LBF's efforts to pursue inorganic growth strategies in order to strengthen captive market share. Equally importantly strong customer base comprising mainly individuals and micro entrepreneurs around Sri Lanka will receive the opportunity to access LBF's diverse portfolio of investing, financing, value added services and digital solutions while benefiting from LBF's legendary service.

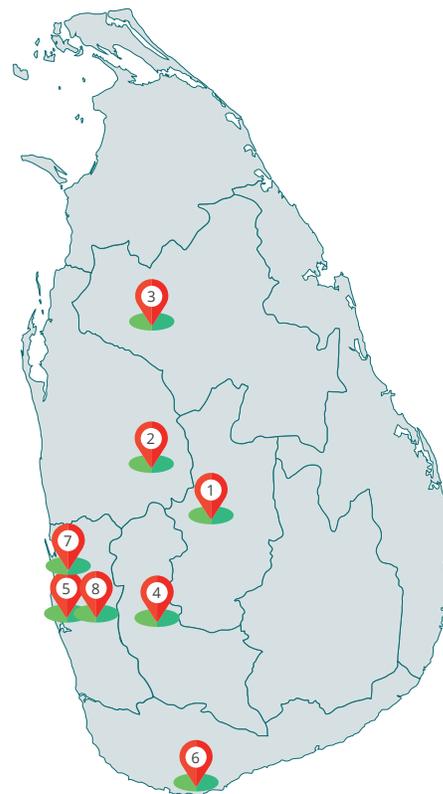
VISION

To be the first choice for financial solutions

MISSION

- » To enhance shareholder value through financial stability and growth
- » To satisfy our valued customers by providing innovative solutions to their financial needs
- » To train, develop and empower employees to give their best
- » To achieve highest operational efficiency through advanced technology
- » To adhere to the highest corporate ethics and social responsibilities
- » To be recognised for our expertise and professionalism

4. MULTI FINANCE PRESENCE



- | | |
|-----------------|------------------------------|
| 1. Kandy | 6. Matara |
| 2. Kurunegala | 7. Gampaha |
| 3. Anuradhapura | 8. Maradana Gold Loan Centre |
| 4. Rathnapura | |
| 5. Colombo | |

3. PERFORMANCE REVIEW

	2019/20	2020/21	2021/22
Total Equity (Rs. '000)	577,151	493,852	298,811
Total Assets (Rs. '000)	1,194,722	870,143	617,526
Income (Rs. '000)	218,656	134,104	120,357
Profit/(Loss) After Tax (Rs. '000)	(141,736)	(82,600)	(199,503)
ROA %	(10.58)	(8.00)	(26.82)
ROE %	(21.88)	(15.42)	(50.34)
Lending portfolio (Rs. '000)	861,736	569,532	336,863

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ANALYSIS OF SUBSIDIARIES

6. BUILDING FOR FUTURE

Term	Objectives	Related strategic focus	Related material drivers	Related stakeholders	SDGs impact	
GOALS	Short term	New customer acquisition to grow the lending portfolio	SB	MCN	C SH E	8 12
	Medium term	Customer capacity building through regular and ongoing financial literacy programmes	RO	SBG	C SH S/C	9 12
	Long term	Adopt advanced technologies in business to drive operational efficiencies and expand the customer base	DB	DTD	C SH	9 12

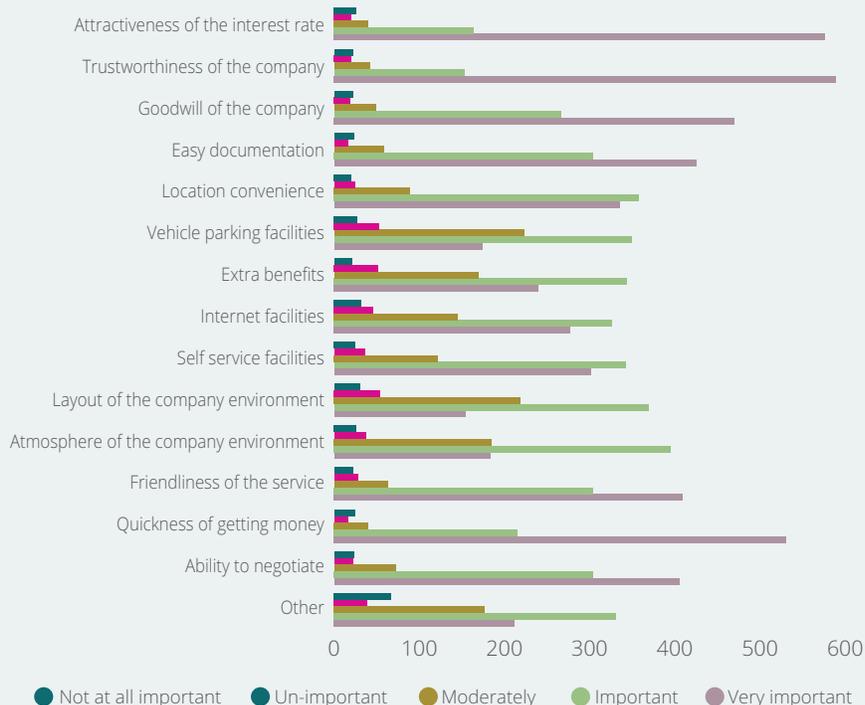
SURVEY INSIGHTS



Study conducted by:
The Department of Marketing Management
University of Sri Jayewardenepura



ASSESSING THE FACTORS INFLUENCING IN SELECTING FINANCE INSTITUTE FOR SAVINGS AND LOANS





FINANCIAL
CAPITAL



MANUFACTURED
CAPITAL



HUMAN
CAPITAL



INTELLECTUAL
CAPITAL



SOCIAL
CAPITAL



NATURAL
CAPITAL

At L B Finance we manage our capitals effectively and efficiently – transforming our resources and relationships to deliver outstanding value to the people. These capitals consist of our unique resources, expertise and partnerships which serve to set us apart from our competition.

Capital management reports

Financial Capital - 120 | Manufactured Capital - 148 | Human Capital - 158
Intellectual Capital - 172 | Social and Relationship Capital - 184 | Natural Capital - 212



FINANCIAL CAPITAL

Related strategies

SB SB SB

Related SDGs

8 11 17

Related material themes

SBG DMW

Creating sustainable stakeholder value has always been the fundamental goal of managing our financial capital while efficiently utilising our funds obtained through shareholder investments and borrowings. Our debt metrics have been further strengthened, and the Group’s ability to manage its total cost of capital makes a significant contribution to the sustainability and its ability to fund expansion of its distributable income.

VALUE FOR EMPLOYEE

Generating attractive return on shareholder funds and ensuring certainty of return on capital invested

VALUE FOR LBF

Accomplish financial excellence and generate year-on-year improvements in all key financial indicators

VALUE FOR CUSTOMER

Leveraging data science and emerging technology while enhancing customer service and satisfaction

4.44%

NPL

Rs. 8.66 Bn

Highest ever PAT

Rs. 6.55 Bn

Paid to the government as taxes

32.91%

Total Shareholder Return (TSR)

28.29%

ROE



117.94%

Provision Coverage Ratio

Rs. 164.36 Bn

Total Assets

29.28%

Cost to Income Ratio (CI)

Rs. 89.14 Bn

Customer Deposits

How we manage the capital

LBF's approach to Financial Capital Management seeks to establish guidelines for the administration and control of the Company's funds in accordance with our goals and objectives and to make sound financial decisions to safeguard assets. The policies and procedures governing our financial management approach broadly include; risk management, strategic planning, budgeting, revenue management, cost control, internal controls, treasury and liquidity management as well as asset quality management.



Mr. Sumith Adhietty
Managing Director

Stakeholder's expectations

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	Attractive and sustainable returns	★		★	★		
	Transparent reporting and good governance	★	★	★	★	★	★
	Management of asset quality	★	★	★	★	★	★

Challenges

- Lacklustre macroeconomic conditions
- Elevated credit risk exerted pressure on earnings
- Maintaining the NIM when market interest rates are volatile and uncertain

Way forward

- Introduce business intelligent platforms and use of artificial intelligence for credit decisions
- Industry association engagements towards sustainable growth
- Initiation of new fintech solutions

FINANCIAL CAPITAL MANAGEMENT

INPUT

- » Shareholders' funds and customer deposits
- » Long and short-term borrowings
- » Earnings retained after dividend distribution

APPROACHES OF MANAGING OUTCOME

- » Budgetary controls and monthly management reporting
- » Branch and product profitability
- » Cash flow and liquidity management
- » Sound risk management, compliance framework and internal policies and procedures

STRATEGIC DRIVER

- » Grow exposures prudently, aligned to risk appetite
- » Maintain the NIM at different market conditions
- » Cost optimisation and operating efficiency
- » Deliver consistent return on equity

SPACE FOR DEVELOPMENT

- » Portfolio growth opportunities through new business locations
- » Enhance credit evaluation and collection efforts to achieve the best NPA ratio in the NBFI sector.

TRADE-OFF

The software and infrastructural investments into our core systems, that we make towards achieving process efficiency, in turn, helps us to maintain our low cost to income ratio and quicker service in the form of turnaround times.

KEY OUTPUT

- » Highest ever profit after tax in LBF history
- » Lowest cost to income ratio in LBF history
- » Dynamic impairment model powered by machine learning to improve the accuracy of forecasting



Visit web page for our philosophy, Management approaches and analysis of Financial Capital

CAPITAL REPORTS

FINANCIAL CAPITAL

Despite the disruptions caused by the pandemic creating a challenging business environment underpinned by high uncertainty, L B Finance PLC navigated the year with resilience and closed it with a secured business momentum, by delivering a profit after tax of Rs. 8.66 Billion which reflected 27.33% growth over the previous financial year.

In assessing the financial performance of the Group, management uses a range of Key Performance Indicators (KPIs) which focus on the Company's financial strength, delivery of sustainable returns and cost management. We believe that the performance given in below KPIs which are not part of SLFRSs would provide valuable information to our stakeholders.

The framework used in the analysis of the KPIs is the CAMEL rating system. CAMEL is a rating system that is used to rate banks and financial institutions according to five factors. The five factors are represented by the acronym "CAMEL – Capital Adequacy, Assets Quality, Management's Efficiency, Earnings and Liquidity".



KPI	Definition
C CAPITAL ADEQUACY	<p>Tier I and Tier II</p> <p>Capital requirements are part of the regulatory framework to ensure banks and non-banking financial institutions are supervised. Capital ratios express the capital as a percentage of its Risk Weighted Assets (RWA) as defined by the Central Bank of Sri Lanka (CBSL). Capital requirements are measured at two tiers, namely Tier I and Tier II.</p>
A ASSETS QUALITY	<p>Non-Performing Advances (NPA)</p> <p>Gross NPA indicates the amount of defaulted loans granted by an institution beyond a defined period. This ratio aims to identify NPA as a percentage of its total advances.</p> <p>On the other hand, Net NPA ratio indicates the outstanding amount of Gross NPA, net of provisioning for the NPA as a percentage of its total advances. Provisioning is the recognition of potential losses arising from NPA.</p>
M MANAGEMENT'S EFFICIENCY	<p>Cost to Income Ratio</p> <p>Cost to income ratio is a financial measure derived through operating expenses divided by total operating income.</p>
E EARNINGS	<p>Return on Equity (ROE)</p> <p>ROE is calculated by dividing the profit after tax from the average total equity.</p>
L LIQUIDITY	<p>Liquid Assets Ratio</p> <p>Liquid assets ratio is calculated by dividing the liquid assets from total deposit liabilities and eligible borrowings.</p>

Financial performance



Visit our
youtube
playlist

IR	1.29	1.33	1.33.1	1.8.1	1.8.4	3.3	3.4
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Its Importance and How L B Finance Performed

L B Finance's capital management objective is to maximise the shareholder value by prudently managing the level and mix of its capital.

L B Finance Tier I and Tier II capital adequacy ratios as at the end of the financial year stood at 25.95% and 26.90% respectively compared to the minimum regulatory requirement of 8% (Tier I) and 12% (Tier II). This reflects the resilient capital generation through the profits of the Company. Capital generation during the year was partially offset by Rs. 2.22 Billion final dividend paid in respect of the year ended 31 March 2021 and Rs.1.66 Billion interim dividend paid in respect of the year ended 31 March 2022.

Tier I Ratio
25.95%
2021 : 23.87%

Tier II Ratio
26.90%
2021 : 25.32%

L B Finance aims to prevent undue concentration and tail-risks (large unexpected losses) by maintaining a diversified credit portfolio, client, industry and product-specific concentrations are assessed and managed against its risk appetite.

Gross NPA ratio improved to 4.44% in 2021/22 from 5.36% in 2020/21. Improvement of Gross NPA ratio during the year was driven by minimal disruptions from COVID-19 restrictions and the gradual improvement in collections with the recovery in economic activities. Furthermore, the Net NPA ratio in year 2021/22 is -0.80% which reflects that the Company has provided for NPAs with a strong provision coverage of more than 100%.

Even during the lackluster macroeconomic conditions the Company was able to maintain its record of NPA ratio reflecting one of the best in the NBFIs sector.

Gross NPA
4.44%
2021 : 5.36%

Net NPA
(0.80%)
2021 : 0.10%

This is a measure L B Finance uses to assess the productivity of the business operations. Managing the cost is a key execution priority for management and includes a review of all categories of spending and an analysis of how we can run the business more efficiently to ensure that costs are increasing at a slower rate than income.

L B Finance's cost to income ratio improved to 29.28% in year 2021/22 compared to 30.56% in year 2020/21 remarking milestone of the lowest cost to income ratio in the last decade.

Cost to Income
29.28%
2021 : 30.56%

Return on Equity (ROE) is the most common internal performance measure of a Company's profitability from the shareholder's point of view. This measure indicates how well the management generates return from the shareholder's equity.

L B Finance achieved 28.29% ROE in the year 2021/22, remarking a gradual increase compared to 26.58% in the previous year which demonstrates L B Finance's ability to execute its strategies to maximise the shareholder wealth.

Return on Equity
28.29%
2021 : 26.58%

CBSL required minimum amount of liquid assets remain at 10% of time deposits, 15% of savings deposits and 10% of outstanding borrowings excluding secured borrowings. The Company has maintained its liquidity levels well above the required liquid assets as per CBSL requirement.

The Company's overall objective is to maintain the adequate liquidity while managing the trade-off with the profitability. The Company's overall liquid assets as a percentage of total deposit liabilities and unsecured borrowings hovered around 17% - 18% during the year ended 2021/22 which indicates that L B Finance is in a strong position in terms of its liquidity.

Liquidity Ratio
17.60%
2021 : 17.89%

CAPITAL REPORTS

FINANCIAL CAPITAL

INCOME STATEMENT

Net Interest Income: The interest recognised from our lending products that we offer to our customers, less the interest expense on the deposits that our customers place with us and debt funding source from our lenders.

Drivers: Lending base, NPL ratio, Product pricing, Market volatility, Market interest rate.

Non-Interest Income: Also known as other income, consisting of fee and commission income, Net Trading Income and Other operating income.

Drivers: Capital market activities, Market volatility, Other income recognise on credit granting.

Impairment Charges and Other losses:

Expected losses arising due to the inability of customers to repay their debt to the entity.

Drivers: Customer repayment behaviour, Loss given default rate, Probability of default rate, Macroeconomic factors, Exposure of default.

Operating Expenses: Costs incurred to generate current and future revenues.

Consisting of personnel expenditure, Depreciation and amortisation and other operating expenses.

Drivers: Inflation, Headcount, Investments in branches and IT infrastructure, General costs to operate, Marketing and promotional activities.

Taxes: Include direct taxes which are income tax and VAT on financial services. Tax is a compulsory financial charge or some other type of levy imposed on taxpayers.

Drivers: Level of operational profitability, Government policies, Applicable tax rates, Allowable credits, debits and exempt income.

Year ended 31 March	2022	2021	Change
	Rs. '000	Rs. '000	%
Income	30,159,476	29,766,124	1
Interest Income	27,510,530	27,457,741	0
Less: Interest Expenses	8,846,608	11,522,802	(23)
Net Interest Income	18,663,922	15,934,939	17
Non-Interest Income			
Fee and Commission Income	2,467,711	2,184,947	13
Net Trading Income	2,393	6,323	(62)
Other Operating Income	178,842	117,113	53
Total Operating Income	21,312,868	18,243,322	17
Less: Impairment Charges and Other Losses	1,025,981	1,691,734	(39)
Net Operating Income	20,286,887	16,551,588	23
Less: Operating Expenses			
Personnel Expenses	3,199,954	2,959,823	8
Depreciation of Property, Plant and Equipment	789,710	728,793	8
Amortisation of Intangible Assets	11,146	16,446	(32)
Other Operating Expenses	2,239,064	1,870,828	20
Total Operating Expenses	6,239,874	5,575,890	12
Operating Profit before Tax on Financial Services	14,047,013	10,975,698	28
Less: Tax on Financial Services	2,136,551	1,669,323	28
Profit before Taxation	11,910,462	9,306,375	28
Less: Income Tax Expense	3,248,604	2,503,778	30
Profit for the Year	8,661,858	6,802,597	27

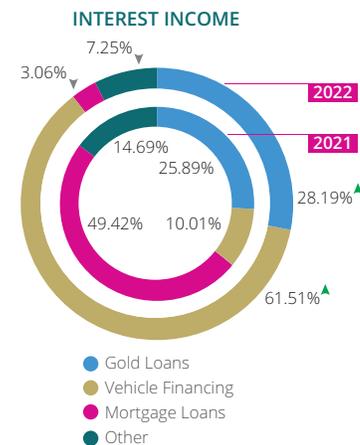
NET INTEREST INCOME

Our interest income was Rs. 27.51 Billion for the year 2021/22 compared to Rs. 27.46 Billion in 2020/21. The Company interest rates decreased in line with the deterioration in market interest rates. This change was offset by the enhanced business volumes resulting a marginal increase in interest income.

The growth of interest income was slightly affected by degrowth in our lease rentals receivable and stock out on hire due to the restrictions imposed on importation of motor vehicles which in turn diminished the number of vehicle registrations. Nevertheless, the increase in the grantings of registered vehicles and increase in income from gold loans enabled us to maintain the total interest income similar to the previous year.

On the other hand, interest expenses reduced by Rs. 2.68 Billion which was 23.23% less than the previous year. This was driven by the continuous decline in maximum interest rates to be paid in respect of deposits and debt instruments as published by the CBSL in line with the government policies.

For the year ended	2021/22	2020/21	Increase/(Decrease)	
	Rs. '000	Rs. '000	Rs. '000	Change %
Interest Income	27,510,530	27,457,741	52,789	0.19
Less: Interest Expenses	8,846,608	11,522,802	(2,676,194)	(23.23)
Net Interest Income	18,663,922	15,934,939	2,728,983	17.13
Average Interest-Earning Assets	140,522,303	131,110,968	9,411,335	7.18
Average Interest-Bearing Liabilities	116,472,034	111,671,144	4,790,889	4.29

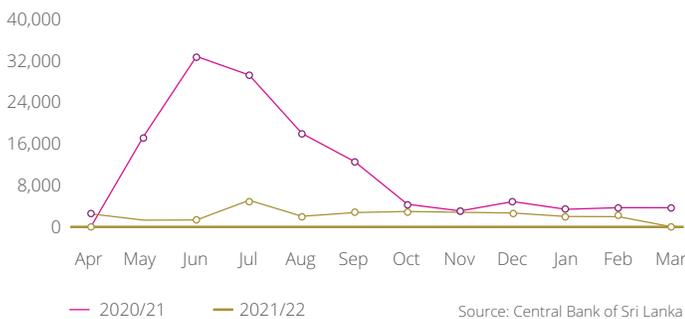


For the year ended	2021/22	2020/21	Change
	%	%	%
Interest Yield on Average Interest Earning Assets	19.58	20.94	(1.36)
Cost of Funds on Average Interest Bearing Liabilities	7.60	10.32	(2.72)
Interest Spread	11.98	10.62	1.36
Net Interest Margin (NIM)	13.28	12.15	1.13

Along with the marginal increase in the interest income, our net interest income grew by 17.13% to Rs. 18.66 Billion due to high frequency of re-pricing in deposit base as against loans, especially leases with longer term tenure, impacted positively on our net interest margin.

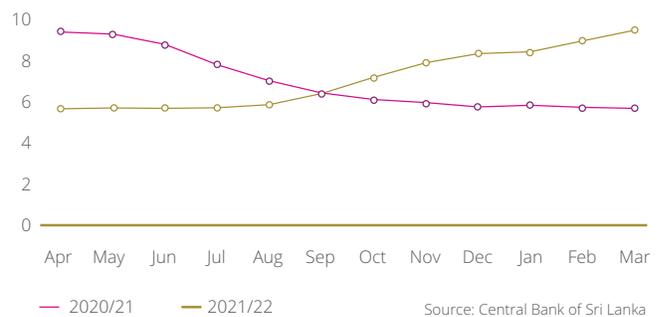
MOTOR VEHICLE REGISTRATION

No. of Vehicles



COMPARISON OF AWPLR

%

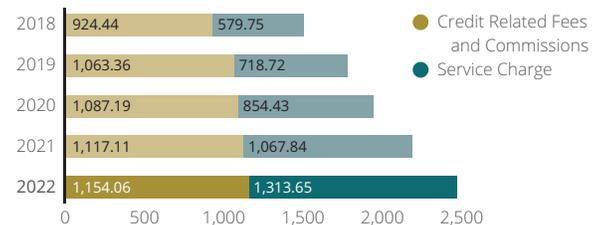


NON INTEREST INCOME

Fees and commission income grew by 12.94% to Rs. 2.47 Billion as a result of higher transaction volumes through loans and receivables particularly the growth in gold loan. Further, our net trading income recorded as Rs. 2.39 Million which was 62.15% less than the previous year. This sharp drop was due to the unfavourable market volatility of equity securities held for trading together with the lackluster macroeconomic conditions in the country. It was also noted that there was an increase in our other operating income to Rs. 178.84 Million or 52.71% during the year. This was due to the increase in sundry income from money exchange gains and income from western union transactions from Rs. 6.91 Million to Rs. 95.20 Million.

FEE AND COMMISSION INCOME

Rs.Mn



CAPITAL REPORTS

FINANCIAL CAPITAL

IMPAIRMENT CHARGES AND OTHER LOSSES

Impairment charges and other losses were Rs. 1.03 Billion for the year 2021/22. This was primarily driven by negative impacts from COVID-19 which resulted in macroeconomic downturn and heading the country towards a recovery phase over a period of time.

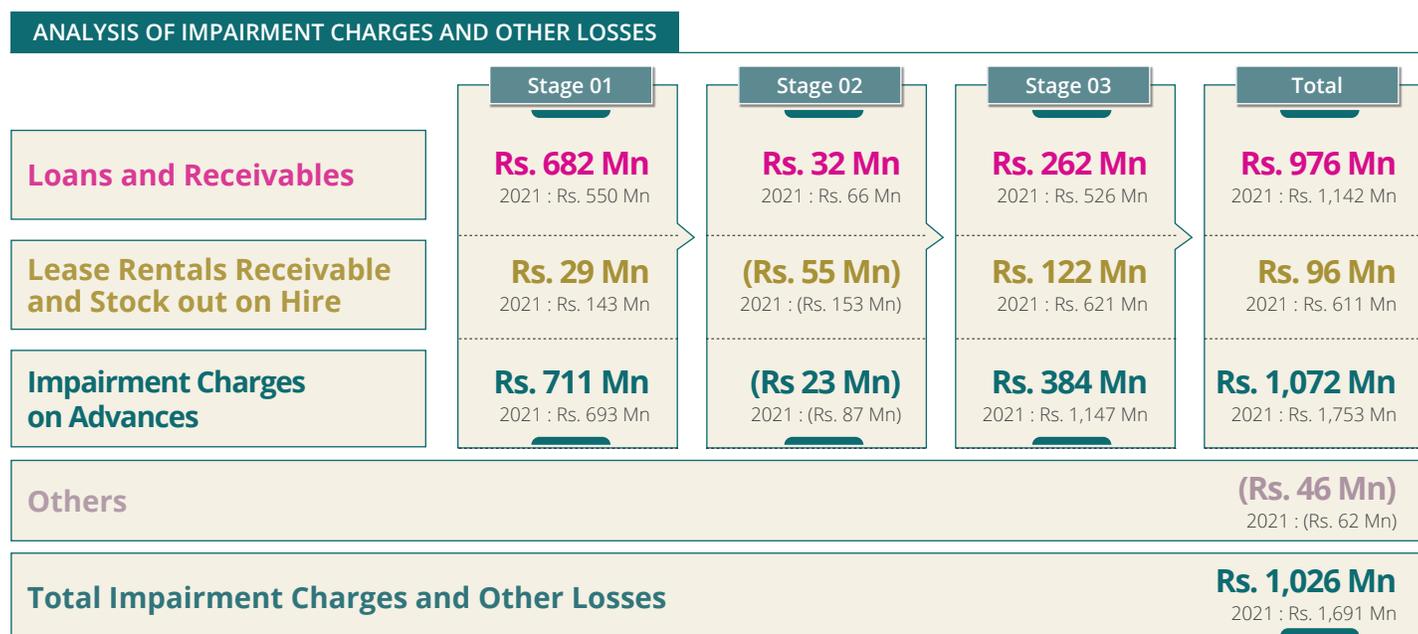
However, the management of the Company continued to provide oversight to the credit monitoring while managing credit risk and improving asset quality through management and recovery of finance receivables. Overall this reduced the impairment charges for the current financial year compared to the previous financial year.

In addition, the decrease of impairment charges and other losses of 39.35% was also contributed by the additional impairment provisions in the year 2021/22 as management overlay to flatten the high amplitude of the future impairment with the expected adverse macroeconomic condition due to COVID-19 crisis and other lackluster macroeconomic conditions in the country.

We are consistently maintaining one of the lowest non-performing advances (NPA) ratios in the NBFi sector which shows the superiority of our asset quality. Good credit underwriting and strong recoveries has led to better management of the NPA given

the adverse conditions faced during the financial year. In addition, the Company succeeded in maintaining a net NPA of -0.80% reflecting prudent provisioning policies.

Early impairment provisions made during the previous year for the elevated risk industries helped to mitigate the credit risk of our lending base. Construction sector was included to the elevated risk industries in the current financial year together with tourism and transportation sectors.



OPERATING EXPENSES

Operating expenses increased by 11.91% to Rs. 6.24 Billion for the year 2021/22 compared to the previous year of Rs. 5.58 Billion. This was mainly due to the increase in salary increments, bonuses, depreciation of assets and other operating expense incurred in efforts to increase our operating income, which resulted in the increase in personal expenses and administrative expenses respectively compared to the previous year.

Moreover, the Company managed to maintain its cost per employee within the budgeted levels demonstrating its ability to align with the Company strategy despite the inflationary pressure and unprecedented timeframes. It is also noteworthy that the cost to income ratio of the Company further improved by 1.28% from 30.56% which was the lowest at the time to 29.28% during the year 2021/22 remarking the milestone of the lowest cost to income ratio in the last decade in L B Finance history indicating a disciplined cost management together with prudent operational efficiency.

The improvement in cost to income (CI) ratio reflects the increase in the operating expenses which was offset by the greater increase in operating income inline with the improvement in the net interest margin.



TAXES

L B Finance tax expense consists of two main elements namely taxes on financial services and income tax.

Tax on financial services increased to Rs. 2.14 Billion, which was 27.99% more than the prior year. This was mainly due to the Increase in the rate of VAT on financial services from 15% to 18% with effect from 1 January 2022 and the increase in our liable turnover for VAT on financial services.

The effective income tax rate of the Company increased to 27.45% during the year from 27.01% reported in the previous year. This was mainly due to following tax adjustments made;

- » Tax effect of the qualifying payment of Rs. 96 Million arose from the acquisition of Multi Finance PLC during the financial year.

- » The tax effect from the revision of deferred tax rate from 28% to 24% during the previous financial year resulted an adjustment of Rs. 148.22 Million.

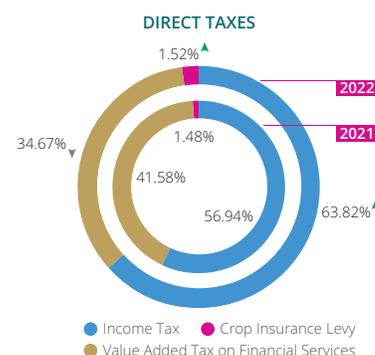
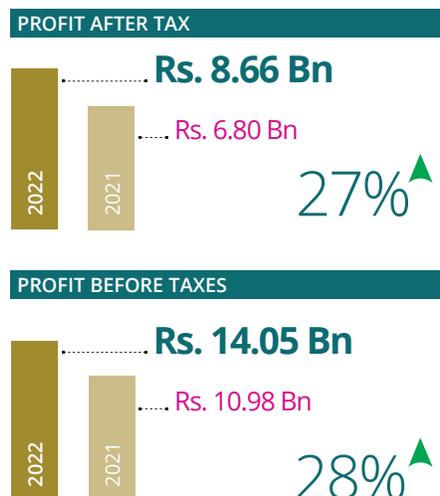
The tax effect from deferred tax rate revision of the previous year was greater than the tax benefit of the current year, resulting a higher effective tax rate than the previous year.

Financial Highlights	2021/22	2020/21	2019/20
	Rs.'000	Rs.'000	Rs.'000
Profit before Tax on Financial Services (A)	14,047,013	10,975,698	9,888,847
Tax on Financial Services (B)	2,136,551	1,669,323	2,278,560
Profit after Tax on Financial Services (C)	11,910,462	9,306,375	7,610,287
Income Tax (D)	3,269,245	2,513,462	2,411,556
Effective Tax Rate (D/C)	27.45%	27.01%	31.69%
Effective Tax Rate (D/A)	23.27%	22.90%	24.39%
Effective Tax Rate ((B+D)/A)	38.48%	38.11%	47.43%

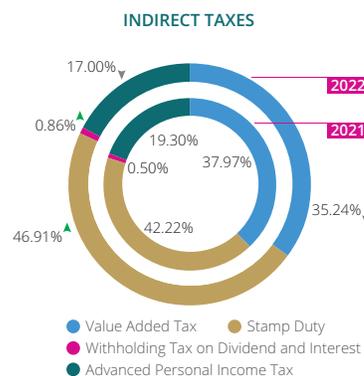
Financial Highlights	2021/22	2020/21	2019/20
	Rs.'000	Rs.'000	Rs.'000
Current Income Tax	3,794,830	2,913,969	2,683,698
Deferred Taxation Charge/(Reversal)			
- Income statement	(546,226)	(410,191)	(260,464)
Income Tax - Income Statement	3,248,604	2,503,778	2,423,234
Deferred Taxation Charge/(Reversal)			
- Other Comprehensive Income	20,641	9,684	(11,678)
Income Tax (D)	3,269,245	2,513,462	2,411,556
Total Tax Paid	6,555,453	3,968,855	5,760,992

PROFIT AFTER TAX

Despite the disruptions on operations caused by COVID-19 pandemic and the adverse macroeconomic conditions, the Company was able to deliver a resilient performance. The Company reported profit after tax of Rs. 8.66 Billion which is Rs. 1.86 Billion or 27.33% higher than the previous year. The rise in profit primarily reflecting the impact of the increase in net interest income, effective credit cost management resulting in manageable impairment charges, management of operating expenses in aligned with increasing operating income despite lackluster market conditions.



Being one of the highest tax payers in the NBFi sector, the Company reflects its tax strategy as a responsible taxpayer that outlines the framework by which the Company's tax obligations are met from an operational and risk management perspective. Total direct tax paid from the Company amounted to Rs. 6.02 Billion compared to the Rs. 3.54 Billion in the prior year increased by Rs. 2.48 Billion due to the increase in taxable income and tax rate revisions.



Indirect tax collected and paid to the government from Value Added Tax (VAT), Withholding tax (WHT), PAYE and stamp duty amounted to Rs. 540 Million compared to the Rs. 426 Million paid in the prior year which represents a 26.84% increment due to the increase in our business volumes.

CAPITAL REPORTS

FINANCIAL CAPITAL

STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents: Value of a Company's assets that are cash or can be converted into cash immediately. Includes cash in hand, bank balances and treasury bills/bonds repurchase agreements.

Drivers: Liquidity requirements (Company and CBSL), Credit granting, Recoveries and Funding from deposits and other sources.

Lending Portfolio: Main interest earning assets to the Company which consists of loans and receivables, lease rentals receivable and stock out on hire.

Drivers: Market interest rates, Companies Risk appetite, Market competition, Lending volumes, Pre-terminations and Repayments.

Other Financial Assets: Consists of securities under reverse repurchase agreements, investment in fixed deposits, insurance premium receivable and sundry debtors.

Drivers: Liquidity requirements, Market interest rates, Excess funds.

Due to Banks: Consists of the external borrowings from banks including overdrafts, securitisations, term loans and syndications.

Drivers: Market growth, Funding requirements, Market interest rates, Repayments, Gearing ratio.

Financial Liabilities at Amortised Cost

- Due to Depositors: Comprise of interest bearing savings deposits and term deposits.

Drivers: Funding requirements, Market growth, Market interest rates, Deposit renewal ratio.

Debt Instruments Issued and Other

Borrowed Funds: Consist of listed unsecured debentures and borrowings from international funding agencies.

Drivers: Funding requirements, Market interest rates, Company stability, Tier II capital adequacy requirements.

Total Equity: Total equity equals to total assets minus total liabilities and consists of the amount of money investors have invested in the Company and the earnings the Company has accumulated from its operations.

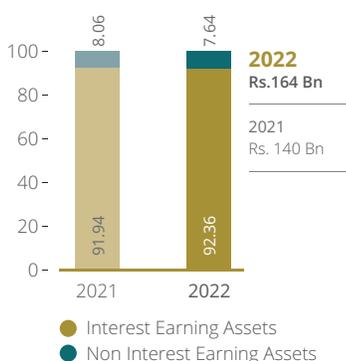
Drivers: Profits, statutory requirement on reserves, Dividend payout, Capital adequacy requirements and Share holder expectations.

As at 31 March	2022	2021	Change
	Rs. '000	Rs. '000	%
Assets			
Cash and Cash Equivalents	14,458,986	6,187,300	>100
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	13,208	10,862	22
Financial Assets at Amortised Cost			
- Loans and Receivables	92,837,601	66,778,188	39
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire			
	41,558,002	47,359,635	(12)
Financial Assets Measured at Fair Value Through Other Comprehensive Income			
	86,102	77,789	11
Other Financial Assets			
Other Non Financial Assets	454,711	920,406	(51)
Investment in Subsidiary	921,162	521,162	77
Property, Plant and Equipment and Right-of-Use Assets	8,421,741	8,241,259	2
Intangible Assets	14,875	26,021	(43)
Total Assets	164,365,012	140,576,525	17
Liabilities			
Due to Banks	26,858,737	16,467,179	63
Financial Liabilities at Amortised Cost			
- Due to Depositors	89,143,982	85,860,070	4
Debt Instruments Issued and Other Borrowed Funds			
	8,564,617	3,113,916	>100
Other Financial Liabilities	3,305,112	3,043,526	9
Other Non Financial Liabilities	1,134,771	1,028,054	10
Current Tax Liabilities	1,882,242	1,872,154	1
Deferred Tax Liabilities	111,486	637,073	(83)
Post Employment Benefit Liability	316,973	365,265	(13)
Total Liabilities	131,317,920	112,387,237	17
Equity			
Stated Capital	838,282	838,282	-
Reserves	8,038,658	7,596,106	6
Retained Earnings	24,170,152	19,754,900	22
Total Equity	33,047,092	28,189,288	17
Total Liabilities and Equity	164,365,012	140,576,525	17

TOTAL ASSETS OVERVIEW

As at 31 March 2022, the total assets of L B Finance balance sheet amounted to Rs. 164.37 Billion, an increase of 16.92% compared to Rs. 140.58 Billion in the previous year. The Company's interest earning assets include cash and cash equivalents, loans and receivables, lease rentals receivable and stock out on hire and other financial assets. Total of interest earning assets account for 92.36% of total assets as at 31 March 2022 (91.94% as at 31 March 2021).

TOTAL ASSETS

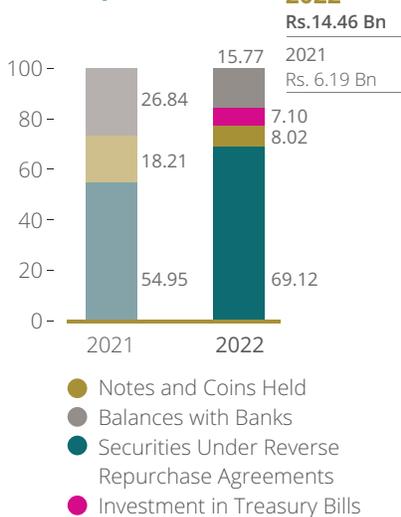


Our lending base amounts to Rs.134.40 Billion which is a noteworthy composition of 81.77% of the total asset base. The lending base includes Rs. 133.98 Billion secured loans which is 99.69% of the total lending base. Secured loans represents 88.26% of total interest earning assets of the Company.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances of Rs. 14.46 Billion as at 31 March 2022 compared to Rs. 6.19 Billion as at 31 March 2021. This substantial increase of 133.69% was the result of transferring the securities under reverse repurchased agreements to shorter tenures showing a change of 193.96% that amounted to Rs. 9.99 Billion as opposed to Rs. 3.40 Billion as at 31 March 2021. The new investments in securities under reverse repurchase agreements supplemented our liquidity position further. Nonetheless, in a period of considerable volatility, including the one we are presently facing, excess liquidity will provide a high level of comfort to the Company and moreover enabling L B Finance PLC to effectively manage cost of funds.

CASH AND CASH EQUIVALENTS

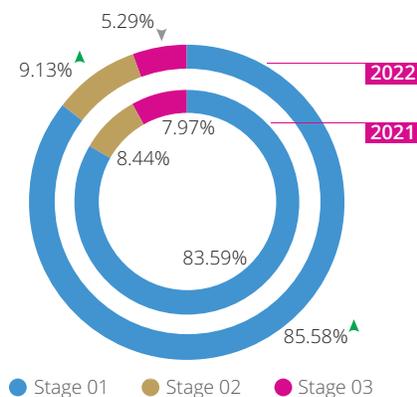


LOANS AND RECEIVABLES

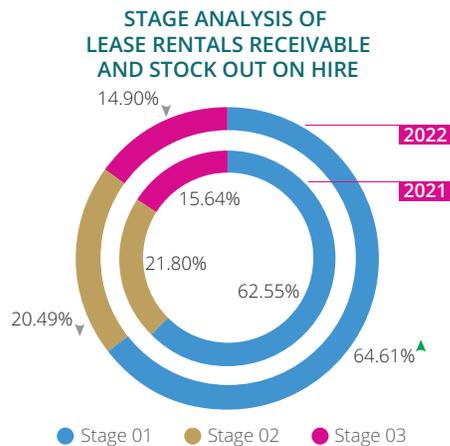
Loans and receivables amounted to Rs. 92.84 Billion (net of impairment) as at 31 March 2022 compared Rs. 66.78 Billion as at 31 March 2021, reflecting an increase of 39.02%. This is due to the remarkable increase in gold loans, vehicle loans, term loans and power drafts by 26.14%, 47.30%, 25.39% and 200.30% respectively compared to the prior year. The significant percentage reduction in the lending rates throughout the financial year affected the growth in loans and receivables. Moreover, the increase in loans and receivables are partially offset with the decrease in mortgage loans and factoring receivables by 9.01% and 16.44% respectively.

Impairment provisions were Rs. 4.31 Billion as at 31 March 2022 compared to Rs. 3.37 Billion as at 31 March 2021 due to ongoing macroeconomic uncertainty and increase in our loans and receivables.

STAGE ANALYSIS OF LOANS AND RECEIVABLES

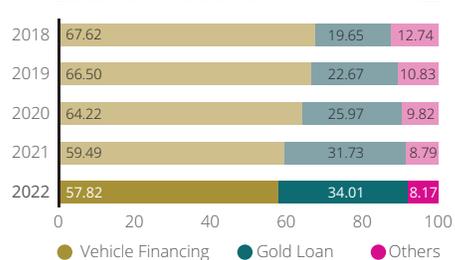


LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE



Lease rentals receivable and stock out on hire decreased by Rs. 5.80 Billion to Rs. 41.56 Billion as at 31 March 2022 from 47.36 Billion 31 March 2021. This contraction was mainly impacted by the disruption of COVID-19 outbreak together with the restrictions imposed on the importation of vehicles which eventually resulted a shrinkage in number of vehicle registrations. Allowances for impairment charges (ECL) increased from Rs. 3.16 Billion to Rs. 3.17 Billion due to the negative impact cause by the COVID-19 pandemic despite the decline in the lease rentals receivable and stock out on hire.

LENDING PRODUCT MIX



CAPITAL REPORTS

FINANCIAL CAPITAL

CREDIT QUALITY

Credit quality of the Company was affected with the disruption to economic activities which had an adverse impact on increase in our impairment provision by Rs. 0.95 Billion from Rs. 6.53 Billion as at 31 March 2021 to Rs. 7.48 Billion as at 31 March 2022.

We identify counterparties that demonstrate the likelihood of defaults and made provisions based on the ECL model of the Company, which factors in the forward economic outlook. L B Finance uses a dynamic impairment model powered by machine learning techniques developed with Science and Technology CELL of

University of Colombo to improve the accuracy of forecasting which ensures that the Company adequately provided for the delinquent facilities.

Quality of assets improved as a whole despite the lackluster macroeconomic conditions.

Credit Quality of Assets	Gross Carrying Value		Allowance for Impairment	Allowance by Categories	
	Defaulted Exposures	Non-Defaulted Exposures		Individual Impairment	Collective Impairment
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2022					
Loans and Receivables	5,137,846	92,006,210	4,306,455	2,561,014	1,745,441
Lease Rentals Receivable and Stock out on Hire	6,666,935	38,064,696	3,173,629	2,526,008	647,621
Total	11,804,781	130,070,906	7,480,084	5,087,022	2,393,062
Composition	8.32%	91.68%		68.01%	31.99%
2021					
Loans and Receivables	5,590,002	64,558,907	3,370,721	2,339,239	1,031,482
Lease Rentals Receivable and Stock out on Hire	7,903,567	42,617,339	3,161,271	2,487,333	673,938
Total	13,493,569	107,176,246	6,531,992	4,826,572	1,705,420
Composition	11.18%	88.82%		73.89%	26.11%

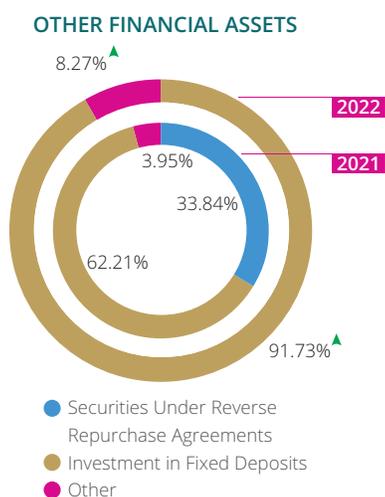
Financial Highlights	2022	2021	2020
	Rs. '000	Rs. '000	Rs. '000
Gross Loans (With Unearned Income)	154,161,650	134,801,208	143,625,411
Gross Loans	141,875,686	120,669,815	124,123,263
Gross Non-Performing Loans (With Unearned Income)	6,838,080	7,232,046	5,648,464
Gross Non-Performing Loans	6,342,312	6,656,518	5,112,266
SLFRS 09 ECL Provision	7,480,084	6,531,992	5,257,339
Regulatory Provision	5,894,574	5,194,045	3,897,772
Excess/(Shortfall) ECL Provision Compared to Regulatory Provision	1,585,510	1,337,947	1,359,567
ECL Provision as a Percentage of Gross Loans	5.27%	5.41%	4.24%
ECL Provision as a Percentage of Non-Performing Loans (Provision Coverage ratio)	117.94%	98.13%	102.84%
Regulatory Provision as a Percentage of Gross Loans	4.15%	4.30%	3.14%
Regulatory Provision as a Percentage of Non-Performing Loans	92.94%	78.03%	76.24%
Gross Non-Performing Loans	4.44%	5.36%	3.93%
Net Non-Performing Loans	-0.80%	0.10%	-0.12%

The regulatory provisions are made on loans and advances under the Direction No 03 of 2006 on 'Provision for bad and doubtful debts' and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

The ECL as per SLFRS 09 - Financial Instruments is Rs. 1.59 Billion excess as at the end of 31 March 2022 (Rs. 1.34 Billion as at 31 March 2021) over the regulatory provision required as per the said directions issued by the Central Bank of Sri Lanka.

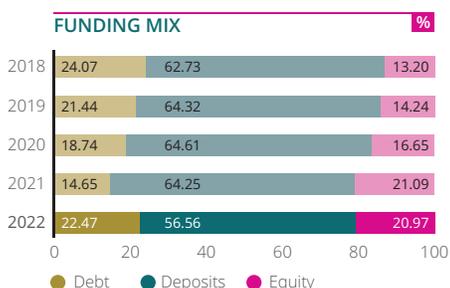
OTHER FINANCIAL ASSETS

Other financial assets mainly composed of securities under reverse repurchase agreements and investments in fixed deposits to meet statutory liquidity requirements and excess investments. Other financial assets decreased by 46.44% to Rs. 5.60 Billion from Rs. 10.45 Billion within the financial year. This was due to movement of investments in securities under reverse repurchase agreements to shorter tenures resulting an increase in cash and cash equivalents.



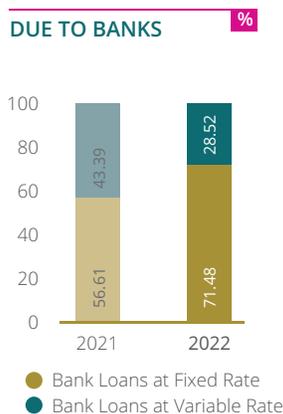
LIABILITY OVERVIEW

The Company's liabilities amounted to Rs. 131.32 Billion as at 31 March 2022 increased by 16.84% from Rs. 112.39 Billion as at 31 March 2021. The Company's main liabilities consist of due to banks, due to depositors and debt instruments issued and other borrowed funds. These items together represented 94.86% of our total liabilities as at 31 March 2022 (93.82% as at 31 March 2021). The 16.84% increase in liability was mainly due to the 63.10% increase or Rs. 10.39 Billion increase in due to banks compared to prior year of Rs. 16.47 Billion in line with the lending portfolio growth.

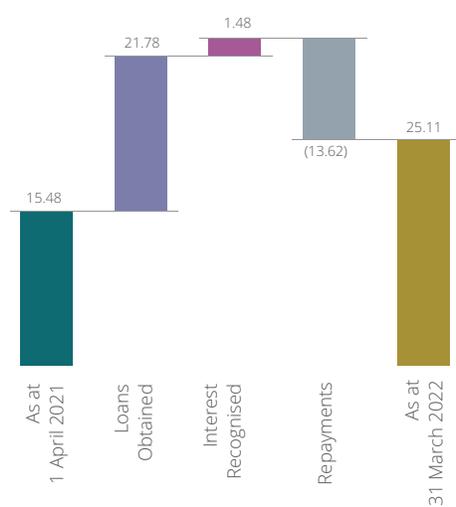


DUE TO BANKS

Due to banks increased by 63.10% to Rs. 26.86 Billion as at 31 March 2022 from Rs. 16.47 Billion as at 31 March 2021. While the increase is mainly due to attaining of bank borrowings together with favourable borrowing rates. The Company has borrowed Rs. 21.78 Billion in the year 2022 (2021 - Rs. 15.78 Billion) to manage the maturity mismatch of assets and liabilities and long term financing at fixed rate.



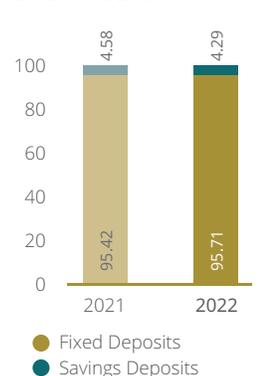
DEBT FUNDING



DUE TO DEPOSITORS

Due to depositors amounts to Rs. 89.14 Billion increase of Rs. 3.28 Billion from 31 March 2021. This was primarily driven by the 4.14% increase in the fixed deposits while attracting new depositors and maintaining healthy levels of liquidity for business operation. Fixed deposits renewal ratio was constantly maintained above the rate of 80% reflecting a solid customer confidence over the past few years.

DUE TO DEPOSITORS



DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS

Debentures

This category includes Rs. 3 Billion listed debentures issued in December 2017 of which Rs. 2 Billion were subordinated debentures to strengthen Tier II capital. Unsecured debentures remained with a slight increase at Rs. 3.12 Billion as at 31 March 2022 compared to Rs. 3.11 Billion as at 31 March 2021.

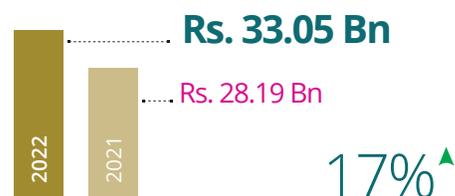
Borrowings from International Financial Institutions

The Company obtained foreign borrowings from FMO Netherlands and responsAbility Investments AG amounting to Rs. 3.05 Billion and Rs. 2.40 Billion respectively during the financial year ended 31 March 2022.

SHAREHOLDERS' EQUITY

Shareholders' equity amounts to Rs. 33.05 Billion as at 31 March 2022 compared with Rs. 28.19 Billion as at 31 March 2021. This Rs. 4.86 Billion increase is mainly attributable to the profit of the year which amounted to Rs. 8.66 Billion and partially offset by the Rs. 2.22 Billion final dividends paid in respect of the year ended 31 March 2021 and Rs. 1.66 Billion interim dividends paid in respect of the year ended 31 March 2022.

SHAREHOLDER'S EQUITY

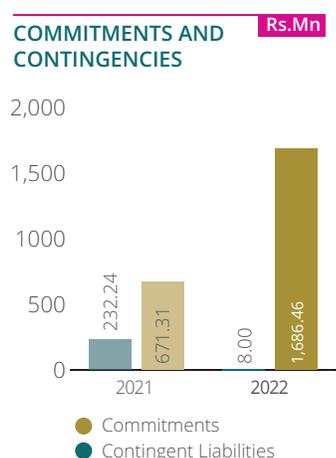


CAPITAL REPORTS

FINANCIAL CAPITAL

COMMITMENTS AND CONTINGENCIES

Commitments and contingencies mainly consist of guarantees issued to banks and other institutions and financing commitments given to customers. Commitments and contingencies balances increased by 87.53% from Rs. 0.90 Billion as at 31 March 2021 to Rs. 1.69 Billion as at 31 March 2022 mainly due to the increase in financing commitments given to customers arose due to the increase in unutilised balances of power draft together with the increase in the power draft facilities.



STATEMENT OF CASH FLOWS

We actively manage the Company's liquidity and funding to support our business strategy and meet regulatory requirements at all times, including under stress. This is evident with the increase in our cash flow from financing activities from Rs. -8.23 Billion to Rs. 11.20 Billion. This significant improvement was due to increase in long term bank borrowings and foreign loans. The cash generated through financing activities are being mainly utilised to fund business operations.

The increase in the outflow in the investing activities reflect the effect from acquisition of Multi Finance PLC underlying with the consolidation master plan of Central Bank of Sri Lanka.

The improvement of cash and cash equivalents led to the enhancement of year end liquidity position to a healthier level.

Financial Highlights	2022	2021	2020
	Rs. '000	Rs. '000	Rs. '000
At the Beginning of the Year	5,199,201	5,442,226	2,972,224
Operating Activities	(2,572,697)	8,412,025	5,672,801
Investing Activities	(1,119,476)	(421,285)	(1,134,271)
Financing Activities	11,202,814	(8,233,765)	(2,068,528)
At the End of the Year	12,709,842	5,199,201	5,442,226

L B MICROFINANCE MYANMAR COMPANY LIMITED (LBM)

L B Microfinance Myanmar Company Limited was incorporated in Myanmar on 22 May 2017 as a 99% (31 March 2022 - 100%) owned subsidiary of L B Finance PLC. The principal business activities include engaging in microfinance lending. A license was issued by the Myanmar Microfinance Supervisory Committee to operate as a microfinance institution. L B Microfinance Myanmar Company Limited commenced its commercial operations in December 2017.

LBM operation incurred a loss of Rs. 35.52 Million compared to Rs. 21.44 Million profit after tax reflecting a challenging operating environment. Net interest income of LBM decreased by 66.99% to Rs. 43.81 Million. Eventhough our operations at Myanmar during the first three quarters of the financial year were disrupted, a gradual improvement and stability in operations was reflected

during the last quarter due to political stability and economic recovery.

Impairment charges and other losses decreased to Rs. 1.75 Million (2021 - Rs. 36.17 Million) due to the recovery of the economic activities which was earlier affected by the COVID-19 pandemic and political tension.

Total assets of LBM amounted to Rs. 909.55 Million as at 31 March 2022 primarily consist of loans and receivables balance which accounts for 98.21% of the total assets of LBM.

Gross loans and receivables increased to Rs. 893.24 Million from Rs. 761.09 Million or 17.36% increase predominantly due to the continued customer support of LBM to the customers as well as strong customer retention.

Financial Highlights	2022	2021	2020
	Rs. '000	Rs. '000	Rs. '000
Interest income	58,873	153,235	136,811
Net Interest Income	43,809	132,711	120,831
Profit/(Loss) for the Year	(31,838)	4,208	23,805
Total Assets	909,545	909,935	895,372
Loans and Receivables	804,936	688,394	554,090
Total Shareholders Funds	805,015	719,116	681,391

ACQUISITION OF MULTI FINANCE PLC

By investing Rs. 400 Million, L B Finance PLC acquired 64.63% stake of Multi Finance PLC on 16 March 2022. It was incorporated in Kandy on 14 October 1974 as a Limited Liability Company. Multi Finance has made its presence felt with an innovative and differentiated array of products in terms of leasing, hire purchase, business loans, multi draft, SME financing, gold loan, personal loans, educational loans and trade financing. Multi Finance has expanded their network into eight branches.

As at 31 March 2022, the financial position of Multi Finance PLC depicted an asset base amounted to Rs. 617.52 Million which comprised of Rs. 336.86 Million worth lending base representing 54.55%. Moreover, the composition of funding mix consists of due to depositors, debt and equity respectively comprising to 45.66%, 0.58%, 53.76%.

HORIZONTAL ANALYSIS OF FINANCIAL STATEMENTS

Horizontal analysis is used in the review of a Company's Financial Statements over multiple periods. It is usually depicted as percentage growth over the same line item in the base year. Our horizontal analysis allows financial statement users to easily spot trends and growth patterns.

Statement of Financial Position As at 31 March	CAGR*	Current Year	Percentage Change				Base Year
		Rs. '000	2022	2021	2020	2019	Rs. '000
		2022	2022	2021	2020	2019	2018
Assets							
Cash and Cash Equivalents	19.74%	14,458,986	146.14%	5.33%	4.91%	-31.22%	5,874,375
Financial Assets Recognised Through Profit or Loss							
- Measured at Fair Value	6.41%	13,208	36.41%	12.18%	-51.99%	-29.09%	9,682
Financial Assets at Amortised Cost							
- Loans and Receivables	18.43%	92,837,601	132.94%	67.55%	46.13%	18.92%	39,855,398
Financial Assets at Amortised Cost							
- Lease Rentals Receivable and Stock Out on Hire	-7.83%	41,558,002	-33.50%	-24.21%	-2.98%	5.70%	62,489,686
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-6.67%	86,102	-29.21%	-36.04%	-51.37%	-26.24%	121,624
Other Financial Assets	-3.74%	5,598,624	-17.33%	54.36%	34.66%	59.53%	6,772,554
Other Non Financial Assets	-11.03%	454,711	-44.26%	12.82%	18.59%	30.83%	815,808
Investment in Subsidiary	43.21%	921,162	502.40%	240.82%	240.82%	108.61%	152,915
Property, Plant and Equipment and Right-of-Use Assets	12.47%	8,421,741	79.93%	76.07%	75.64%	40.52%	4,680,619
Intangible Assets	-20.93%	14,875	-69.09%	-45.92%	-13.11%	-17.19%	48,119
Total Assets	6.35%	164,365,012	36.04%	16.35%	19.15%	12.89%	120,820,780
Liabilities							
Due to Banks	3.30%	26,858,737	17.61%	-27.90%	-0.29%	7.86%	22,838,038
Financial Liabilities at Amortised Cost - Due to Depositors	4.09%	89,143,982	22.21%	17.71%	22.36%	14.08%	72,943,833
Debt Instruments Issued and Other Borrowed Funds	10.70%	8,564,617	66.21%	-39.57%	-39.62%	-39.69%	5,152,832
Other Financial Liabilities	13.41%	3,305,112	87.64%	72.79%	57.06%	12.10%	1,761,418
Other Non Financial Liabilities	5.88%	1,134,771	33.08%	20.56%	6.63%	142.83%	852,715
Current Tax Liabilities	24.35%	1,882,242	197.33%	195.73%	21.12%	120.51%	633,058
Deferred Tax Liabilities	-36.25%	111,486	-89.47%	-39.83%	-2.00%	23.70%	1,058,750
Post Employment Benefit Liability	6.51%	316,973	37.08%	57.96%	49.39%	10.93%	231,240
Total Liabilities	4.48%	131,317,920	24.51%	6.56%	14.69%	11.84%	105,471,884
Equity							
Stated Capital	0.00%	838,282	0.00%	0.00%	0.00%	0.00%	838,282
Reserves	13.49%	8,038,658	88.24%	77.87%	45.58%	22.00%	4,270,522
Retained Earnings	18.74%	24,170,152	136.03%	92.92%	55.70%	20.89%	10,240,092
Total Equity	16.58%	33,047,092	115.31%	83.66%	49.84%	20.06%	15,348,896
Total Liabilities and Equity	6.35%	164,365,012	36.04%	16.35%	19.15%	12.89%	120,820,780

*Compound Annual Growth Rate

Cash and cash equivalents have increased by 146.14% from the base year, while loans and receivables depicts a remarkable increase of 132.94% contributing to the growth of total assets from 36.04% which was offset by reducing in other assets except for property plant and equipment.

Over the past five years the tax liability shows a significant upward trend while the deferred tax liability moves in contrasting way. There has not been any share issue or share repurchase. For the significant change in total equity, the retained earnings component with the inclusion of profit generated has made a huge impact during the past five years.

CAPITAL REPORTS

FINANCIAL CAPITAL

Income Statement Year ended 31 March	CAGR*	Current Year Rs. '000	Percentage Change				Base Year Rs. '000
		2022	2022	2021	2020	2019	2018
Income	3.79%	30,159,476	20.42%	18.84%	24.66%	16.90%	25,046,202
Interest Income	3.29%	27,510,530	17.60%	17.37%	24.65%	16.97%	23,394,115
Interest Expenses	-5.11%	8,846,608	-23.06%	0.21%	18.41%	12.64%	11,498,408
Net Interest Income	9.43%	18,663,922	56.90%	33.96%	30.68%	21.16%	11,895,707
Other Operating Income	9.90%	2,648,946	60.34%	39.73%	24.85%	15.87%	1,652,087
Total Operating Income	9.49%	21,312,868	57.32%	34.66%	29.97%	20.51%	13,547,795
Impairment Charges and Other Losses	8.88%	1,025,981	52.99%	152.26%	173.04%	46.60%	670,623
Total Operating Expenses	4.27%	6,239,874	23.25%	10.13%	16.29%	10.36%	5,062,788
Profit before Taxation	12.95%	11,910,462	83.87%	43.67%	17.48%	19.50%	6,477,691
Tax on Financial Services	9.83%	2,136,551	59.84%	24.88%	70.46%	50.79%	1,336,693
Income Tax Expense	7.84%	3,248,604	45.88%	12.43%	8.81%	20.61%	2,226,969
Profit for the Year	15.30%	8,661,858	103.77%	60.03%	22.03%	18.91%	4,250,721

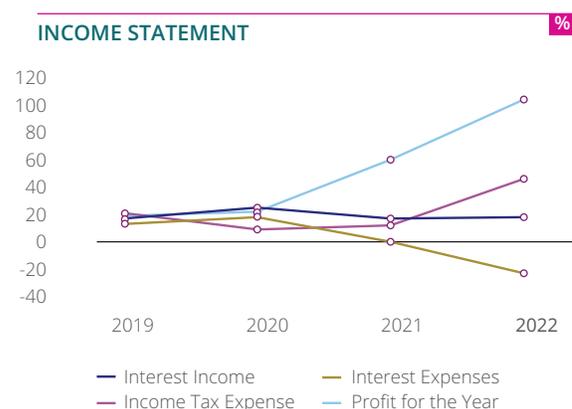
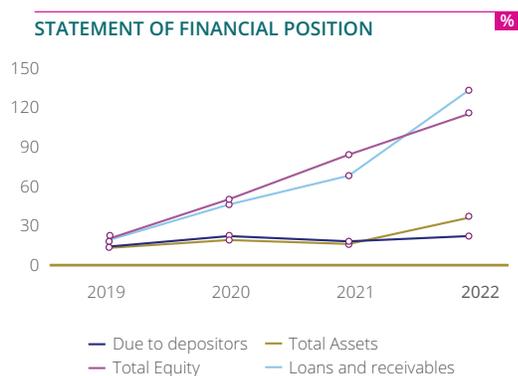
*Compound Annual Growth Rate

Net interest income was increased by 56.90% reflecting the 17.60% increase in the interest income and the considerable decrease in the interest expenses by 23.06%.

Furthermore, the greater increase in the operating income compared to the decrease in the operating expenses resulted in a significant improvement in the cost to income ratio from 37.37% in the base year to 29.28% in the current year.

Moreover, the profit for the year was increased by 103.77% compared to the base year reflecting the steady growth of our business.

TREND ANALYSIS OF FINANCIAL STATEMENTS



VERTICAL ANALYSIS OF FINANCIAL STATEMENTS

Vertical analysis is a method of Financial Statements analysis in which each line item is listed as a percentage of a base figure within the statement.

Statement of Financial Position As at 31 March	Percentage Change				
	2021/22	2020/21	2019/20	2018/19	2017/18
Assets					
Cash and Cash Equivalents	8.80%	4.40%	4.28%	2.96%	4.86%
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	0.01%	0.01%	0.00%	0.01%	0.01%
Financial Assets at Amortised Cost - Loans and Receivables	56.48%	47.50%	40.45%	34.75%	32.99%
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	25.28%	33.69%	42.11%	48.43%	51.72%
Financial Assets Measured at Fair Value Through Other Comprehensive Income	0.05%	0.06%	0.04%	0.07%	0.10%
Other Financial Assets	3.41%	7.44%	6.33%	7.92%	5.61%
Other Non Financial Assets	0.28%	0.65%	0.67%	0.78%	0.68%
Investment in Subsidiary	0.56%	0.37%	0.36%	0.23%	0.13%
Property, Plant and Equipment	5.12%	5.86%	5.71%	4.82%	3.87%
Intangible Assets	0.01%	0.02%	0.03%	0.03%	0.04%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
Liabilities					
Due to Banks	16.34%	11.71%	15.82%	18.06%	18.90%
Financial Liabilities at Amortised Cost - Due to Depositors	54.24%	61.08%	62.00%	61.01%	60.37%
Debt Instruments Issued and Other Borrowed Funds	5.21%	2.22%	2.16%	2.28%	4.26%
Other Financial Liabilities	2.01%	2.17%	1.92%	1.45%	1.46%
Other Non Financial Liabilities	0.69%	0.73%	0.63%	1.52%	0.71%
Current Tax Liabilities	1.15%	1.33%	0.53%	1.02%	0.52%
Deferred Tax Liabilities	0.07%	0.45%	0.72%	0.96%	0.88%
Post Employment Benefit Liability	0.19%	0.26%	0.24%	0.19%	0.19%
Total Liabilities	79.89%	79.95%	84.02%	86.49%	87.30%
Equity					
Stated Capital	0.51%	0.60%	0.58%	0.61%	0.69%
Retained Earnings	14.71%	14.05%	11.08%	9.08%	8.48%
Reserves	4.89%	5.40%	4.32%	3.82%	3.53%
Total Equity	20.11%	20.05%	15.98%	13.51%	12.70%
Total Liabilities and Equity	100.00%	100.00%	100.00%	100.00%	100.00%

Lending portfolio is the major contributing component, which comprise 81.76% of the total assets base. In addition to that, the increasing trend of cash and cash equivalents keeps on getting stronger while strengthening the liquidity position of the Company. Altogether with 5.12% contribution by the property, plant and equipment fulfilled our total asset base.

Retained earnings is the major component contributing to total equity which is 73.14% reflecting the increasing trend of internal capital generation of the Company while deposits being the leading component with the highest percentage of total liabilities.

CAPITAL REPORTS

FINANCIAL CAPITAL

Income Statement Year ended 31 March	Percentage Change				
	2021/22	2020/21	2019/20	2018/19	2017/18
Income	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Income	91.22%	92.24%	93.39%	93.46%	93.40%
Interest Expenses	29.33%	38.71%	43.61%	44.24%	45.91%
Net Interest Income	61.88%	53.53%	49.79%	49.23%	47.50%
Other Operating Income	8.78%	7.76%	6.61%	6.54%	6.60%
Total Operating Income	70.67%	61.29%	56.39%	55.76%	54.09%
Impairment Charges and Other Losses	3.40%	5.68%	5.86%	3.36%	2.68%
Total Operating Expenses	20.69%	18.73%	18.86%	19.08%	20.21%
Profit before Tax	39.49%	31.26%	24.37%	26.44%	25.86%
Tax on Financial Services	7.08%	5.61%	7.30%	6.88%	5.34%
Income Tax Expense	10.77%	8.41%	7.76%	9.17%	8.89%
Profit for the Year	28.72%	22.85%	16.61%	17.26%	16.97%

As a percentage of total income, profit generation of the financial year is 28.72%. With the declining trend of interest expense, the net interest income depicts a positive trend with respect to total income. The upward movement in the net interest income parallelly reflects the improvement in net interest margin. Profit before tax holds 39.49% position of the total income indicating a gradual upward trend.

Economic Contribution

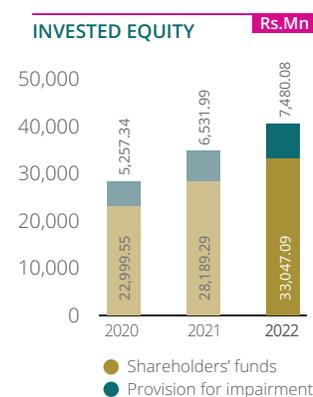
The company's approach to value creation is armed with strategies focusing on operational excellence and sustainability. This is not merely short-term but looks to long-term value creating focusing triple bottom line sustainable business practices.

Economic Value Added Statement (EVA)

EVA is the incremental change in the rate of return over a company's cost of capital. Essentially, it is used to measure the value a company generates from funds invested and a positive EVA denotes the company is generating value.

For the Year ended 31 March	2022	2021	2020
	Rs. Mn	Rs. Mn	Rs. Mn
Invested Equity			
Shareholders' Funds	33,047.09	28,189.29	22,999.55
Add: Cumulative Loan Loss Provision/Provision for Impairment	7,480.08	6,531.99	5,257.34
	40,527.17	34,721.28	28,256.89
Earnings			
Profit Attributable to Shareholders	8,661.86	6,802.60	5,187.05
Add: Loan loss Provisions/Impairment Provision	1,025.98	1,691.73	1,831.06
	9,687.84	8,494.33	7,018.11
Economic Cost (Average Treasury Bill Rate Plus 2% Risk Premium)	9.05%	7.45%	10.66%
Economic Cost	3,404.99	2,345.94	2,687.97
Economic Value Added	6,282.85	6,148.39	4,330.14

Economic value added improved gradually due to the continuous increase in invested equity and earnings.

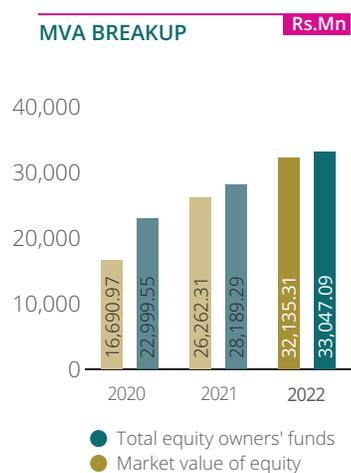


Market Value Added (MVA)

MVA is the difference between the market value of the company and the capital contributed by investors; In other words, it is the sum of all Company capital claims held against the market value of debt and equity.

For the Year ended 31 March	2022	2021	2020
	Rs. Mn	Rs. Mn	Rs. Mn
Market Capitalisation			
Market Value of Equity	32,135.31	26,262.31	16,690.97
Less: Equity Owners' Funds			
Shareholders' Funds	33,047.09	28,189.29	22,999.55
Total Equity Owners' Funds	33,047.09	28,189.29	22,999.55
Market Value Added/(Destroyed)	(911.78)	(1,926.98)	(6,308.58)

Eventhough there is a negative market value added, there is a visible improvement compared to previous two years.



CAPITAL REPORTS

FINANCIAL CAPITAL

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

For the Year ended 31 March	2022		2021		2020	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Direct Economic Value Generated						
Interest Income	27,510.53		27,457.74		29,160.29	
Fee and Commission Income	2,467.71		2,184.95		1,941.63	
Net Trading Income	2.39		6.32		(2.10)	
Other Operating Income	178.84		117.11		123.04	
Economic Value Generated	30,159.47		29,766.12		31,222.86	
Economic Value Distributed						
Operating Costs						
Depreciation and Amortisation Set Aside	800.86		745.24		713.39	
Impairment Charge for Loans and Other Losses	1,025.98		1,691.73		1,831.06	
Training Cost	6.18		4.02		18.56	
Other Operating Expenses	2,133.78		1,765.83		2,094.40	
	3,966.80	13.15	4,206.81	14.13	4,657.40	14.92
To Employees						
Employees Salaries and Benefits	3,193.77		2,955.81		2,968.07	
	3,193.77	10.59	2,955.81	9.93	2,968.07	9.51
To Depositors and Lenders						
Interest Expenses	8,204.42		11,125.01		13,218.85	
	8,204.42	27.20	11,125.01	37.37	13,218.85	42.34
To Providers of Capital						
Dividend to Shareholders	3,878.40		1,662.17		-	
Interest to Debenture Holders	642.18		397.79		396.55	
	4,520.58	14.99	2,059.96	6.92	396.55	1.27
To Government						
Income Tax Expenses	3,794.83		2,913.97		2,683.70	
Debt Repayment Levy	-		-		684.71	
VAT and NBT on Financial Services	2,136.55		1,669.32		1,593.85	
Crop Insurance Levy	86.25		67.71		52.06	
	6,017.63	19.95	4,651.00	15.63	5,014.32	16.06
To Community						
Social Responsibility Projects	12.94		37.29		22.52	
	12.94	0.04	37.29	0.13	22.52	0.07
Economic Value Retained	4,243.33	14.07	4,730.24	15.89	4,945.16	15.84
Economic Value Distributed	30,159.47	100.00	29,766.12	100.00	31,222.86	100.00

From the economic value generated, employees has been allocated 9.51% in 2019/20 which is restated to 10.59% in 2021/22. After the value distributed to customers company has provided the highest economic value towards the government which is 19.95%. Over the past two years company has provided additional economic value towards the capital providers through dividends and interests which is 13.72%.

VALUE GENERATED AND DISTRIBUTED



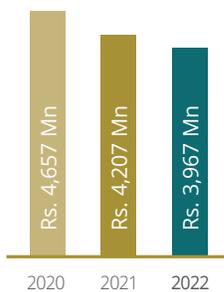
14% Economic Value Retained within the Business



To Employees Salaries and Benefits 11%



13% Operating Costs



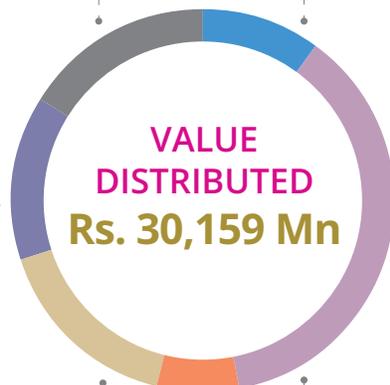
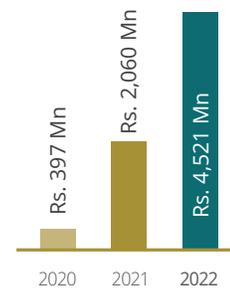
To Depositors and Lenders 27%



20% To Government



To Providers of Capital 15%



Information on the generated and distributed value provides a basic indication of how the Company has created wealth for the stakeholders.

Components of the economic value generated and distributed provide an economic profile of the Company, which may be useful for controlling other performance indicators. Economic value generated and distributed portrays the direct monetary value added to local economy.

CAPITAL REPORTS

FINANCIAL CAPITAL

INVESTORS

L B Finance always pay attention to maximise shareholders' wealth by carefully managing risk and return while crafting the business strategies in the best interest of its shareholders since the lifeblood of L B Finance is its investors. We engage with our shareholders who are interested and invested in the success and sustainability of our business. By doing so, this helps us to understand expectations and leads to better outcomes over the long-term.

This helped the Board to build an understanding of what matters to our investors in the long-term and to build a lasting and trusting relationship with our shareholders.

How does L B Finance Engage with its Shareholders?

The Board adopts a variety of methods to engage with its shareholders to understand the view of the shareholders.

The AGM is an important event in the Company's corporate calendar and an excellent opportunity to engage with shareholders and for shareholders to ask questions from the Board.

Annual report and interim financial statements of the company with the endeavours to provide all shareholders with clear, consistent, high quality information at regular intervals, in accordance with best market practice and the recommendations of stock market authorities is also another form of communication.

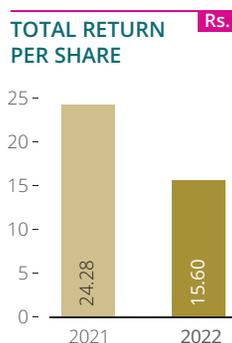
LBF also uses press conferences and media releases to provide briefing about the Company's strategy, major events concerning the Company's business as well.

Adapting to New Normal During COVID -19

Despite the challenges caused by the pandemic, the Company held its 2021 AGM as a Hybrid Meeting with physical and digital means, allowing all the shareholders to participate without any disruptions. The Board also ensured that all shareholders had the opportunity to raise questions at the AGM.

Shareholders Return

Despite the challenges imposed by the COVID-19 pandemic and lackluster macroeconomic conditions, the Board decided to declare a final dividend payment for the financial year 2020/21 which was paid in the first quarter of 2021/22. Further to that with the improvements in the company performance company paid an interim dividend of Rs. 3.00 per share during the financial year 2021/22. The Company also proposed a final dividend of Rs. 2.00 per share to ensure a sustainable return to the shareholders of the Company.



Despite the COVID-19 pandemic, the share prices of the Company increased by 22.36% based on the restated market price per share reflecting the continued investor interest in shares of the Company during the year.

Share Price as at the Beginning of the Year (Rs.)	47.40
Share Price as at the End of the Year (Rs.)	58.00
Share Price Appreciation (Rs.)	10.60
Dividend per Share (Rs.)	5.00
Total Return per Share (Rs.)	15.60
Total Shareholder Return (TSR)	32.91%

This demonstrates that we remain focused on achieving sustainable, long-term earnings growth and maintain stable dividend income stream to our shareholders.



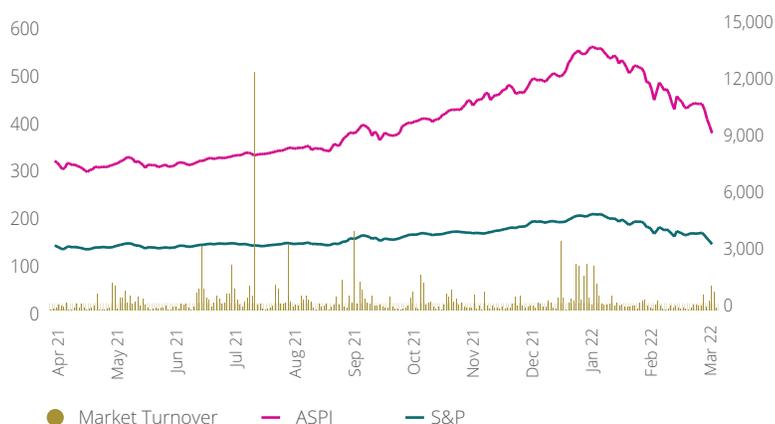
THE COLOMBO STOCK EXCHANGE

Colombo Stock Exchange (CSE) ended the financial year on a positive note, which resulted from a very challenging economic and operating environment prevailed throughout the year primarily due to the COVID-19 pandemic during the financial year. Although the pandemic resulted in an early shock at the start of the year, All Share Price Index (ASPI) stood at 8,903.87 as at 31 March 2022 reflecting a resilient performance of trading activities at CSE. Standard and Poor's (S&P SL 20) which tracks the performance of larger blue-chip companies raised to 3,031.16 points as at 31 March 2022 from 2,850 points as at 31 March 2021 with a highest ASPI index in the month of January.

Along with ASPI and S&P SL 20 indices diversified financial (DF) sector index also followed the same trend during the first three quarters of the financial year reflecting the growth of the business. However, in the last quarter, DF sector index was more aligned with the drop reflected in ASPI and S&P SL 20 indices due to the economic crisis faced by the country.

ASPI, S&P AND MARKET TURNOVER

Rs.Mn ASPI and S&P



As at 31 March 2022

Diversified Financial Sector - P/E Ratio	12.13
Banking Sector - P/E Ratio	3.49
Diversified Financial Sector -P/B Ratio	1.69
Banking Sector - P/B Ratio	0.39
Beta Value against ASPI as at 31.03.2022 for L B Finance PLC	0.92

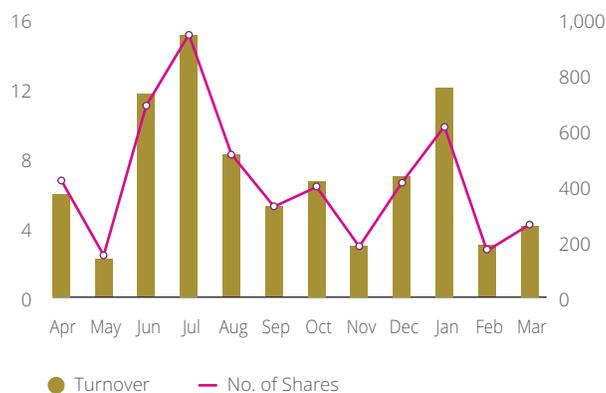
LBF SHARE PRICE MOVEMENT

Rs.



LBF SHARE TURNOVER

No. Mn Rs. Mn



As depicted in the graphs above the market price of LBF share has been moving steadily throughout the financial year. There was a continued interest in the shares of the Company and trading of the Company's shares peaked to 15.05 Million shares trade in hands at the month of July 2021.

CAPITAL REPORTS

FINANCIAL CAPITAL

SHARE DETAILS

	Quarterly Performance				Annual Performance		
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2021/22	2020/21	2019/20
Share Price							
Highest (Rs.)	70.80	68.10	69.50	92.10	92.10	*348.75	*167.50
Lowest (Rs.)	47.50	59.90	60.10	54.50	47.50	42.60	*114.00
Closing (Rs.)	67.60	61.00	68.00	58.00	58.00	47.40	*120.50
Number of Transactions	17,184	16,050	9,384	14,290	56,908	21,681	2,995
Number of Shares Traded	20,049,307	28,390,285	15,724,770	16,548,238	80,712,600	12,559,335	3,552,610
Value of Shares Traded (Rs. Billion)	1,231	1.77	1.03	1.19	5.22	2.32	0.5
Number of Days Traded	57	63	62	58	240	216	223
Average Daily Turnover (Rs. Million)	21.59	28.14	16.61	20.49	21.75	10.73	2.27
Market Capitalisation (Rs. Billion)					32.14	26.26	16.69

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

FLOAT ADJUSTED MARKET CAPITALISATION

The Float adjusted market capitalisation as at 31 March 2022 – Rs. 6,984,359,710/-

The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.14.1 (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.

LBF SHARE

General Information

As at 31 March	2022	2021	2020
Total Number of Shares in Issue	554,057,136	554,057,136	138,514,284
Public Shareholding	21.73%	21.76%	21.83%
Beta Value against ASPI	0.92	2.48	1.43

Other Information

Stock symbol LFIN.N0000

Newsire Codes of LBF Share:

Bloomberg LFIN.SL

Dow Jones LFINN

Reuters LFIN. CM

MARKET CAPITALISATION (AS AT 31 MARCH)

Year	Shareholders' Funds Rs. Mn	LFIN Market Capitalisation Rs. Mn	CSE Market Capitalisation Rs. Mn	Market Capitalisation as % of CSE Market Capitalisation
2017	12,510	16,400	2,662,860	0.62%
2018	15,349	16,469	3,032,710	0.54%
2019	18,427	16,636	2,605,899	0.64%
2020	22,999	16,691	2,128,266	0.78%
2021	28,189	26,262	3,111,259	0.84%
2022	33,047	32,135	3,826,498	0.84%

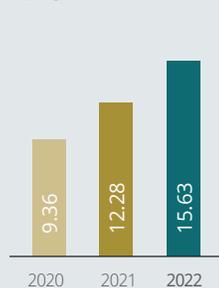
As indicated above the market capitalisation of the Company increased by 22.36% from Rs. 26.26 Billion in 2021 to Rs. 32.14 Billion in 2022 accounting for 0.84% (2021 – 0.84%) of the total market capitalisation. The Company's shares are one of the most prominent shares among the listed shares of the Colombo Stock Exchange. The total market capitalisation of CSE as at 31 March 2022 was Rs. 3,826.50 Billion compared to Rs. 3,111.26 Billion as at 31 March 2021 an increase of 22.99%.

KEY SHAREHOLDER DATA

We aim to deliver the expectation of our shareholders through execution of our strategies while serving our customers to meet their needs.

EARNINGS PER SHARE

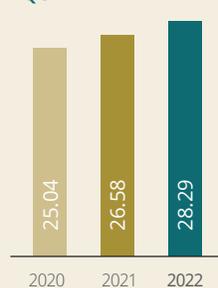
Rs.



L B Finance prudently manage its earnings with a policy to provide sustainable return to shareholders while giving the management the flexibility to reinvest capital to grow the Company.

RETURN ON EQUITY

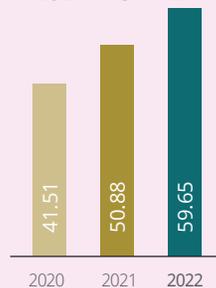
%



We are invested to provide long term value to our shareholders.

NET ASSETS VALUE PER SHARE

Rs.



L B Finance strive to create value for our shareholder funding in assessing the performance of a fund against the market or industry benchmarks.

SHAREHOLDER FUNDS

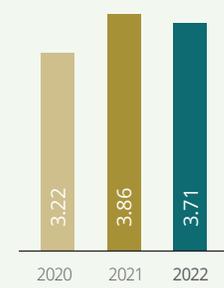
Rs.Mn



We ensure that the Company is operated on a foundation of strength and is well positioned to deliver sustainable returns to our shareholders.

PRICE EARNINGS

No. of Times

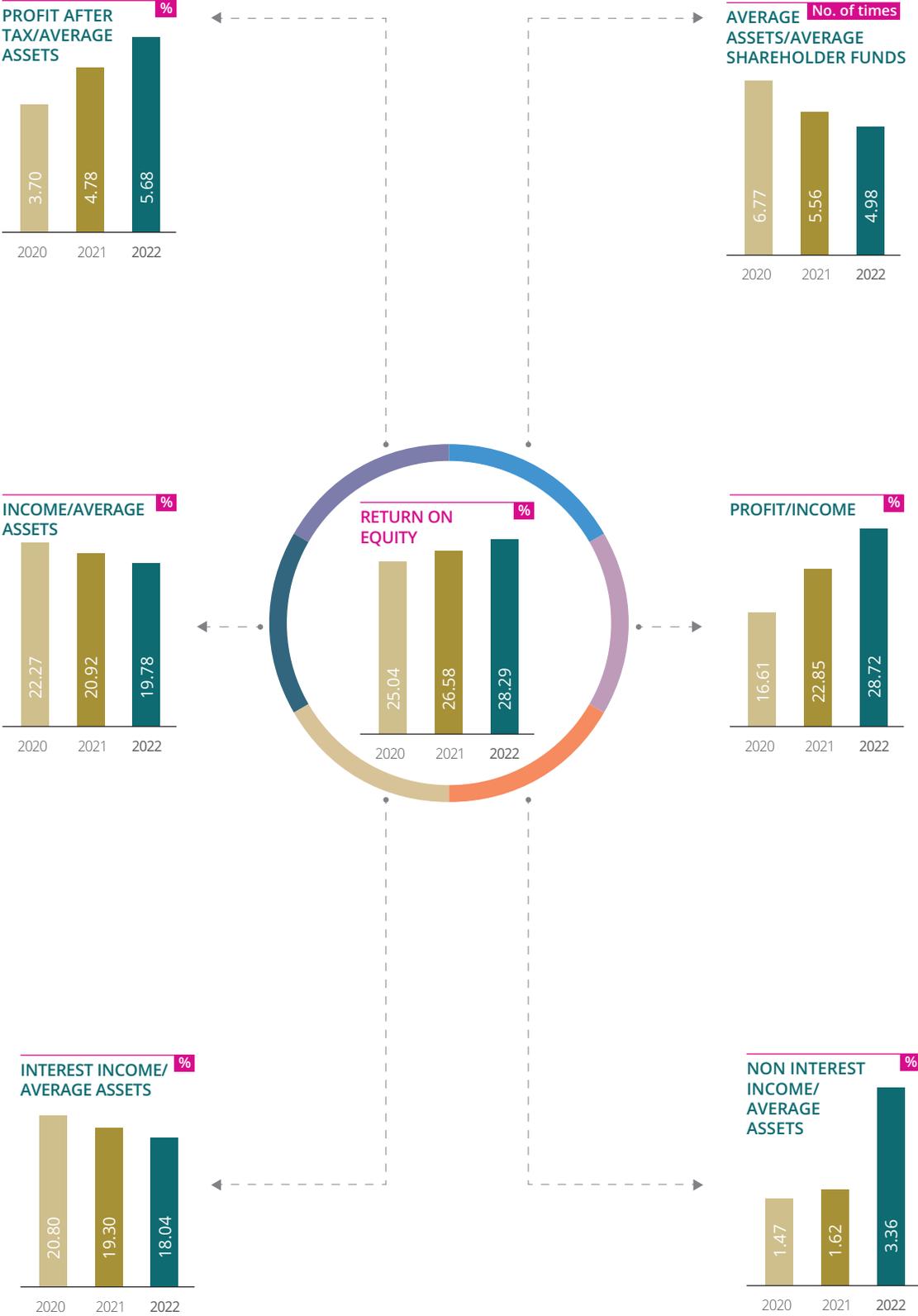


CAPITAL REPORTS

FINANCIAL CAPITAL

FINANCIAL CAPITAL ANALYSIS

Dupont Analysis (ROE Analysis)



LARGEST SHAREHOLDERS OF THE COMPANY

Shareholders	As at 31 March 2022		As at 31 March 2021	
	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 Commercial Bank of Ceylon PLC/Royal Ceramics Lanka PLC	144,492,928	26.079	144,492,928	26.079
3 Esna Holdings (Pvt) Ltd	56,249,600	10.152	56,249,600	10.152
4 Pershing LLC S/A Averbach Grauson & Co.	7,859,965	1.419	8,024,312	1.448
5 Hatton National Bank PLC/Mr. Karuna Ranaraja Ekanayaka Mudiyanselage Dharshan Maduranga Bandara Jayasundara	5,050,000	0.911	2,600,000	0.469
6 Janashakthi Insurance PLC - Shareholders	1,952,700	0.352	2,000,000	0.361
7 Mr. N Udage	1,816,540	0.328	1,616,540	0.292
8 Mr. K A D A Perera	1,708,116	0.308	1,708,116	0.308
9 Mr. A A Page	1,259,200	0.227	1,259,200	0.227
10 Phantom Investments (Private) Limited	1,253,809	0.226	-	-
11 Mr. W D N H Perera	1,105,000	0.199	638,180	0.115
12 Mrs. V Saraswathi & Mr. S Vasudevan	1,052,700	0.190	-	-
13 People's Leasing & Finance PLC/Dr. H S D Soysa & Mrs. G Soysa	923,264	0.167	923,264	0.167
14 Mr. A M Weerasinghe	900,000	0.162	1,220,944	0.220
15 Mr. F N Herft	865,889	0.156	-	-
16 Mrs. P C Cooray	834,528	0.151	834,528	0.151
17 Mr. J A N R Adhihetty	813,845	0.147	791,141	0.143
18 Seylan Bank PLC/Sarath Bandara Rangamuwa	791,141	0.143	420,000	0.076
19 Dr. W P Somasiri & Mrs. D V A Wijewardana & Mr. K Withanapathirana	747,000	0.135	-	-
20 Mrs. P A S K Beruwalage	733,327	0.132	258,241	0.047
	517,139,152	93.337	509,766,594	92.006
Others	36,917,984	6.663	44,290,542	7.994
Total	554,057,136	100.000	554,057,136	100.000

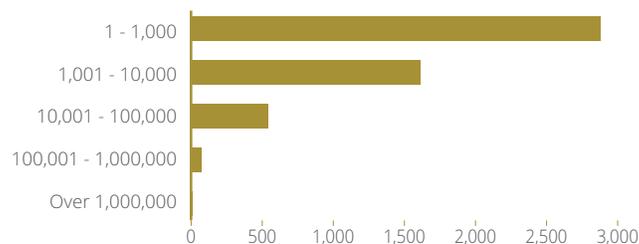
DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2022

From	To	No. of Shareholders	No. of Shares	%
1	1,000	2,883	862,397	0.16
1,001	10,000	1,614	5,905,123	1.07
10,001	100,000	545	15,738,462	2.84
100,001	1,000,000	72	21,020,996	3.79
Over 1,000,000		13	510,530,158	92.14
Total		5,127	554,057,136	100.00

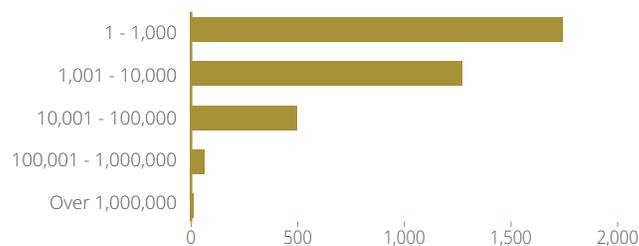
DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH 2021

From	To	No. of Shareholders	No. of Shares	%
1	1,000	1,744	507,678	0.09
1,001	10,000	1,273	4,804,807	0.87
10,001	100,000	496	14,055,043	2.54
100,001	1,000,000	63	17,088,546	3.08
Over 1,000,000		14	517,601,062	93.42
Total		3,590	554,057,136	100.00

NO. OF SHAREHOLDERS



NO. OF SHAREHOLDERS



CAPITAL REPORTS

FINANCIAL CAPITAL

COMPOSITION OF SHAREHOLDERS

Category	2021/22			2020/21		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local Individuals	4,854	40,671,910	7.34	3,414	35,311,308	6.37
Local Institutions	244	504,239,038	91.01	147	500,874,760	90.40
Foreign Individuals	26	1,122,223	0.20	25	535,292	0.10
Foreign Institutions	3	8,023,965	1.45	4	17,335,776	3.13
Total	5,127	554,057,136	100.00	3,590	554,057,136	100.00

SHARE PRICES FOR THE YEAR

	2021/22	Date	2020/21	Date
Market Price per Share				
Highest During the Period	Rs. 92.10	19 January 2022	*Rs. 348.75	27 January 2021
Lowest During the Period	Rs. 47.50	1 April 2021	Rs. 42.60	24 March 2021
As at End of the Period	Rs. 58.00		Rs. 47.40	

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

SHARE TRADING DETAILS

	2021/22	2020/21	2019/20
No. of Transactions	56,897	21,681	2,995
No. of Shares Traded	80,712,600	12,559,335	3,552,610
Value of Shares Traded (Rs.)	5,221,138,547	2,318,348,085	507,729,473

PUBLIC HOLDING

As at 31 March	2022	2021	2020
Public Holdings Percentage	21.73%	21.76%	21.83%
Number of Shareholders Representing the above Percentage	5,119	3,582	1,877

DIRECTORS' SHAREHOLDINGS

Names of Directors	2022		2021	
	No. of Shares	As a % of Total Shares	No. of Shares	As a % of Total Shares
Mr. G A R D Prasanna	-	-	-	-
Mrs. A K Gunawardhana (Resigned w.e.f. 28 February 2022)	-	-	-	-
Mr. K D D Perera	-	-	-	-
Mr. J A S S Adhihetty	424,480	0.077	424,480	0.077
Mr. N Udage	1,816,540	0.328	1,616,540	0.292
Mr. B D A Perera	-	-	-	-
Mr. R S Yatawara	8,593	0.002	7,620	0.001
Mrs. Y Bhaskaran	-	-	-	-
Mr. M A J W Jayasekara	-	-	-	-
Mrs. Ashwini Natesan	-	-	-	-
Mr. D Rangalle	-	-	-	-
Ms. Yanika Amarasekera	-	-	-	-

DEBENTURES

In December 2017, L B Finance raised Rs. 3 Billion to boost business growth opportunity, reducing the mismatch of maturity period, to improve the capital adequacy of the Company and to strengthen Tier II capital position.

Year	2021/22		2020/21	
Issued Date	11 December 2017	11 December 2017	11 December 2017	11 December 2017
Type of Debenture	Type A	Type B	Type A	Type B
Maturity Date	11 December 2022	11 December 2022	11 December 2022	11 December 2022
CSE Listing	Listed	Listed	Listed	Listed
Code	LFIN/ BD/11/12/22-C2 387-A-12.75	LFIN/ BD/11/22/22-C2 388-B-13.25	LFIN/ BD/11/12/22-C2 387-A-12.75	LFIN/ BD/11/22/22-C2 388-B-13.25
Interest Payment Frequency	Bi-Annually	Bi-Annually	Bi-Annually	Bi-Annually
Coupon Interest Rate	12.75% p.a	13.25% p.a	12.75% p.a	13.25% p.a
Traded Yield (%)	-	-	-	-
No. of Debentures	10,000,000	20,000,000	10,000,000	20,000,000
Amount (Rs. Mn)	1,000	2,000	1,000	2,000

Market Price

Highest (Rs.)	Did not trade during the year	Did not trade during the year
Lowest (Rs.)	Did not trade during the year	Did not trade during the year
Close (Rs.)	Did not trade during the year	Did not trade during the year

Yield of Comparable Government Securities (%)

	2022	2021
05 Year Treasury Bond	14.83	6.88

Credit Ratings

The Company's credit rating, A- (lka), was affirmed by Fitch Ratings Lanka Limited in 2022 (RWN).

Credit Rating - Debentures

The credit rating of the Company's Senior and Subordinated Debentures was affirmed at A- (lka) and BBB (lka) by Fitch Ratings Lanka Limited (RWN).



MANUFACTURED CAPITAL

Related strategies

DB

RO

Related SDGs

8

9

7

11

Related material themes

MCN

DTD

As a dynamic financial institution, we have continued to scale our operations in response to abrupt changes in business and unexpected opportunities which require quick decision making. Through ambitious goal setting and prudent investments in infrastructure, we have focused on improving our scalability. Hence our manufactured capital has evolved considerably over the past years in-line with the growth trajectory of our organisation.

VALUE FOR EMPLOYEE

The knowledge and expertise gained by working in a sophisticated digital workplace

VALUE FOR LBF

A strong physical and digital presence reinforces LBF's credibility and competitive position in the market

VALUE FOR CUSTOMER

A robust multi-channel environment that caters to the preferences of all customer segments

181
Branches

24
Cash deposit machines

02
Branch relocations

Rs. 53.04 Mn
Investment on freehold building

Smart branches

12
New branches

Rs. 69.66 Mn
Invested in IT infrastructure

12
Branches in Myanmar

Digital products

How we manage the capital

We are very proud of our ability to provide uninterrupted support to our customers throughout the COVID-19 period. As we move into the next phase in helping them rebuild, we are seeking new approaches and looking for better and more effective ways to reach and serve our customers. More specifically, we are focusing on digital solutions to enable improved accessibility and greater convenience through which we hope to further reduce the customers' need to use our branch infrastructure. Considering how the downloads of our LB CIM wallet app have increased exponentially over this past year, I can easily say that we are already well on our way towards achieving this.



Mr. Niroshan Udage
Deputy Managing Director

Stakeholder's expectations

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	Reach	★	★	★	★		★
	IT infrastructure	★		★		★	
	Expansion	★	★	★			★
	Accessibility	★	★	★		★	

Challenges

- The cost involved in keeping up with rapid changes in technology
- Difficulty in planning for the long term due to political instability
- Competitive landscape in regional markets

Way forward

- Build and expand strong digitally enabled financial institution
- Boost infrastructure to meet upcoming business opportunities
- Advance process productivities to increase deployment of manufactured capitals

MANUFACTURED CAPITAL MANAGEMENT

INPUT

- » Fit-for-purpose branch network
- » Invest in core systems and processes
- » Customer focused and digitally enabled workforce

APPROACHES OF MANAGING OUTCOME

- » Continuously improve branch accessibility and facilities
- » Provide digital assistance and tech-based research to maintain service excellence standards.
- » Launch of an industry leading digital wallet for smartphone users

STRATEGIC DRIVER

- » Strengthen LBF's physical and digital footprint
- » Adoption of world class IT systems
- » Improve customer centricity of distribution channels

SPACE FOR DEVELOPMENT

- » Diversify distribution channels
- » Launch alternate distribution channels
- » Introduce non-financial services
- » Reinventing the business model

TRADE OFF

Investing in digital channels will drive better customer experiences and thereby enhance the Company's reputation. Digitization and automation also enhances the work environment and contributes towards employee motivation

KEY OUTPUT

- » Modernized branches
- » Enhanced Digital wallet users and transactions
- » Invest made on core system and process



Visit web page for our philosophy, Management approaches and analysis of Manufactured Capital

CAPITAL REPORTS

MANUFACTURED CAPITAL

OVERVIEW

We define Manufactured Capital as the physical and digital front end that supports our day-to-day business activities. Our island-wide branch network has been at the heart of our evolutionary journey over the past 50+ years. Since the inception of our focus has been to expand our physical footprint through strategic investments to set up branches in key cities across Sri Lanka. These branches have been instrumental in delivering LBF's value proposition to the mass market. Driven by a deep understanding of our customer's needs, we have recently diversified our approach by leveraging digital technology. These efforts have paved the way for LBF to reach out to an ever broader audience around the Country.

Critical Success Factors

- » Reconfigured physical network and increased self-service.
- » Establish a diverse market footprint that best meets our customer's expectations.

WHAT WE DISCUSS - MATERIAL DRIVERS



1 ENHANCE VALUE PROPOSITIONS

To remain competitive, we seek out every opportunity to enhance our value propositions and offerings. Key part of this endeavor involves strengthening our distribution networks, our branch network and our digital channels, in response to the demands of the market. Through a deep understanding of our consumer's needs, including our customer's holistic lifestyle and value chain needs, we will be able to deliver personalised solutions. To achieve this, we will leverage our strengths as a financial institution, combined with data analytics, to deliver individual financing and beyond-financing.

Strategic objective

Enhance our local and regional footprint

2 BUILDING A DISTINCTIVE PHYSICAL PRESENCE

Having invested heavily over the years to build the island-wide branch footprint, LBF today has one of the largest and most geographically widespread branch networks among financial institutions in Sri Lanka.

In the year under review, we further expanded our branch footprint with 12 new branches opened. In yet, another notable development in pre-existing Gold Loan service centers were converted into fully-fledged branches. The rationale behind the conversion was to ensure Gold Loan customers have access to the full gamut of services offered by LBF including access to digital services. We also relocated 02 branches in order to optimise synergies.

As at 31st March 2022, LBF's branch network consisted of 181 fully-fledged branches, all equipped to offer the entire gamut of financial products and services

including access to digital services such as CDMs (Cash Deposit Machine).

LBF's Premier branch concept also gathered momentum in 2021, with a new Premier Center opened in Wellawatte in 2021. Premier branches are designed to offer a range of bespoke services for discerning customer segments. LBF's network of Premier branches stands at 02 as at 31st March 2022.

Ever since, the onset of the COVID-19 pandemic our branch model has entered a new phase in its transformational journey, with branch operating protocols continuing to change amidst the backdrop of the pandemic. Nonetheless, we remained firm in our commitment to ensure the continuity of operations in order to minimise adverse impacts on our customers. As part of this same effort, we took steps to increase CDM coverage across the branch network and accelerate digitisation and automation initiatives to reduce branch queuing times.



181
Branches



3,822
Employees



Province	Branches	Employees	Population 2022 ('000)	GDP 2020 (Rs. Bn)
NORTHERN PROVINCE	18	196	1,061	689
EASTERN PROVINCE	21	263	1,555	849
NORTH CENTRAL PROVINCE	7	132	1,267	876
NORTH WESTERN PROVINCE	11	228	2,380	1,653
CENTRAL PROVINCE	16	302	2,572	1,692
UVA PROVINCE	6	117	1,266	812
WESTERN PROVINCE	82	2,147	5,851	5,694
SABARAGAMUWA PROVINCE	7	162	1,929	1,188
SOUTHERN PROVINCE	13	275	2,477	1,518

Branches
 Employees
 Population 2022 ('000)
 GDP 2020 (Rs. Bn)

3 MODERNISING CHANNEL ARCHITECTURE

In the year under review, we reviewed our current delivery model with the intention of re-orienting our branch network to improve the services offered to small and medium business customers. As part of the first phase of this effort, we began designing tailored solutions and training our branch teams to improve their capacity to serve this target segment. Our goal in doing so is to reduce cost of customer acquisition and increase return on investment while holistically improving service to customers.



Grandpass Sulaiman branch upgrade



Aluth Mawatha branch upgrade

4 REGIONAL PRESENCE

In December 2017, LBF established its regional presence by setting up LB Microfinance Myanmar Company (LBMF). Over the past 5 years, LBMF has transitioned into a highly successful micro financial institution serving customers through its network of 12 branches in Bago and Magway regions of Myanmar.

Further reading : Subsidiary information on page 115



Awariwatta branch opening



Kantale branch opening

CAPITAL REPORTS

MANUFACTURED CAPITAL

LB Microfinance (Pvt) Ltd.
Myanmar



12
Locations

We made some notable strides in the year under review, to ensure CIM is the only wallet application in the local market equipped with the highest level of network integration with the core financing system.

Today LBF offers a comprehensive range of mainstream digital channels such as our digital suite also includes Cash Deposit Machines (CDM). CDMs which form part of the branch infrastructure, are digitally connected to our core systems.

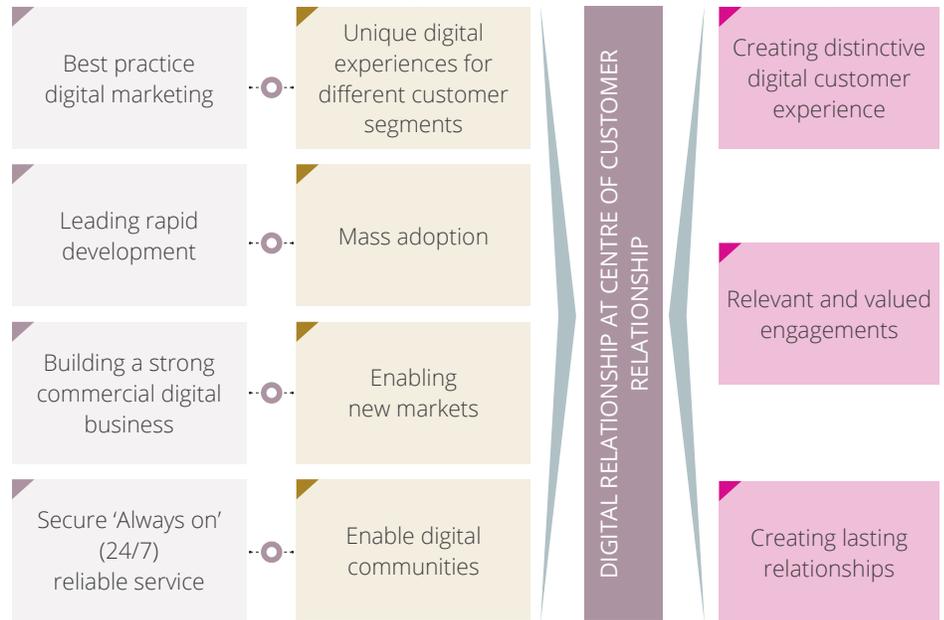
We made some notable strides in the year under review, to ensure CIM is the only wallet application in the local market equipped with the highest level of network integration with the core financing system. Since its launch in 2019, we have focused on continuously refining the schematics of the LB CIM App to enhance its transactional capabilities.

5 RESOURCE UTILISATION

5.1 Industry leading digital channels

Since entering into the digital sphere, LBF's presence in this space has strengthened considerably. Today LBF offers a range of digital solutions.

Our leading digital front end interface is the LB CIM (Cash-In-Mobile) app which performs the central role in enabling customers to access an array of financial services provided by the Company. CIM is unique in that it is built with a very high level of integration with our core banking system to create an omni-channel, where customers can enjoy unhindered access to their portfolio of lease, loans and deposit accounts through one single digital platform.



5.2 Cost management and increased efficiencies

Our ongoing cost management programme plays a vital role in improving the operational capability of LBF's Manufactured Capital. For example; it serves as the basis of our investment decisions, particularly with regard to set up costs for new branches. At the same time, we have established cost saving targets for our branches and maintain a strong focus on continuous improvement to optimise economies of scale in all our channel management activities. The progress made in achieving these plans are monitored on a regular basis.

LB CIM wallet, is a multi-faceted digital banking solution offered in the form of a smartphone app, built with ultra-simple UI/UX and trilingual functionality to cater all communities in Sri Lanka. LB CIM App has two distinct products; the CIM Customer App and CIM Business App, each tailored to meet the specific needs of the customer as well as the merchants.

CIM Customer App capability

- » Earn an attractive interest for the balance in CIM digital account (secured under the deposit insurance scheme of the Central Bank of Sri Lanka)
- » Review the status and pay the installments for LB Lease/ Loans or Gold Loans anytime
- » Check FD portfolio details
- » Link bank accounts and pull money using JustPay facility
- » Send money to anyone, any bank, anytime instantly
- » Reload mobiles and pay all utility bills
- » Settle credit card bills with no convenience fee
- » Pay any insurance premium real-time
- » Make payments at LankaQR accepted +200,000 merchants anywhere
- » Settle any payment automatically using the standing order feature
- » Keep track of earnings and expenses through the transaction history and the monthly e-statement

CIM Business App capability

- » Integrated with LankaQR to facilitate interoperability between mobile wallets, whilst offering the lowest fees in the market
- » Convenient and cost effective solution to make supplier payments, utility bill payments, salary payments and money transfers to any third party savings or current account
- » Get money credited to the wallet savings account directly to start earning interest instantly
- » Direct debit instructions in real time
- » Real time tracking of all transactions



Link to online video



6 CUSTOMER CHANNEL PREFERENCE

BRANCHES & GOLD LOAN CENTRES

LB DIGITAL WALLET

CONNECTED ATMs

SOCIAL MEDIA

MARKETING OFFICERS

CDMS

CALL CENTRE

CUSTOMER SEGMENT

CUSTOMER SEGMENT	BRANCHES & GOLD LOAN CENTRES	LB DIGITAL WALLET	CONNECTED ATMs	SOCIAL MEDIA	MARKETING OFFICERS	CDMS	CALL CENTRE
Individual customer							
Kids/ teenagers	✓			✓		✓	
Millennials		✓		✓		✓	
Young families	✓	✓	✓	✓	✓	✓	✓
Established families	✓	✓	✓	✓	✓	✓	✓
Mature well-off	✓		✓		✓	✓	✓
Senior citizens	✓	✓		✓			✓
Corporate customers							
Corporates/institutions	✓	✓		✓			
SME/MSME	✓	✓		✓	✓	✓	✓

Our leading digital front end interface is the LB CIM (Cash-In-Mobile) app performs the central role in enabling customers to access an array of financial services provided by the Company.



CAPITAL REPORTS

MANUFACTURED CAPITAL

7 TRANSFORM SERVICE DELIVERY

7.1 Network support

We believe a strong, reliable network support system is the key to enhance the outputs derived from our Manufactured Capital base. In this regard, we aim for technology upgrades and other innovative digital tools to simplify processes and reform our infrastructure in line with LBF's business objectives.

In the year under review, we continued to deploy new initiatives to further strengthen our network support systems in order to minimise interruptions to our workflow systems and prevent system downtime.

Further reading: Intellectual Capital Report on page 172 - 183 [Network support, Gaining Efficiencies, Enhanced Working Environment]

Strategic objective
Adapting world class system and process

8 RELATIONSHIP BETWEEN CAPITALS

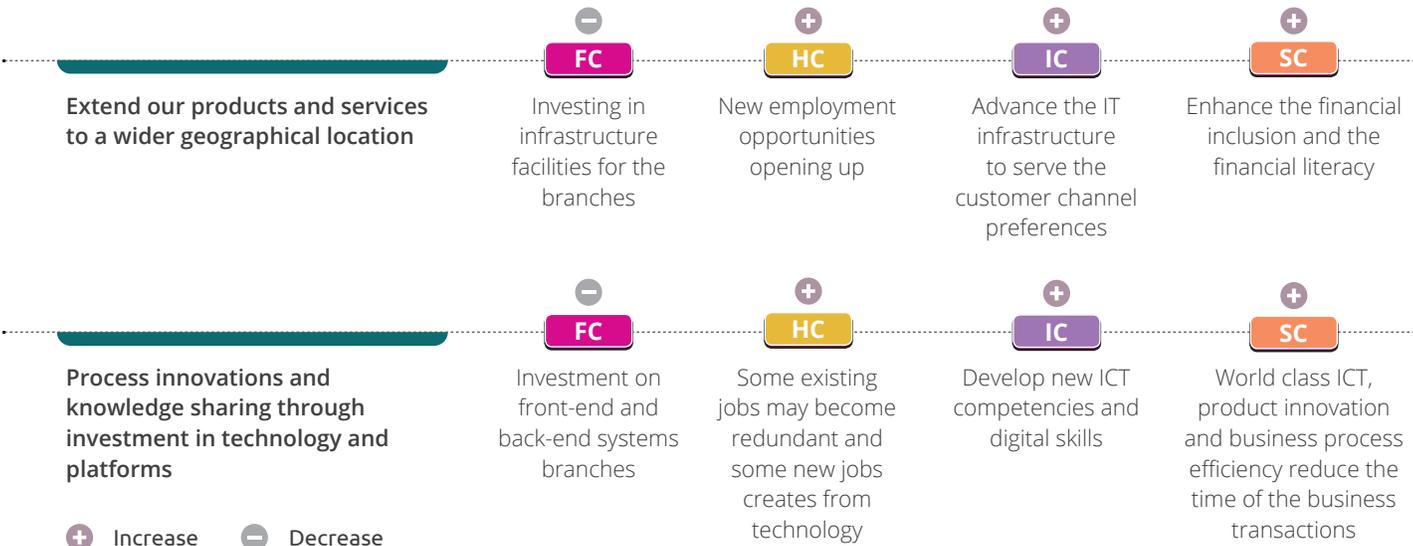
8.1 Trade-off between capitals

	Financial Capital			Human Capital			Intellectual Capital			Manufactured Capital			Social & Relationship Capital			Natural Capital		
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Investment in digital finance	▼	▲	▲	—	—	▼		▲	▲	▲	▲	▲						
Branch expansion	▼	▼▲	▼▲	▲	▲	▲				▲	▲	▲	▲	▲	▲			
Branch relocations	▼	▲	▲							▲	—	—	▲	—	—			

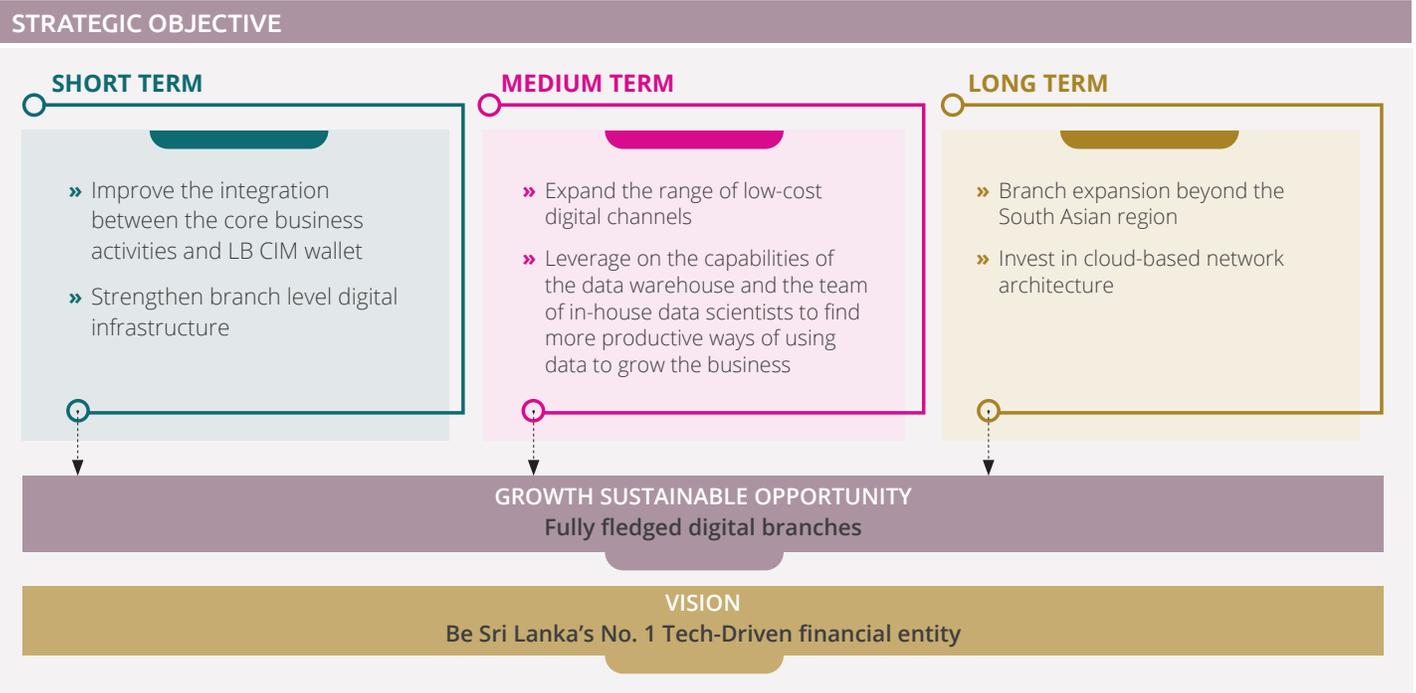
S – Short term M – Medium term L – Long term ▲ Increase ▼ Decrease — Neutral

Reaping benefits of investing in manufactured capital

By enabling process innovations and knowledge sharing through investment in technology and platforms expenditure in IT infrastructure

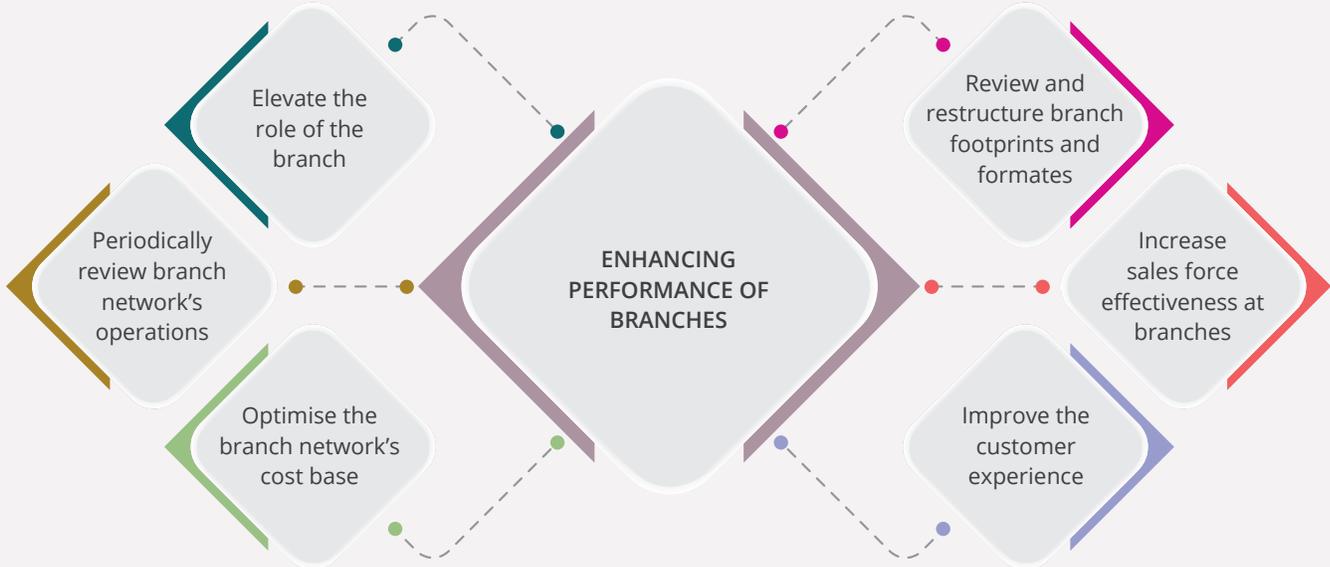


9 BUILDING FOR THE FUTURE



ENHANCING NETWORK PERFORMANCE

The process of enhancing the performance of our branches are shown diagrammatically below. This strategy leads to a higher return on LBF's manufactured capital investment by way of improving quality of service.

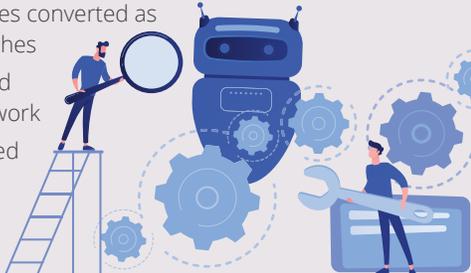


Conventional branches are transformed to new age customer convenience centres by upgrading the ambience and service standards. Technological improvements are vital and LBF has identified relevant infrastructure development requirements which will be invested more and more in future. The branches

will be converted to high-profit centres with operational strategies stemming from the overall corporate strategy. Sales targets will be set accordingly after comprehensive market research and analysis in driving core business functions. Relevant training requirements will be identified at the branch level and

strategic human resource development solutions will be provided to enhance employee performance. Every branch will be reviewed periodically, identifying strengths and weaknesses while updating their set goals followed by a review.

MANUFACTURED CAPITAL JOURNEY

2010/11	2011/12	2012/13	2013/14
<ul style="list-style-type: none"> » Fully-fledged end-to-end core financial application 	<ul style="list-style-type: none"> » Savings accounts with ATM integration, SMS alerts on transactions 	<ul style="list-style-type: none"> » Paperless board room initiative and introduction of VISA debit card with highest security features 	<ul style="list-style-type: none"> » SLIPS integration » ISO 27001:2013 certification 
2014/15	2015/16	2016/17	2017/18
<ul style="list-style-type: none"> » Social media marketing and introduction of a daily collection loans system 	<ul style="list-style-type: none"> » Opened 09 branches and 02 Gold Loan centres » Implemented a fully-fledged Treasury Management System (TMS) » Introduced mobile-based microfinance solutions 	<ul style="list-style-type: none"> » Opened 08 branches » Introduce giftstore.lk – an online e-commerce site and CEFT integration for LB e-connect customers 	<ul style="list-style-type: none"> » 05 new branches were opened » LBF expanded its footprint beyond Sri Lanka by setting up LB Microfinance Myanmar Company Limited (LBMF)
2018/19		2019/20	
<ul style="list-style-type: none"> » 13 LBF outlets strategically relocated to areas where customer can experience better convenience » LBF acquired premium properties in Colombo and Kandy » Opened 03 branches in Myanmar » 23 CDMs were installed at high volume branches » Launched of ORACLE fusion system and backend ERP system » Opened the Digital Financial Services (DFS) unit 		<ul style="list-style-type: none"> » Opened 06 branches in Myanmar » Relocated 05 outlets » Introduced the CIM (Cash In Mobile) wallet 	
2020/21	2021/22		
<ul style="list-style-type: none"> » Opened 04 branches in Myanmar » Set up LBF innovation center » 18 gold loan centres converted as fully fledged branches » 04 branches added to the branch network » Introduced AI based Chatbots 	<ul style="list-style-type: none"> » LBF tied up with DRP to fast-track digital financial services » Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs » Install data visualisation and modelling software » Established robotic process automated software » Further strengthened the ISO 27001 Information security standard » Tied up with FinCSIRT (computer security incident response team for Sri Lanka's financial sector) 		



HUMAN CAPITAL

HC

Related strategies

Related SDGs

Related material themes

ET

RO

3

5

PSS

DMW

LBF believes that to draw the best out of its employees, it is necessary to treat them fairly and equally. To fulfil the Company’s vision, mission, strategies and goals LBF requires staff with a range of knowledge, skills and attributes and LBF needs to attract such people into the Company, nurture and retain them.

VALUE FOR EMPLOYEE

Career advancement through comprehensive development programmes and fringe benefits that recognise practical day-to-day employee needs

VALUE FOR LBF

- » An appropriately skilled and motivated workforce
- » Insights through diversity
- » Lower employee turnover and therefore lower costs

VALUE FOR CUSTOMER

- » High service levels
- » Products that meet their needs
- » Responsible financial advice and compliant products and services

3,822
Total No. of employees

1,734
New employees

50
No. of interns

17,754
Training hours

Employee work life balance

1,626
Female employees

45
Employees were promoted

Rs. 6.17 Mn
Investment on training

How we manage the capital

At LBF, we recognize our people to be the key custodians of our business, the driving force of our competitive advantage and the defining factor of our success.

To ensure our teams remain motivated and fully invested in LBF's progress at all times, we connect with them regularly to maintain continuous and ongoing dialogue with employees at all levels of the business. The strong ties we have built with our employees through the years, was without a doubt one of the most critical defences that helped LBF to remain resilient in the face of a global pandemic.



Mr. Niroshan Udage
Deputy Managing Director

Stakeholder's expectations

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	Performance management	★		★			
	Safety and well-being	★	★	★			★
	Enhanced employee skillset	★	★	★		★	

Challenges

- Attracting, retaining key staff in the highly competitive financial services sector
- Meeting the high standards required from an employer of choice
- Employee morale and mental health during the pandemic

Way forward

- Build a strong employer brand
- Emerge as one of the top employer of choice
- Use technology to automate HR processes



Visit web page for our philosophy, Management approaches and analysis of Human Capital

HUMAN CAPITAL MANAGEMENT

INPUT

- » Workforce composition
- » Pay and benefits
- » Skills, qualifications and competencies
- » Regulatory compliance

APPROACHES OF MANAGING OUTCOME

- » Recruitment and retention
- » Performance management
- » Learning and competency development
- » Reward and recognition

STRATEGIC DRIVER

- » Improve workforce productivity
- » Invest in strengthening employee knowledge and skills
- » Empower employees through better work life balance

SPACE FOR DEVELOPMENT

- » Developing critical skills and succession planning to achieve long term strategic objectives

TRADE OFF

Wellbeing and development based on the fundamental premise that a healthy and motivated workforce will bring consistent benefit to boost the Company's financial performance, and brand reputation

KEY OUTPUT

- » Leadership capability
- » Workforce capability
- » Workforce performance
- » Diversity and inclusivity
- » Engagement and wellbeing

CAPITAL REPORTS

HUMAN CAPITAL

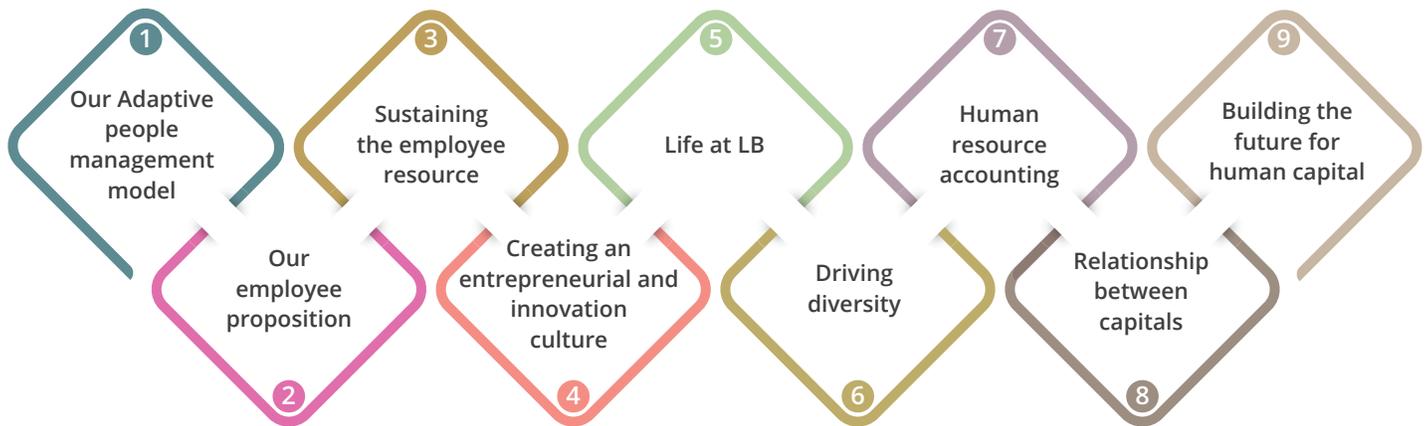
OVERVIEW

As a service organisation, LBF's human capital is at the heart of our business. It is the knowledge and collective capabilities of our employees that drive LBF's strategic intent. Given the crucial role they play in the business, LBF's vision seeks to attract, develop, and retain the most talented people by providing them with a distinctive employee experience including fair and equal opportunities to thrive and grow both personally and professionally.

Critical Success Factors

- » Top management commitment
- » High quality training deliverable
- » Raising employee morale and productivity

WHAT WE DISCUSS - MATERIAL DRIVERS



1 OUR ADAPTIVE PEOPLE MANAGEMENT MODEL

The COVID-19 pandemic provided an opportunity for LBF to demonstrate its ability to re-orient its people to the changing situation. Given that many in our sales teams were designated as frontline or critical workers, we provided them with all necessary safeguards to enable them to perform their duties with minimal disruptions. Whenever possible and practical, we also asked our employees to work remotely from home. At the same time, we took aggressive action to minimise the spread of the COVID-19 virus among our teams.

MORE

Competitive

Focused

Digital

Skilled

Efficient

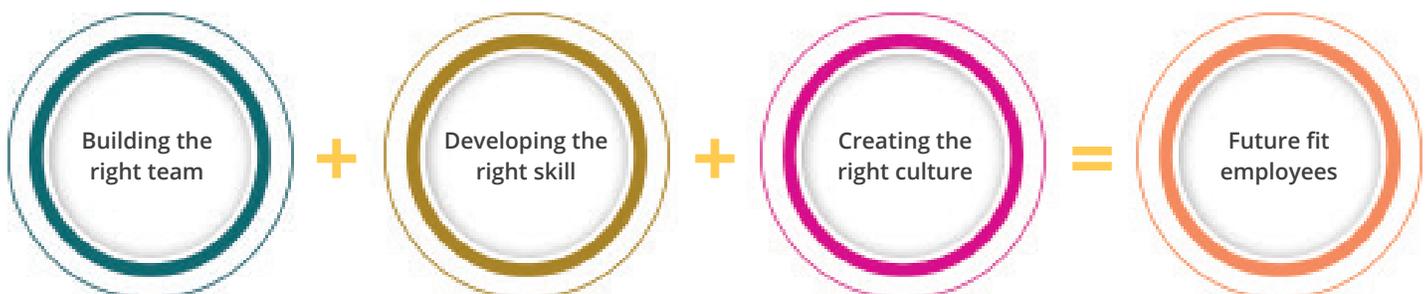
Agile

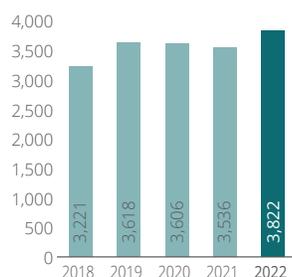
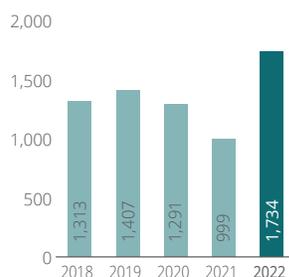
EMPLOYEES

2 OUR EMPLOYEE PROPOSITION

2.1 Talent acquisition

Acquiring the right talent for the right position at the right time is one of the fundamental pillars of LBF's people management approach. Multiple strategies support our efforts to achieve the desired results. In certain areas of the business, including entry level frontline positions, our approach is more mainstream where we hire for potential and train to strengthen competence, performance and culture orientation. In more specialised areas such as IT and finance, we often headhunt the



TOTAL WORKFORCE No.**NEW EMPLOYEES** No.**TURNOVER BY GENDER** No.

most sought-after experts in these fields. Amidst the growing need for information technology (IT) or data science capabilities, we have further widened our specialist talent search approaches to be able to reach out and engage trained experts who have the aptitude and capabilities to accelerate LBF's digital transformation ahead of peers.

However, we proceeded with planned recruitment activities to meet the needs of LBF's branch network in Sri Lanka. As always special emphasis was placed on local hiring, a strategy that has proven its worth in terms of providing LBF with the ability to adapt more quickly to market dynamics and customer trends at the local level. On a broader level, LBF's local hiring strategy also creates more job opportunities for local communities in the surrounding areas, thereby significantly elevating the Company's status as an employer of choice.

In the year under review, a total of 1,734 new recruits were appointed to fill vacancies across the island-wide branch network.

2.2 Talent retention

Our comprehensive performance review mechanism has thus far proven to be highly successful in retaining outstanding employees that present themselves as candidates for future leaders of LBF.

Meanwhile, given our distinctive youthful employee profile and the traditionally high mobility levels associated with financial services in Sri Lanka, we are inclined to continuously monitor LBF's retention risks. In this regard, we use predictive analytics to map Company-wide attrition trends and use various diagnostic tools to determine pain points that could potentially be a threat to the Company's retention objectives. Based on these findings we continue to implement strategies and initiatives to address both inherent as well as required retention risks.

Through our recent identifications, we have come to understand talent retention is a process that begins from the ground up, right at the start of the employee's journey with LBF. Taking the first steps to tackle this, we started by reforming our orientation programme for new recruits and proceeded to incorporate a 'buddy programme' as part of the onboarding process. Under the new 60-day 'buddy programme', each new recruit will be shadowed by a designated buddy who will serve as a key enabler in providing the new recruit a thorough understanding of LBF's business, culture, values and leadership. The buddy will also be responsible for ensuring new recruits stay on track to fulfill performance targets during their probationary period. In preparation for the rollout of the 'buddy programme', we began the process of building a team of buddies. Internal callouts were done and

candidates were selected for the first phase of the buddy programme. Capacity building activities also commenced with a series of 'train-the-trainer' programmes run for the selected buddies. A performance grading mechanism to assess the performance of buddies was also put in place. The buddy programme was rolled out in 2020/21 and has since proved to be very successful in building stronger ties with new recruits.

Meanwhile, in response to COVID-19 challenges, the entire orientation programme was digitised and moved to LBF's e-learning portal in March 2022. Created using advanced digital tools, the new orientation programme is much more robust and includes live training and e-learning modules as well as presentations and pre-recorded video content.

2.3 Talent management

Identifying and developing appropriately talented and motivated individuals who will be considered for future senior leadership roles, is one of our primary goals. It is also a crucial element in meeting our overall retention objectives and succession planning strategy.

LBF's performance management system creates the necessary ecosystem for effectively managing talent at all levels of the business. Designed to drive a high-performance culture, our system is based on pre-agreed KPIs set at the start of the

CAPITAL REPORTS

HUMAN CAPITAL

year, where employee performance is monitored continuously, followed by a mid-year review and concluding with the annual performance appraisal, conducted after at the end of the financial year. Managed through our fully automated HRIS, the entire performance management system is fully automated and serves as a vital decision making tool to determine salary increments and promotions, assess the training needs of employees as well as to earmark high performers for further development in line with the Company's talent development and succession planning strategies.

The performance management system is kept under constant review to ensure its efficiency in contributing to LBF talent management objectives. In the year under review, we undertook to revamp certain aspects of the performance management system. As a first step, we revisited the KPIs of service units such as Finance, IT and Legal and began working on introducing a

fresh set of priorities to improve the linkage between the performance and annual rewards granted to these teams. The new KPI framework was launched to coincide with the 2021/22 performance cycle with the year-end increments due to be granted on this basis.

2.4 Developing talent for the future

Our employees have access to a broad range of training and development opportunities to help them accelerate their career prospects within the Company. In the past, many of these training interventions were delivered through traditional classroom learning combining internal expertise and external resources. However, in recent times, especially during the COVID-19 pandemic, we have come to rely heavily on e-learning tools.

In 2021, we invested Rs. 6.17 Mn on training interventions for our people, a

majority of which was provided through LBF's e-learning portal. Training activities for the year were largely focused on developing marketing skills, improving customer service and building leadership skills of executives and managers. The post-training evaluations and feedback from these online sessions suggest that they are as equally effective as in-person learning initiatives.

Reflecting our efforts to promote continuous learning, we also launched a new 'e-library' in 2021, with content on a wide range of topics.

Also in 2021 we further expanded the scope of our leadership development activities with the aim of developing leaders at all levels of the business. As part of the first phase of this initiative, customized leadership development programmes were developed and rolled out for supervisors, regional managers and branch managers.

2.5 Employee Value Proposition (EVP)

We expect all our employees to make an impactful contribution to LBF's long-term development and success and in return, we offer a robust EVP that projects LBF as "one of the best places to work" not just among financial services institutions, but also across the wider corporate sector in Sri Lanka. Underpinning our EVP are four equally important pillars;

BEST EMPLOYER BRAND

To instill a sense of ownership and pride in working for the LBF brand

BENEFITS FOR EMPLOYEE

To provide remuneration and benefits that empower employees to protect the wellbeing of their families and continue to enhance their lifestyle over time

BEST FOR TEAMWORK

To promote and recognise teamwork as the basis for achieving personal and professional goals

BEST GROWTH OPPORTUNITIES

To create an atmosphere that encourages continuous learning as a means of sustained progress

FEMALE	CONTRACT TYPE	MALE
1,623	Employees on permanent basis	2,181
3	Employees on contract basis	15
STAFF CATEGORY		
3	Board of Directors	8
4	Senior Management	27
50	Middle Management	349
626	Executive	881
946	Clerical	881
-	Minor	54

3 SUSTAINING THE EMPLOYEE RESOURCE

3.1 Remuneration and benefits

LBF's remuneration and benefit structures are based on ensuring each employee is remunerated fairly, equitably and without bias. Further, as an equal opportunity employer, we do not discriminate between the salaries paid to men and women in similar roles, either at entry level positions or across the Company's hierarchy. The following parameters are the only ones

used to determine benchmark salary scales for different employee categories;

- » Job role
- » Level of responsibility
- » Skills and competencies
- » Work experience

We also monitor industry trends and labour market movements in our sector in order to make timely adjustments to ensure our remuneration and benefit structures remain competitive. LBF's existing salary structures were revised in the current financial year based on the results of our latest market study to assess benchmark salary scales across the industry.

The determination of employee benefits is based primarily on the Shop and Office Employees Act of 1954, EPF Act, ETF Act and the Payment of Gratuity Act of Sri Lanka. Accordingly, LBF contributes 15% of an employee's basic salary to the Employees Provident Fund and further 3% to the Employees Trust Fund as specified under the Act, we make an annual contribution to a gratuity fund for all employees. Going over and above what is mandated by law, all LBF employees have access to the following standard benefits;

Moreover, in line with LBF's high- performance culture, we have an established performance-based bonus scheme to reward employees for their contributions to the Company.

Despite the challenges arising out of the pandemic, LBF did not declare any pay cuts in financial year 2021/22, with all employees paid their full salary entitlement throughout the pandemic period. All bonus entitlements for the previous year too were paid in full and reimbursements of medical expenses etc. under the employment insurance scheme continued as per usual despite strict cost containment measures.

EMPLOYEE BENEFITS	2018/19 Rs. Mn	2019/20 Rs. Mn	2020/21 Rs. Mn	2021/22 Rs. Mn
Salaries and other related expenses	2,289.61	2,537.98	2,520.98	2,739.25
Employer's contribution to EPF	214.90	239.16	232.85	253.77
Employer's contribution to ETF	42.98	47.83	46.57	51.15
Gratuity	63.09	75.94	93.91	79.61

3.2 Ethical business conduct

LBF's reputation and credibility as a financial institution rest on its ability to operate ethically and without reproach at all times. The LBF Board and senior Management provide leadership in emulating high standards of business integrity and exercises oversight to ensure all employees adhere to the same high standards in their day-to-day operations. In this regard, LBF's Code of Conduct for employees serves as a guide for interactions with stakeholders across the business and in doing so set out appropriate behaviours expected of employees as well as their rights and responsibilities as representatives of the Company.

The Code is disseminated to new recruits during their orientation to enable them to begin their journey with LBF on the right track. Training programmes are conducted regularly to raise employee awareness regarding topics that are in violation of LBF's ethics principles. In the year under review, we conducted ethics training on topics under the orientation training

programme. A total no. of 638 employees participated in these training activities.

As part of our integrated approach to promoting a culture of ethics, we have put in place a range of channels to enable employees to raise concerns regarding conflicts of interest or any other perceived ethics violation. A whistleblower policy is also put in place to support anonymous reporting of fraud or financial irregularities or misappropriations.

3.3 Grievance handling

We consider grievance handling to be an important part of keeping employees happy and satisfied. Team briefings (daily, weekly, monthly) provide an excellent opportunity for employees to voice their collective opinions, while our open door policy encourages employees to individually reach out to their immediate supervisors to address any issues that may be affecting their job role. Beyond this, the grievance procedure maintained by the HR department allows employees to formally escalate any concerns directly to the HR head. Our Code of Conduct

contains detailed information regarding LBF's grievance procedure, including when and how it should be activated and the standard timelines for when a resolution can be expected. No grievances were reported to the HR department in the year under review.

3.4 Health and safety

Even though LBF's business does not present any health and safety risks to its employees, we have implemented all mandatory fire safety measures at all our locations. LBF's Administration department oversees the regular maintenance of fire safety equipment and also undertakes to monitor the fire safety systems. Annual fire drills are conducted as part of our Business Continuity Plan (BCP). These efforts are accompanied by regular safety training sessions covering all LBF employees.

COVID-19 safety protocols implemented in the previous year at the onset of the pandemic remained in place in this year as well. This year in particular, we encouraged all employees to obtain recommended COVID-19 vaccinations in

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order to safeguard their long term health and wellbeing. Furthermore, with health guidelines constantly being updated in tandem with the rapidly evolving pandemic situation, steps were taken to appoint LBF's Head of HR as the main liaison between the Company and the health authorities. We began using the Life at LB Facebook page as a platform to keep employees updated regarding the latest developments

3.5 Employee engagement

Creating opportunities for our employees to engage with their colleagues, the Company's management and the wider community, is fundamental to our efforts to build a motivated workforce. LBF's approach to promoting employee engagement is based on the following principles;

- » Open and honest two-way communication between employees and the Company's leadership
- » Collaborate for success
- » Valuing employee feedback and ideas

While all planned activities for the current financial year could not be held due to the pandemic, we worked to strengthen employee engagement via digital mediums mainly through the Life at LB Facebook page. In this regard, we conducted several online competitions, most notably the favourite branch competition which was based on the number of likes. By reaching out to our employees during the pandemic, we were also able to develop a

corporate song. In addition, we maintain a robust activity calendar for employees to engage in an informal setting, thereby providing opportunities to develop camaraderie and team spirit. Our employee engagement effort also includes employee volunteerism, where we encourage employees to volunteer their time and effort to participate in LBF's community programmes.

3.6 Work stress

Efforts to help employees to manage their work stress gathered momentum in the current financial year with the roll out of several new initiatives. We also commenced a special knowledge sharing initiative to educate our female employees on achieving a better work-life balance. The 'SMILE' counselling hotline launched at the onset of the pandemic in March 2020 also remained active throughout the year to offer employees 24/7 assistance.

3.7 HR governance

HR Governance is centralised under the purview of LBF's Human Resource Department (HRD). The HRD is led by the head of HR who reports to LBF's Managing Director. The head of HR also works closely with the Board Human Resources and Remuneration Committee and the Nominations Committee, on certain HR related matters.

The HRD under the supervision of the Head of HR is responsible for ensuring LBF remains fully compliant with all applicable

laws and regulations pertaining to its employees. Beyond this HRD is responsible for ensuring the Company's human capital development activities are carried out in line with the Board approved policy frameworks.

4 CREATING AN ENTREPRENEURIAL AND INNOVATION CULTURE

Digitalisation and the changing organization like all companies, LBF too takes great care in planning its resources to meet future needs. This process often involves finding ways to make operational processes more efficient and effective through increased digitization or process automation and maybe even by restructuring part of our business as and when needed. The decision to set up these units stems from LBF's "Think Forward" strategy which is designed to position the Company as the country's top digital financial services institution. However, attracting and retaining the right people with the skills and the right fit for a digital, data-driven Company, is one of the main challenges faced when addressing the staffing requirements for these units. While at present the staffing requirements at the DFS (Digital Financial Service Unit) have been met, LBF is still on the lookout for suitable talent for the Innovation and Research Center. The fact remains that these skills are highly sought after and competition for this talent is fierce and as LBF moves ahead with expansion plans, the demand for skills is expected to grow significantly in the coming years.



Life at LB facebook page



LB Finance fan club facebook page



5 LIFE AT LB

5.1 Employee's journey

Employees drive our business and we consider it our responsibility to make their life journey more comfortable and trouble-free

EMPLOYEE



FAMILY

- » Support our employees and their families through their vulnerable moments and difficult life circumstances
- » Extend our culture of savings and investments to encourage our employees and their families to cultivate the savings habit
- » Provide a better work-life balance to enable our employees to manage their family commitments



FINANCIAL

- » Support the development of financial acumen and a culture of saving and investment to empower our employees



PHYSICAL AND MENTAL WELLBEING

- » Provide a healthy, supportive and enabling work environment free from discrimination or harassment



RELATIONSHIPS

- Create a place to work that:
- » Embraces diversity and facilitates opportunities for employees to "Give Back"
 - » Promotes a culture of respect, and fosters positive working relationships



LIFESTYLE, DREAMS, ASPIRATIONS

- » Position LBF as a prominent financial services company by engaging prospective employees prior to their LBF journey



WORK, JOB, CAREER AND EMPLOYMENT

- » Empower employees through meaningful work and an environment that supports career progression, collaboration and learning from mistakes, while encouraging high performance

5.2 Initiative for the year



LB Digi IT - Digital monthly news bulletin



Winner - LB Photography competition



Legends with LB



Legends with LB



LB e-learning academy

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6 DRIVING DIVERSITY

We recognise the importance of a diverse workforce. It helps to safeguard the future success of the Company by improving productivity and providing a competitive advantage by helping us to align our strategies to be more responsive to the needs of our customers and the community at large.

6.1 Opportunities for gender equity and strategies for gender parity

As a responsible corporate steward, LBF is committed to support greater inclusivity on the basis that a more diverse workforce will drive innovation and broader perspectives for the benefit of the Company and all its stakeholders. In this context, we are looking in particular to bridge the gender parity at all levels of our business. Stemming from our non-discriminatory approach, we have established specific gender parity thresholds for every stage of the employment lifecycle. Our efforts are supported by LBF's HR policy framework.

In testimony to our commitment to gender equality, women made up 61.1% of our workforce and accounted for 51.7% of promotions in the current financial year.

6.2 Our internal policy frameworks/ actions/ activities that promote gender equality

Diversity and inclusion – Reflects LBF's commitment to maintain gender equality across all HR processes including recruitment, remuneration and benefits, training and development, promotions, employee retention, flexible work arrangements, leave entitlement, policies and procedures, Board appointments, and succession planning.

Gender pay equity - Guides LBF's Board and management in remuneration decisions, ensuring that men and women in similar roles at any level of the organization are entitled to be remunerated equally. Specific policies on sexual harassment in the workplace are aimed at safeguarding employees of all sexes from unwanted sexual advances and providing them with guidelines to report incidents.

6.3 The discrimination and harassment

The discrimination and harassment which stipulates that the Company does not tolerate discrimination or harassment against any person on any status protected by law, including their gender. The Company discourages discrimination based on a person's sex, race, caste, community, marital or family status, religion, age, sexual orientation, and disability. The policy also states that if an employee hears about or observes a possible harassment or discrimination, the respective employee is accountable to report the situation to the HR Department.

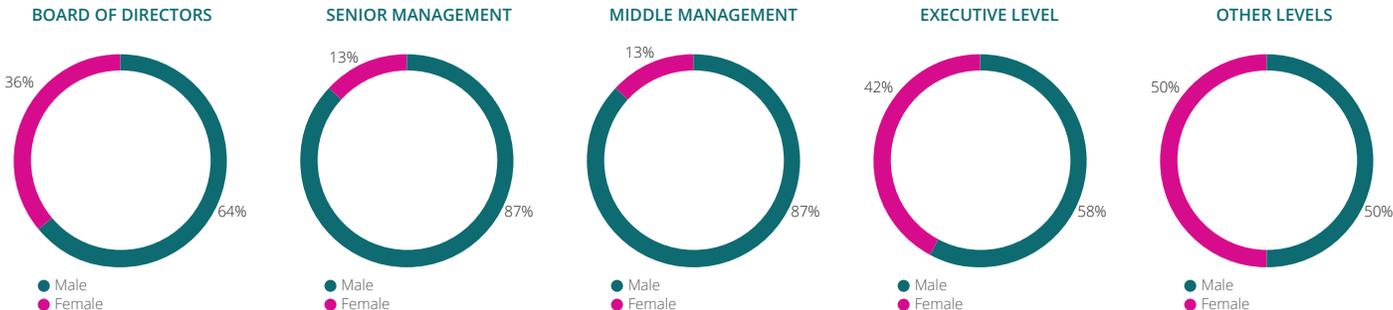
6.4 Grievances Redress

All complaints pertaining to workplace harassment or discrimination are handled by LBF's grievance redress actions which comes under the purview of the HR Department. The following principles govern the work of the grievance redress actions and ensure its ability to function independently and without bias:

- » The HR is required to ensure the confidentiality of the complaint procedure is maintained at all times
- » The HR should ensure that complainants or witnesses are not victimised or discriminated against while dealing with complaints
- » The HR shall make a report to the management of the organisation of complaints received and the action taken by them when necessary

6.5 Composition

Gender representation per occupational level



Composition of male female representation

Category	2021/22		2020/21	
	Gender		Gender	
	Male	Female	Male	Female
Board of Directors	4	-	4	-
Senior Management	27	4	26	4
Middle Management	349	50	311	44
Executive	881	626	827	622
Clerical	881	946	907	735
Minor	54	-	69	-
Total	2,196	1,626	2,144	1,405

Composition of male female Recruitments – Province wise

Province	2021/22			2020/21		
	No. of employees			No. of employees		
	Male	Female	Total	Male	Female	Total
Central	74	25	99	58	11	69
Eastern	92	67	159	50	33	83
Northern	56	49	105	33	29	62
North-central	41	26	67	11	10	21
North-western	72	65	137	25	10	35
Sabaragamuwa	44	28	72	21	9	30
Southern	93	46	139	41	5	46
Uva	31	13	44	28	8	36
Western	423	489	912	374	243	617
Total	926	808	1,734	641	358	999

Staff Promotions

Category	2021/22	
	Male	Female
Board of Directors	-	-
Senior Management	3	-
Middle Management	13	4
Executive	20	5
Clerical	-	-
Minor	-	-
Total	36	9

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Composition of male female representation – geographic location

Province	2020/21			2021/22		
	No. of employees			No. of employees		
	Male	Female	Total	Male	Female	Total
Central	203	89	292	203	99	302
Eastern	119	70	189	151	112	263
Northern	79	67	146	100	96	196
North-central	84	34	118	88	44	132
North-western	119	76	195	133	95	228
Sabaragamuwa	103	47	150	104	58	162
Southern	176	77	253	175	100	275
Uva	78	32	110	84	33	117
Western	1183	913	2,096	1158	989	2,147
	2,144	1,405	3,549	2,196	1,626	3,822

Employee resignations

Reason	2020/21			2021/22		
	Male	Female	Total	Male	Female	Total
Resignation	685	366	1051	867	572	1,439
Retirement	2	-	2	11	5	16
Premature retirement	-	-	-	-	-	-
Deceased	2	-	2	-	-	-
Termination	-	2	2	-	-	-
Total	689	368	1,057	878	577	1,455

Gender gap indicators

Category	Ratio of basic salary men to women			
	2020/21		2021/22	
	Male	Female	Male	Female
Senior Management	1	0.32	1	0.30
Middle Management	1	0.95	1	0.96
Executive	1	0.91	1	0.88
Clerical	1	0.91	1	0.94

6.7 Solution for the gender gap

Indicator	Explanation of LBF	Result
Gender inequality in the jobs of the future	Economic gender gap from closing is women's under-representation in emerging roles	03 women represent the LBF Board out of 11 Directors
Female work force participation	Number of women in leadership position	03 women represent the LBF senior management out of 29 Senior Managers
Closing wage gaps and preparing women for jobs of the future	Benefit structure is based on the performance of the worker	There is no wage gap differences

6.8 Proportion of females who received a performance bonus

There is no difference between men and women for the bonus, it is depending on the individual performance. Current economic models appear to have failed to generate progress and prosperity for all which has resulted in the economic opportunity gap widening this year compared to last year. However, there are statistics to suggest that corporations continue to work towards embedding diversity and inclusion into the heart of their businesses.

Training on anti-corruption

At recruitment all employees sign a declaration that they will read and understand obligations arising from the ABC Policy. Further at the induction and at refresher programmes all staff are trained on obligations arising from the ABC Policy. E-learning awareness will also be provided to employees of the company.

7 HUMAN RESOURCE ACCOUNTING

Human Resource Accounting (HRA) involves quantifying the value of the LBF's human capital (management and employees) in terms of its capacity to create value for the Company in the future. Essentially, HRA is the process of identifying, measuring and reporting on the investments made on human resources that is currently not accounted in the conventional accounting practices. As per the HRA approach, the expenditures related to human resources are reported as assets on the balance sheet as opposed to the traditional accounting approach which considers personnel costs as an expense item in the profit and loss account.

Per employee highlights

(Rs. million)	2017/18	2018/19	2019/20	2020/21	2021/22
Income	7.28	8.09	8.66	8.35	7.89
Net interest income	3.46	3.98	4.31	4.47	4.88
Operating income	3.94	4.51	4.88	5.12	5.58
Operating expenses	1.47	1.54	1.63	1.56	1.63
PBT	1.88	2.14	2.11	2.61	3.12
PAT	1.24	1.40	1.44	1.91	2.27
Total assets	35.11	37.70	39.92	39.44	43.00

8 RELATIONSHIP BETWEEN CAPITALS

8.1 Trade-off between capitals

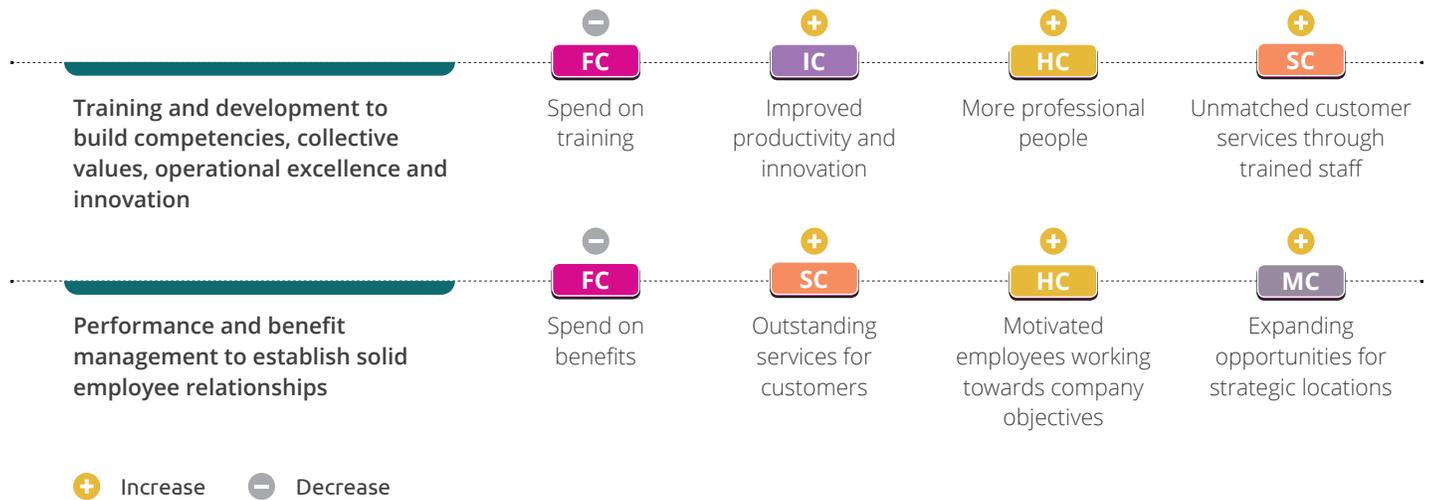
	Financial Capital			Human Capital			Intellectual Capital			Manufactured Capital			Social & Relationship Capital			Natural Capital		
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
New recruits	▼		▼▲							▲	▲		▲	▲	▲			
Training and development	▼	▲	▲	▲	▲	▲	▲	▲	▲									
Benefit structure	▼	▼▲	▼▲															

S – Short term M – Medium term L – Long term ▲ Increase ▼ Decrease — Neutral

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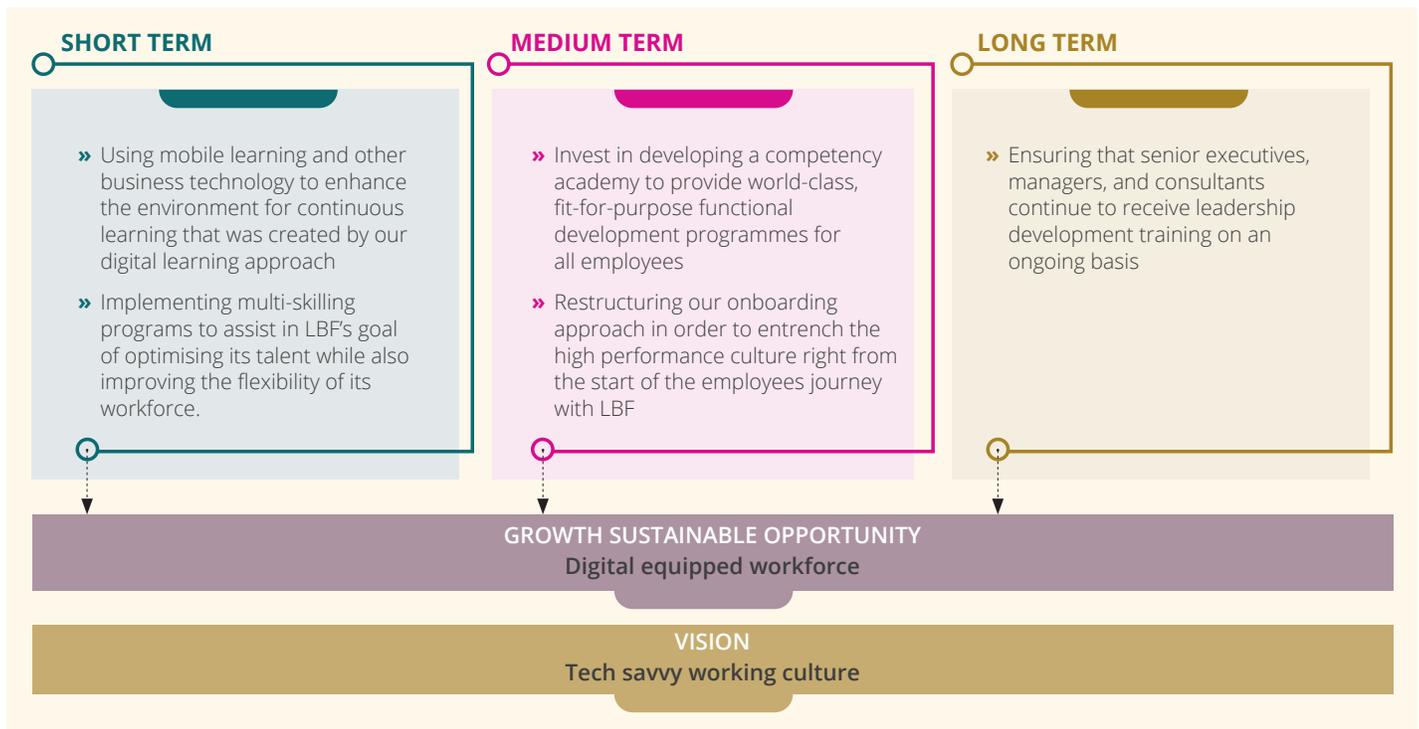
8.2 Reaping benefits of investing in human capital



9 BUILDING FOR THE FUTURE

STRATEGIC OBJECTIVE

Developing leaders at all levels by providing them with the tools and resources they need to contribute to LBF's high performance culture.



SWOT ANALYSIS

<h3>S STRENGTHS</h3>	<h3>W WEAKNESSES</h3>	<h3>O OPPORTUNITIES</h3>	<h3>T THREATS</h3>
<ul style="list-style-type: none"> » Ability to recruit and retain a multi-talented team by providing them with competitive remuneration and a robust work environment that promotes engagement and performance-based rewards 	<ul style="list-style-type: none"> » Non-availability of a streamlined mechanism to offer emotional and psychological support to employees in the event of an unforeseen crisis such as the COVID-19 pandemic 	<ul style="list-style-type: none"> » Create a framework to help employees adapt to a better work-life balance in the post COVID-19 era » Improve succession planning at all levels to minimise the dependency on a few key individuals 	<ul style="list-style-type: none"> » High turnover among frontline branch teams due to stiff competition in the NBF sector

HUMAN CAPITAL JOURNEY

2013/14	2014/15	2015/16	2016/17
<ul style="list-style-type: none"> » Conducted 106 training programmes for 4,859 participants 	<ul style="list-style-type: none"> » Provided 267 new employment opportunities » Provided over 15,000 training hours » Conducted a workshop on physical fitness and health care » Organised annual sports day (and religious ceremonies) » Initiated photographic society 	<ul style="list-style-type: none"> » 1,036 employees were recruited » 309 employees were promoted » Employee training hours 30,647 and cost incurred Rs. 11.18 Mn » Launched Readers Club 	<ul style="list-style-type: none"> » 1,096 employees were recruited » Invested Rs. 4.53 Mn on training and development covering 20,672 training hours for 3,335 employees » 571 employees were promoted
<ul style="list-style-type: none"> » 1,313 employees were recruited » Employee training hours 25,845 and cost incurred Rs. 3.9 Mn for 4,835 employees » 698 employees were promoted 	<ul style="list-style-type: none"> » Created 1,407 new employment opportunities » Employee training hours 38,832 and Rs. 10 Mn invested on training and development » 733 employees were promoted 	<ul style="list-style-type: none"> » Generated 1,243 new employment opportunities » Employee training hours 52,788 and Rs. 18.56 Mn invested on training and development » 854 employees were promoted 	<ul style="list-style-type: none"> » 999 employees were recruited » 1,237 employees were promoted » Rs. 4.01 Mn invested on training and development
<ul style="list-style-type: none"> » 1,734 employees were Recruited » 45 employees were Promoted » Launched e-learning academy » Capitalised on online training programmes 			



INTELLECTUAL CAPITAL

Related strategies

BD

RO

Related SDGs

8

9

12

17

Related material themes

MCN

DTD

LBF recognises that intellectual capital is a true business asset which adds significant value to business operations, however measuring the value added and the impact of this can be difficult, but this does not mean that it can be disregarded. LBF will not be surprised if it becomes the most valuable business asset in the years ahead.

VALUE FOR EMPLOYEE

A robust multi-channel environment that caters to the preferences of all customer segments

VALUE FOR LBF

A strong physical and digital presence reinforces LBF's credibility and competitive position in the markets

VALUE FOR CUSTOMER

The knowledge and expertise gained by working in a sophisticated digital workplace

Brand value

Rs. 5,821 Mn

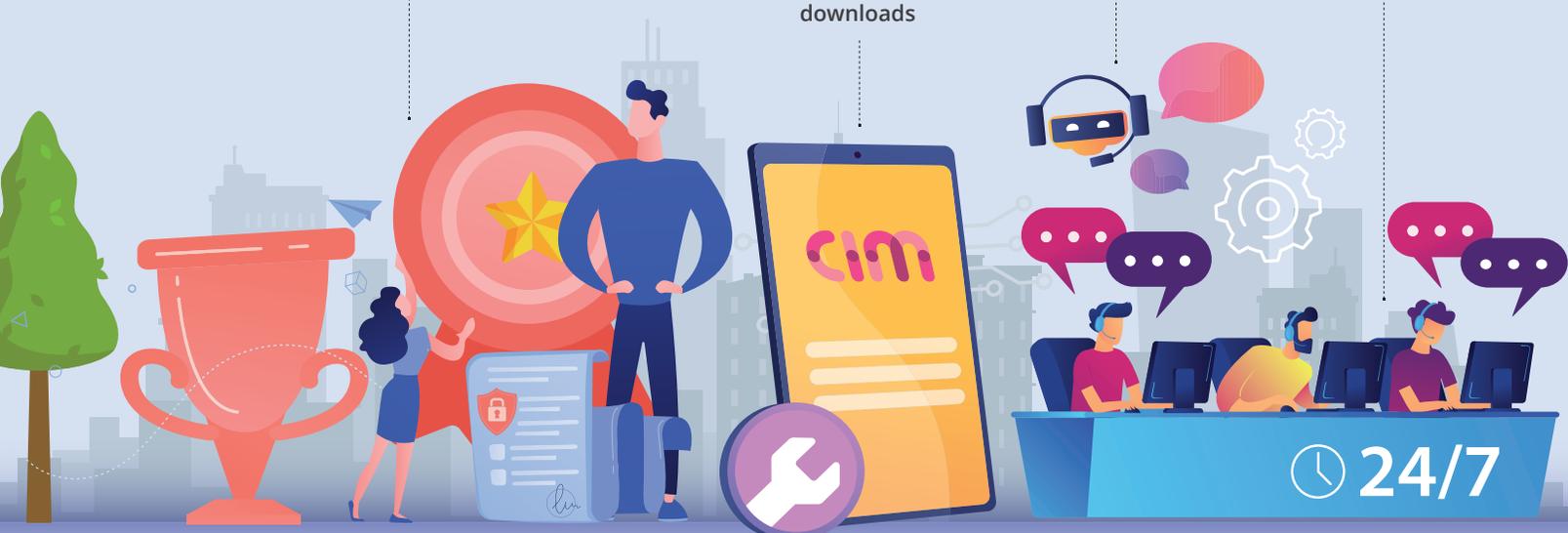
by LMD

+ 100,000

LB CIM App downloads

Robotic process automation

Dedicated Center for Technology and Innovations (CTI)



ISO 27001:2013 Information Security Standard recertified

2 Mn

LB CIM wallet transactions

Dedicated Digital Financial Services (DFS) unit

How we manage the capital

As a financial institution, our immediate operating environment is characterized by high levels of competitive pressure driven by the need for differentiation in a largely generic world. While in the past various models have been adopted as a means of differentiation, more recently it has become clear that financial institutions with robust digital offerings enjoy a significant competitive advantage over peers. This premise creates a compelling argument for LBF to strengthen and upgrade its digital architecture, not merely to keep pace with competitors, but more importantly to stay ahead of them.



Mr. B D A Perera
Executive Director

Stakeholder's expectations

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	In-house software development	★		★			★
	Business process digitalization		★	★		★	
	Knowledge management		★	★		★	

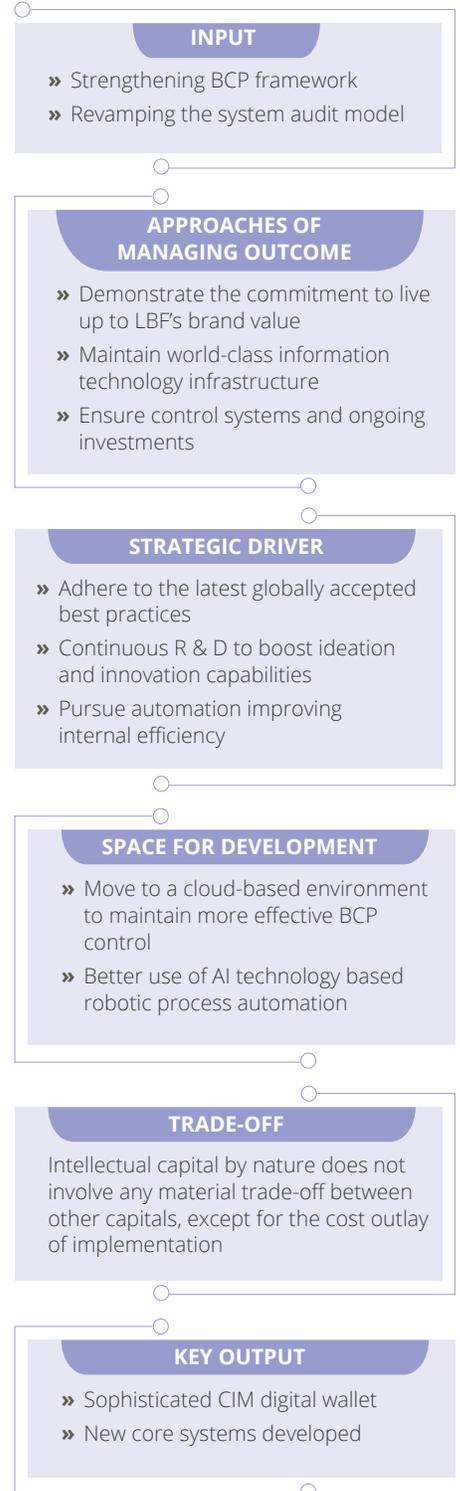
Challenges

- Risk associated system failures and connectivity failures
- Rapid increase in cyber threats
- Competitive pressure in the digital finance space

Way forward

- Enhance loan processing by incorporating automatic data analysis tools
- Focus on the digital financial products and services
- Drive digital media penetration

INTELLECTUAL CAPITAL MANAGEMENT



Visit web page for our philosophy, Management approaches and analysis of Intellectual Capital

CAPITAL REPORTS

INTELLECTUAL CAPITAL

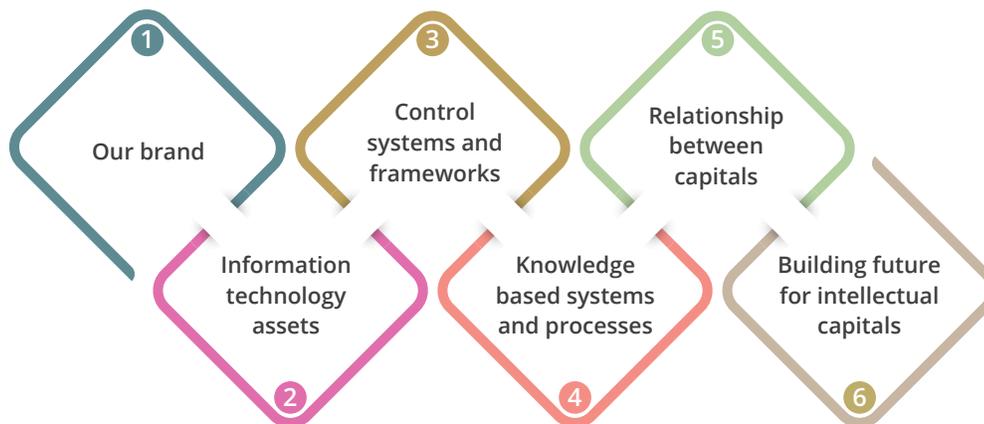
OVERVIEW

The intangible assets that make up our Intellectual Capital play a critical role in defining who we are and how we formulate our responses to contextual situations that affect our business either directly or indirectly. LBF's strong brand and world class systems and processes empower employees to better perform their jobs. Likewise, our knowledge based assets including control procedures, standards, best practices and research schematics, enhance service delivery to the customer, in turn building trust and customer confidence. LBF's Intellectual Capital is therefore in a constant state of evolution and is probably the most fluid of all our capitals.

Critical Success Factors

- » Seamless digital processes
- » Improved user and workforce experience
- » Reliable and trusted service delivery

WHAT WE DISCUSS – MATERIAL DRIVERS



1 OUR BRAND

Since from the beginning our brand journey of over 50+ years, the LBF brand has grown to become a valuable asset for the Group. Over the years our brand has been subjected to numerous evolutionary cycles which have served to further reinforce LBF's core brand principles of Excellence,

Quality, Innovation, Professionalism, Ethics and Transparency. Tactical and business support initiatives, including our public relations strategy, social media policies and communication protocols, guide our brand messages across various digital platforms and other communication channels, while ensuring that critical messages are

amplified and that our brand equity is always protected. By staying true to these principles, LBF has earned the trust of all stakeholders to become one of the most respected and well-loved brands in Sri Lanka today.

Strategic objective

Enhance brand image

1.1 Strengthening LBF's brand equity through value adding partnerships

LBF tied up with DRP to fast-track digital financial services

LBF signed a Memorandum of Understanding (MoU) with the Department for Registration of Persons (DRP) in order to avail the services of DRP's online

platform for the verification of customer National Identification Card (NIC) numbers. This initiative is facilitated by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka to enable financial institutions to carry out non-face-to-face customer onboarding without compromising the KYC (Know Your Customer) requirements.

As per the MoU, LBF has access to the digital records maintained by the DRP to authenticate the accuracy of the NIC particulars furnished by the customers at the time of onboarding. Backed by this initiative, LBF has begun working to revamp its customer onboarding process which would see the Company's conventional paper-based verification system involving filling of multiple forms being replaced with real time digital customer onboarding. The live roll out of the digital onboarding is scheduled for 2021/22, which would make LBF the first financial institution in Sri Lanka to offer the service.





Visit our youtube playlist

1.2 LBF partners WEBXPAY to promote 'CIM' business loans to MSMEs

Reflecting its commitment to promote greater financial inclusivity in Sri Lanka, LBF entered into a Memorandum of Understanding (MoU) with WEBXPAY Ltd., a leading provider of SaaS based digital payments solutions to MSMEs, to jointly promote LBF's latest digital working capital product – CIM Business Loan among the MSMEs (Micro, Small and Medium Enterprises).

Under the agreement, LBF and WEBXPAY will work together to popularise the concept of gaining access to credit on the strength of digital transactions. The partnership marks an important step in clarifying LBF's leadership position for digitally powered credit solutions to MSMEs.

Produce high quality, industry leading financial services designed to empower individuals to attain their financial aspirations and support SMEs and corporates achieve their business objectives

Lead by example in demonstrating excellence in every aspect of the business

Brand response to COVID-19

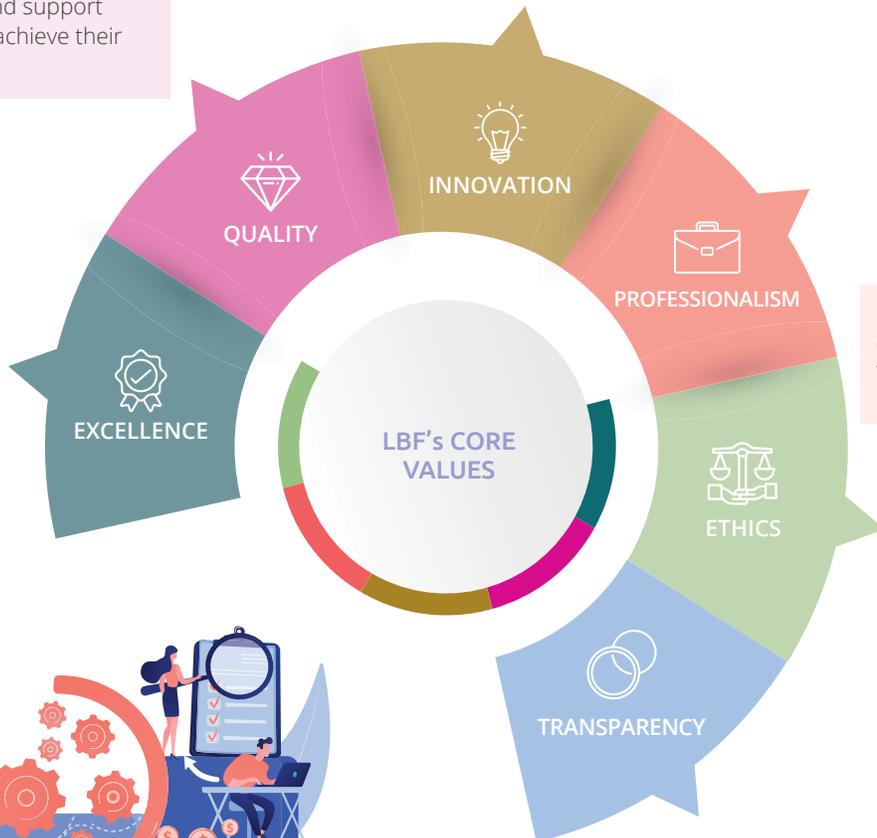
LBF's brand values continued to play a critical role in directing the Company's response throughout the COVID-19 pandemic, particularly in formulating our strategies for the wellbeing of our employees, continuity of service for all of our customers as well as to help wider society to tide over this difficult time.



Our attention was first and foremost directed at meeting the urgent requirements of our people and other stakeholders in a manner that was consistent with LBF's brand values.

Working closely with business units throughout the Company, we were able to effectively respond to the demands of stakeholders by re-engineering some of our products and expanding our digital suite to meet the needs. We also did not hesitate to contribute towards the upliftment of Sri Lanka's economy that was severely derailed by the pandemic.

Innovation resonates across every aspect of the business and is expressed through LBF's ongoing efforts to create enriching experiences for all stakeholders throughout their journey with the Company



Professionalism and ethics are the building blocks for the LBF's governance, management and strategy

Prioritising transparent and open communications with all stakeholders led by a detailed communication strategy to promote consistent messaging across all mediums and platforms



CAPITAL REPORTS

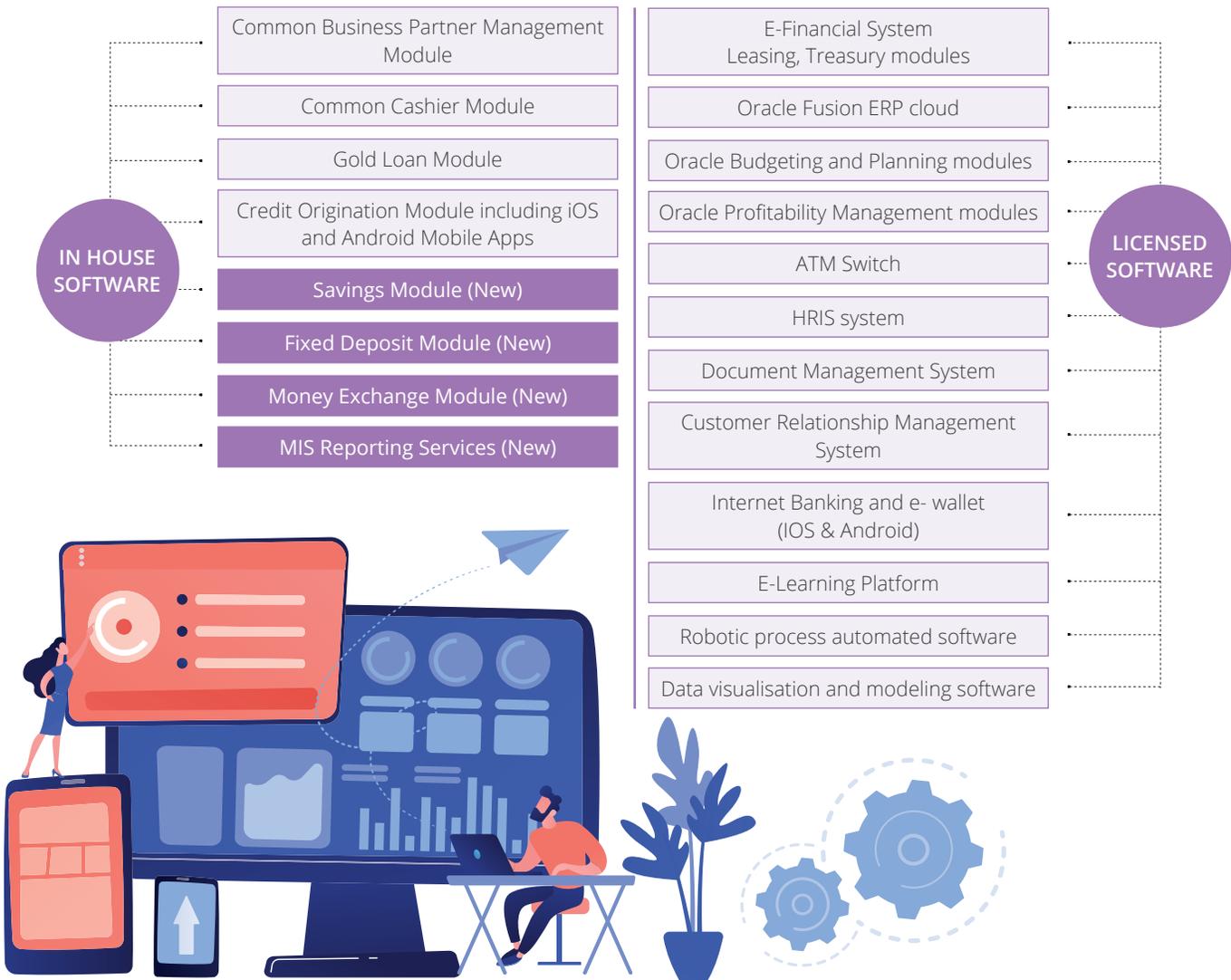
INTELLECTUAL CAPITAL

1.3 Brand recognition (LMD)

LBF RECOGNISED AS THE MOST RESPECTED ENTITY				RECOGNIZED AS HALL OF FAME - TOP 50
For Financial Performance	For Quality Consciousness	For Management Profile	For Honesty	
For Dynamism	For Innovation	For Corporate Culture	For National Perspective	BRAND RANKING - 24th
For CSR and Sustainability	For HR Management	For Vision	For Crisis Management	BRAND VALUE - 5,821 Mn

2 INFORMATION TECHNOLOGY ASSETS

LBF's information technology assets comprise IT infrastructure and software architecture built up over the years. Each year, we refine our IT strategy to explore how technology integration can propel our business forward faster and more efficiently than peers. Having made consistent investments over the past decade to expand and upgrade its technology assets, LBF today stands to benefit from significant competitive advantages that reinforce the Group's digital leadership in the local financial services sector.



IT System Development - Initiative for 2021/22

AREA	IMPACT TO BUSINESS
» Migration of savings and FD systems to ECLIPSE - LBF's core IT platform	» Improve processing efficiency leading to lower costs
» Launch of the digital credit approval for Auto Loans	» Omni-channel environment to enable remote document uploading through a mobile app, thereby cutting down processing times from 2 -3 days to a mere 1-2 hours » 80% reduction in paper use compared to the conventional approval process » Geotagging of documents eliminates incidents of fraud » Dynamic rule engine designed to the Company's lending strategy by enabling tailor-made solutions for customers » In-built data analytics and AI-based capability to enable dynamic credit scoring of customers and provide reasonable assurance regarding long term credit quality » Digital document archiving for improved record-keeping
» Gold Loan top up integration with LB CIM Wallet app	» Opportunity to significantly increase average monthly granting volumes
» Integrated AI-based, customer rating to the credit appraisal solution	» AI-based decisions support for credit underwriters to make effective decisions based on customer's historical behavior
» Platform upgrade of the technology is used in E-Clips	» Adoption of the latest technology stack lending to performance and security improvement

3 CONTROL SYSTEMS AND FRAMEWORKS

3.1 Business continuity planning

Like every other organisation, LBF too is exposed to potential risks that could disrupt or destroy critical business functions and hamper our core business operations. Our strategy for continuing business in such an event is to ensure the safety and security of all employees; to continue critical business functions, and maintain the delivery of products and services from a predefined alternative site.

Our robust BCP program is based on the CBSL guidelines and further benchmarked against global standards and is designed as a total fail-safe mechanism offering 360-degree protection for our people, premises, buildings, technology and information systems. The colocation data centers established in 2020 as a BCP measure amidst the pandemic, continued to provide critical support for the execution of our BCP programme in this year as well.

All scheduled BCP drills for the financial year 2021/22 were carried out as planned. In addition, several new audit protocols were introduced to monitor unauthorized access to the Company's systems amidst the work-from-home environment.

3.2 Information security management

Hand in hand with the rapid rise of digital financial services due to the pandemic, the risk of information security breaches has become a critical concern for the financial sector around the world.

Having understood the value of information security very early on, LBF has remained proactive in its efforts to safeguard its information and data assets. Since the start of our digital journey over 08 years, the ISO 27001 Information Security Standard has been in place to safeguard LBF's data assets. In the latest renewal cycle which came up in 2021, the ISO 27001 coverage was further extended to include the Company's Center for Technology and Innovation (CIT), which is

the dedicated software development and innovation center for LBF which comprising more than 70 highly skilled team.

A comprehensive Information System (IS) Audit programme is in place to ensure Company-wide adherence to ISO 27001 standard and established IT policies/ procedures as well as other global best practices. Risk-based IS audit plans are formulated annually by considering the observations made during the executed IS audits which includes the annual ISO27001:2013 review, and also account for current industry guidelines set by ISACA and CBSL guidelines/ directions as well as the latest global best practices defined by COBIT, NIST CIS and etc. The annual IS audit plan covers critical IT infrastructure, critical systems, supporting IT operational processes, cyber security and information security aspects, which typically consisting of specialized audits to review LBF's; IT policy/procedure/guideline reviews, Independent vulnerability management audits for external facing web environment and mobile apps, software development life cycle audit, database administration,

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server administration, network security, cloud environment governance, IT DR, Information systems access management, endpoint security, software compliance etc.

New system implementations/expansions during a particular year are also included in the annual Audit Plan for the year. Over and above this, special thematic audits are conducted from time to time. These include IT supplier security, IT operation processes (backup, restoration etc.), IT/ Information security risk assessment process, IT assets management, IT capacity management process, information security incident management etc. Audit Plans are submitted to the Board Audit Committee (BAC) for their recommendations and approval, prior to being operationalised.

In the current financial year, BAC approval was received to expand the scope of the IS Audit programme specifically to address the risks associated with the work-from-home (WFH) arrangements introduced during the pandemic including the cyber security risk associated with the remote working setup, remote access, network security, information security, data leakage, privilege access management, online and mobile payment platforms etc. All IS audits were carried out without any interruptions during the lockdown period with the use of the teleworking technologies.

3.5 IT Trainings

Training programmes for 2021/22

Programme	Focus	No. of training	Medium
Orientation programme for newly recruited employees	IT operations and systems	04	Physical and online
Information security awareness programme	Password practices / Ransomware / Information threats	06 Programmes for the year (Continuous programme)	E-mail campaign

4 KNOWLEDGE-BASED SYSTEMS AND PROCESSES

4.1 Innovation capabilities

In recent years our quest for innovation has been partly fueled by Robotic Process Automation to drive internal efficiencies that result in achieving a distinctly lower cost-to-serve, in turn translating into more timely, relevant and affordable financial products and solutions. To date

Moreover, Internal Audit teams conducted verifications on high risk areas through off site audits using MIS to ensure that LBF's internal controls, policies and procedures were adhered during the pandemic situation. Key initiatives in this regard included an independent vulnerability assessment to consider the broader spectrum of cyber security risks specifically to identify key risks that could arise due to service expansion and higher usage of online customer interfaces and mobile transaction driven platforms. The findings from these audits were discussed with the BAC. Further as per the BAC recommendations, a series of usage of security protocols were added to improve LBF's alignment with the CBSL's revised baseline security standards introduced for financial institutions amidst the pandemic environment. The System Audit team tasked with overseeing the implementation of recommendations. To further support this, the System Audit team along with other process audit teams also took a more proactive approach to engage with ground-level operational teams on an ongoing basis to highlight risk and control requirements on new technology adaptations, system migrations and critical system changes.

3.3 Data privacy

LBF is committed to protect personal information in its custody in full compliance with all applicable regulations relating to data privacy. Towards this end, we have invested in world-class data protection and data privacy controls to ensure that we have the best possible defenses. Beyond this, we continue to invest in the latest AI-based tools to augment LBF's fraud-detection capabilities.

In the current financial year, a dedicated IT compliance and the information security team was carved out from within the IT Department to increase vigilance on external and internal threat events that could pose a potential threat to the existing data privacy framework. As its first task, the IT compliance and Information security team began working on a formal data protection policy for LBF. The policy document which is pending Board approval is expected to be officially rolled out in 2022.

3.4 IT Governance

The objectives of IT governance are strategic alignment, value delivery, effective risk management and resource and performance management. These objectives drove the approach that was followed in enhancing governance of technology and information.

we delivered the data infrastructure, data pipelines, models and analytics that generate data insights based on user events and activities, and we have built an AI and machine-learning infrastructure to support both ongoing data-driven insights and real-time delivery of insights to customers, merchants and tenants based on their behaviour on the platform, serving their needs in the moment with relevant recommendations and offers.

At the same time, we are looking to actively leverage the AI and big data capability of social media to interact more frequently with our customers to deepen our understanding of their evolving needs and respond quickly and effectively.

Transforming LBF's internal system architecture through RPA

(Robotic Process Automation)

Testifying to its commitment to be the pioneering innovator among peers, LBF partnered with POTENZA, a Global Digital Transformation Company and UiPath, one of the leaders in the global Robotics Process Automation (RPA) space, to assist in expediting internal process automation with the use of RPA. With the comprehensive stack of digital transformation services covering a vast spectrum of the Finance Industry, POTENZA was able to help LBF unlock the true potential of the business through Digital Transformation and RPA of mainstream activities including Financial Reconciliations and Insurance Payment Processes. Financial processes including LankaPay channel reconciliations such as Common Electronic Fund Transfer (CEFT), Sri Lanka Interbank Payment System (SLIPS), Common ATM Switch (CAS) and payment transactions pertaining to Visa Cards were also smoothed via the RPA process. The entire workflow of Insurance Premium Payments Reconciliation to different insurance companies was also automated which has more than tripled the average speed, resulting in a saving of more than 5,200+ Man Hours annually. Automation of these workflow systems has helped to elevate LBF's overall ROI while boosting our agility, flexibility and responsiveness to market trends.

4.2 Customised research

LBF has always greatly appreciated the value of in-house research. Thinking along these lines we have in recent years placed a growing emphasis on developing our own IT research capability in order to improve our ability to create business-specific IT solutions to suit the various bespoke needs of the LBF Group. It was this rationale that led to the setting up of the Center for Technology and Innovation (CTI) in 2020, whose primary task it is to explore ways that could contribute towards increasing revenue, improve efficiency, effectiveness and productivity, ultimately leading to a positive impact on the LBF's overall profitability.

4.3 Process re-engineering

Process re-engineering plays a major role in our efforts to improve internal efficiencies that would benefit the Company's bottom line as well as to enhance service delivery to customers. The due diligence activities conducted by LBF's Internal Audit team plays a key role in enabling existing processes to be regularly reviewed in order to determine scope for improvement and ensuring changes made are strictly monitored to ensure the desired results are being achieved.

In this way, the Internal Audit function plays a vital role of acting as the third line of defense of the Group by providing objective insights, evaluation of business risks and protection of assets, validation of business and/or process controls, cost and waste reduction opportunities, effective corporate governance, assurance on legal and other regulatory compliance.

Internal Audit Update For 2021/22

Focus area	No. of Audits conducted	Key processes audited	Improvements made	Impact to LBF
Branch Operations	More than 1,100	Cash Audit process	» Addressed internal control gaps in the processes of the auditees in concurrence with respective process owners	» Mitigate the operational risks
			» Implemented mechanisms to self-detect the non-compliances and act efficiently to fix the non-compliances	» Duly compliance with statutory and regulatory requirements
	More than 500	Gold Loan Audit process	» Insisted on new policies/procedures or amending the existing to implement more compliance towards culture and create accountabilities for non-compliances	» Avoid undue delays in the processes and improve the efficiency
	More than 80	Credit and Lending	-	-

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Internal Audit Update For 2021/22				
Focus area	No. of Audits conducted	Key processes audited	Improvements made	Impact to LBF
Administrative Operations	1	Finance and Accounts	» Recommended the following of process efficiencies through automations and revamping several sub-processes to address the discrepancies within the first-line-of-defense	» Decrease of recurring non-compliances on internal policies / procedures due to stringent disciplinary action process
	1	Legal	-	-
	1	AML / CFT	» Implementing a real-time exception alerting mechanism to act efficiently to avoid potential losses (Gold Loan)	
Information Technology & Cyber Security	1	IT Governance	» Provided improvement opportunities over IT design levels documents in line with industry best practices.	» Given independent assurance over the management fulfillment of confidentiality, integrity and availability aspects over technology resources for all areas under review
	4	IT Operations		
	7	IT Infrastructure	» Overlooked the critical IT processes to ensure the continuous compliance levels, which are adhering to established policies/ procedures.	
	3	Cyber Security - Vulnerability Assessments		
	1	Software Development	» Conducted in-depth specialized security assessment over external facing customer driven environments to ensure external perimeters are hardened.	» Met the compliance requirement by fulfilling the ISO 27001 internal audit function
	1	Database Administration	» Continuous audit issues follow-up procedure has been established to ensure management is reaching consistent progress over issue rectifications.	» Provided assurance over management fulfillment of statutory and regulatory requirements
	1	Cloud Security		
	3	Information Security	» Value-adding recommendations had been given to ensure internal control environments are more robust and are not prone for recurring errors.	» Acted as the independent assurer to Audit Committee (AC), Integrated Risk Management Committee (IRMC) and Senior Management with regard to LBF technology function
11	Advisory Reviews (Based on management request)	» Had been part of key technology implementations and played an advisory role in highlighting possible risks proactively to have more control savvy environments	» Continuous process improvement opportunities had been extended to IT management through more comprehensive and industry benchmarked IS audit programs	

4.4 Human resource development

The continuous and ongoing investment in human resource development stems partly from the need to augment LBF's intrinsic knowledge base. Steps taken in this regard are described in detail in the Human capital report.

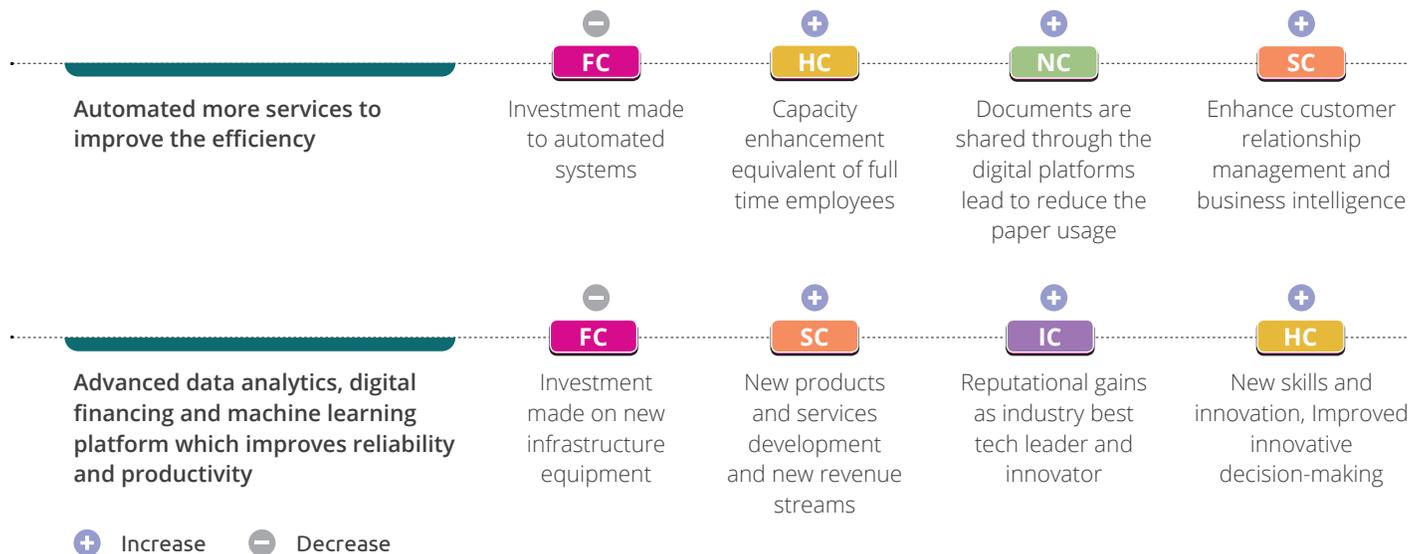
5 RELATIONSHIP BETWEEN CAPITALS

5.1 Trade-off between capitals

	Financial Capital			Human Capital			Intellectual Capital			Manufactured Capital			Social & Relationship Capital			Natural Capital			
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	
Investment in digital finance	▲		▲			▲	▲	▲	▲		▲	▲	▲	▲	▲	▲	▲	▲	▲
Branch expansion	▼	▲	▼▲					▲	▲	▲	▲	▲	▲		▲				
Branch relocations	▼	▲			▲	▲								▲	▲	▲	▲	▲	▲

S – Short term M – Medium term L – Long term ▲ Increase ▼ Decrease — Neutral

5.2 Reaping benefits of investing in intellectual capital



SURVEY INSIGHTS

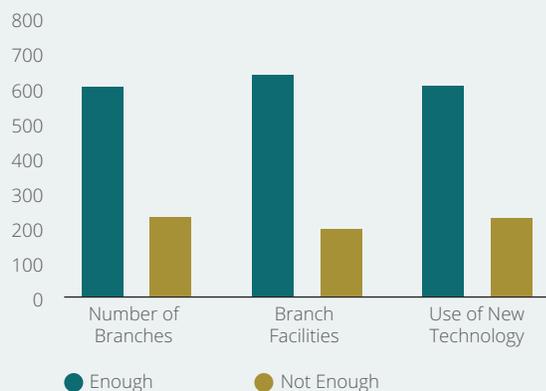


Study conducted by:
The Department of Marketing Management
University of Sri Jayewardenepura



ADEQUACY OF THE SERVICES OFFERED BY LB FINANCE PLC

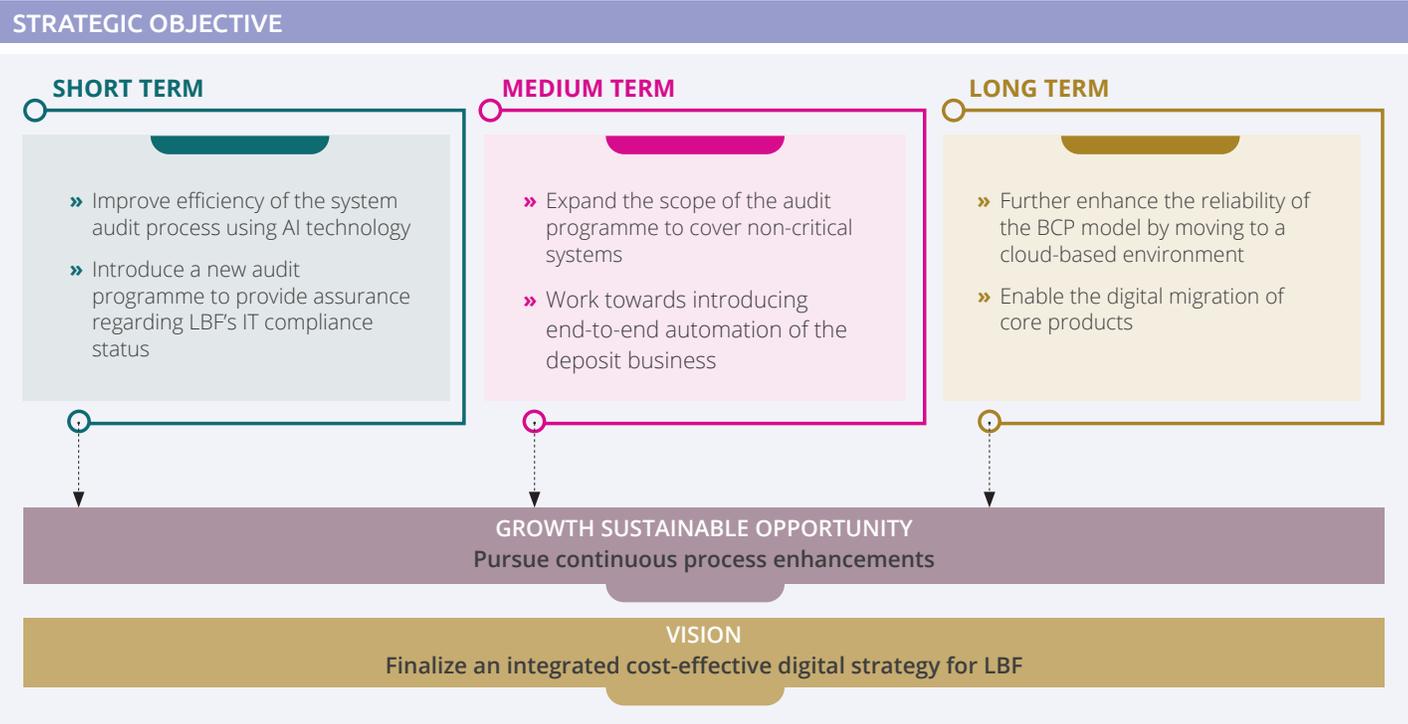
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INTELLECTUAL CAPITAL

6 BUILDING FOR THE FUTURE



FUTURE CRAFTING

Investing in our brand of improved technologies

Our brand identity is an important component of our intellectual property and a driving force behind our corporate plans and decisions. Our brand and ethos are being used to get our staff and business practices into line with our brand pledge. Our integrated stakeholder engagement approach, which is part of our broader reputation management framework, is a key focus field. Our customer engagement initiative, which we call our customer relationship management (CRM) approach, is a core differentiator of our brand promise.

Our integrated stakeholder engagement approach, which is part of our broader reputation management framework, is a key focus field. The key differentiator of our brand promise is our approach for customer relationships management (CRM), which we call our customer experiences programme. Our Interaction was improved during past years and analysis into other digital tools for stakeholder interaction ensures that we are up-to-date with state of the art technologies. Our brand protection remains a core priority and we are committed to strong brand leadership values, including our brand guidelines on the use of our brand, which we also cover with external engagements.

Identify business excellence opportunities

We are still looking to improve our business procedures and functions more effectively in order to satisfy the demands of our customers. We use business processes and technology for business analysis to define key performance processes that enable us to concentrate on core expertise. In addition, LBF has developed a center of innovation and technology to supervise management activities of business processes.

Leveraging technology in our spaces

We are committed to creativity to maximize our market worth and our stakeholders and have thus taken the unorthodox path to our infrastructure. This ensures that we have the freedom to take the decisions to mould our experience as desired and still keep control of the produced results. We also wanted to follow new world class digital platforms.

We partner with media agencies to capitalize our room and our own screens to achieve 'space' or slots on digital advertisement space. We thus build on established ties and industrial know-how of our stakeholders while ensuring that the bulk of revenue is kept within our company.

INTELLECTUAL CAPITAL

2010/11	2011/12	2012/13	2013/14
<ul style="list-style-type: none"> » Fully-fledged end-to-end core financial application 	<ul style="list-style-type: none"> » Savings accounts with ATM integration and SMS alerts on transactions 	<ul style="list-style-type: none"> » Paperless boardroom initiative » Introduced VISA debit card with added security features 	<ul style="list-style-type: none"> » SLIPS integration » ISO 27001:2013 Certification
2014/15	2015/16	2016/17	2017/18
<ul style="list-style-type: none"> » Social media marketing and introduction of daily collection loans system 	<ul style="list-style-type: none"> » Launched LB e-connect an online financial platform » Mobile-based microfinance solution to cater to people who do not have access to banks, ATMs, etc. 	<ul style="list-style-type: none"> » Introduced LB giftstore.lk - an online e-commerce site » CEFT integration for LB e-connect customers 	<ul style="list-style-type: none"> » Introduced Eclipse gold loan system » Installed Cash Deposit Machines (CDM) » Revamped sustainability website with new outlook » Introduced e-learning module » Introduced ORACLE Fusion cloud financial system, the first finance Company in South Asia to do so » Introduced gold loan and leasing payment via CDM » Implemented paperless gold loan transaction process
			
2018/19		2019/20	
<ul style="list-style-type: none"> » Started new digital financial services for dedicated IT innovation » Implemented geo-tagging technology » Introduced instant credit approval via mobile app » Introduced CIM digital wallet » Introduced value-added services via CDM » Introduced dedicated switch for ATM transactions » Launched Eclipse credit module » Introduced paperless credit approval process » Implemented machine learning technology for fixed deposit module » Introduced NFC enable debit card » Migrated the current local host disaster recovery system to cloud-base hosted to a dedicated data centre managed by Sri Lanka Telecom 		<ul style="list-style-type: none"> » Implemented Artificial Intelligence technology for leasing module » Introduced Cash Recycle Machines (CRM) for cash withdrawals » Introduced digitalised face recognition for fraud detection 	
			
2020/21		2021/22	
<ul style="list-style-type: none"> » End to end automation of workflow system of the leasing business » Reduction of paper, manual work and save the time for back office staff » Customers can perform their gold loan payments and top-ups without visit to LBF branches » Introduction of a fully automated risk assessment scorecard for branches and gold loan centers » Automation of the insurance renewal process » Increase accuracy, reduce delays and repetitive tasks 		<ul style="list-style-type: none"> » LBF tied up with DRP to fast-track digital financial services » Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs » Install data visualisation and modelling software » Established robotic process automated software 	
			



SOCIAL AND RELATIONSHIP CAPITAL

Related strategies

SB RO

Related SDGs

1 2 4 6 8

Related material themes

SBG MCN PSS

Financial services are embedded in the community, as a consequence LBF sees social and relationship capital as the link between our business and society. By managing this capital, we are able to create and identify new opportunities to deliver enduring value and mutual benefit to the societies in which we operate

VALUE FOR EMPLOYEE

- » Quick settlement of dues
- » Possibility to establish long term business relationships
- » Earnings stability even amidst uncertainty

VALUE FOR LBF

- » Ability to procure high quality goods and services at competitive prices facilitated by long term contracts
- » Assurance of business continuity
- » Leverage on new technology for more cost effective solutions

VALUE FOR CUSTOMER

- » Enhances the service quality of the LBF's value proposition
- » Improves trust in the financial services industry
- » Opportunity for development of start-ups

Over
0.65 Mn
Customer base

32
Comprehensive financial solutions

25
CSR projects

Rs. 9.12 Mn
Invested in community development projects

Over
3,000
Business partners

Rs. 6,555.45 Mn
Paid to the government as taxes

15,250
Employee volunteer hours

77%
CIM transaction volume growth



How we manage the capital

We consider social and relationship capital as the link between our business and the communities we serve. Simply put, we believe our ability to sustain strong relationships with customers, suppliers and the wider community will contribute to our success.



Our efforts to build strong ties with these key stakeholders go hand in hand with LBF's vision to provide the widest range of products and services to ensure equitable and affordable financial access for all communities in the markets that we operate.

Mr. Ravindra Yatawara
Executive Director

Stakeholder's expectations

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	Corporate Social Responsibility	★	★	★	★	★	★
	Customer relationship		★	★		★	
	Brand reputation	★	★	★		★	★

Challenges

- Addressing customers' queries and potential complaints
- Finding the right partnerships that can bolster value creation
- Process improvements for continuous development

Way forward

- Enhance customer relationship management
- Increase branding effort to increase awareness
- Continue efforts in CSR

SOCIAL CAPITAL MANAGEMENT

INPUT

- » Proactive interaction with communities and enhance business partnerships
- » Increase branding efforts to reach more segments

APPROACHES OF MANAGING OUTCOME

- » Contribute to a stable operating environment by supporting uplifting our communities
- » CSR programmes - provide support for communities within and around operations

STRATEGIC DRIVER

- » Updated software, increased automation and employee training
- » Partnerships with multilateral organisations
- » Increased engagement through social media

SPACE FOR DEVELOPMENT

- » Events that bring various stakeholders on common platforms
- » Innovative funding options for non-captured segments in partnership with multilateral institutions

TRADE OFF

Transformation social capital, Covid-19 has delayed the achievement of our employee diversity ambitions within senior leadership and people with disabilities while total procurement spend decreased as a result of remote working and cost management

KEY OUTPUT

- » Increased customer base
- » Strong partnership and focus to let out our spaces
- » Active employee volunteers for CSR activities



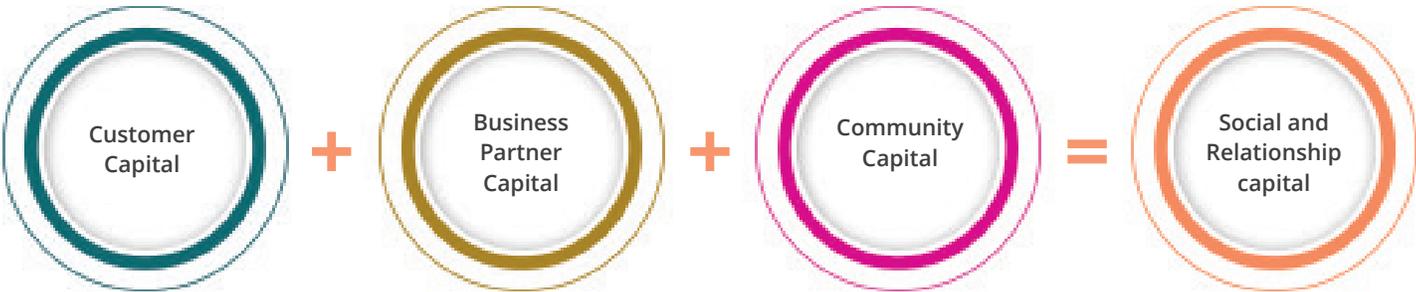
Visit web page for our philosophy, Management approaches and analysis of Social and Relationship Capital

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

Sustainable value development and maintenance need strong stakeholder connections. We call these connections our social and relational capital. This comprises institutions, stakeholder groups, and other networks inside and between communities. This section describes our interactions with customers, business partners and the general public.

OUR FOCUS



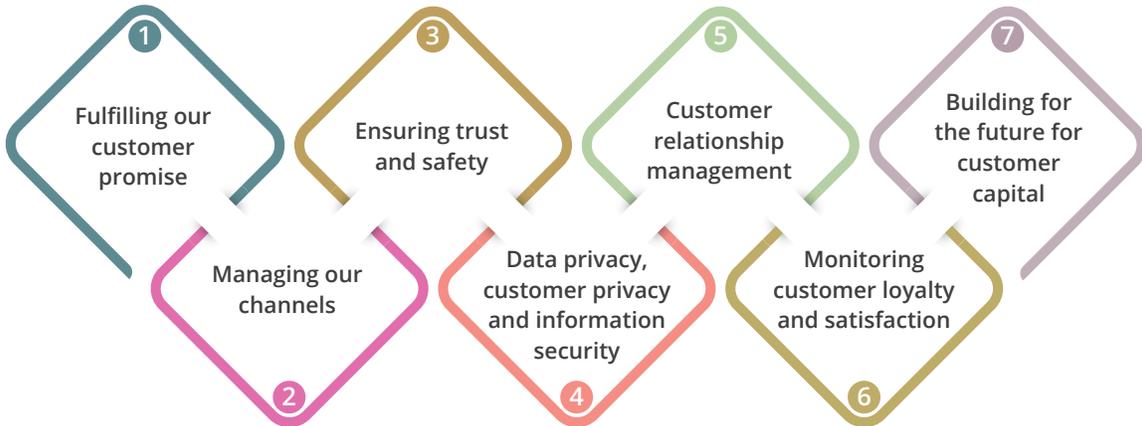
CUSTOMER CAPITAL

Overview

Our Customer capital gives us the license to operate and thereby essentially determines the success of our business.

WHO ARE OUR CUSTOMERS?	WHY DO OUR CUSTOMERS CHOOSE US?	CRITICAL SUCCESS FACTORS
<ul style="list-style-type: none"> » Individuals and businesses that make use of LBF's portfolio of investing and financing solutions and value added services 	<ul style="list-style-type: none"> » The strength of the LBF brand together with the highly customer centric product offerings and the commitment to service excellence translates into positive experiences for individuals and business customers 	<ul style="list-style-type: none"> » Technology-driven solutions for improved access and greater convenience » Innovation to drive superior customer experience » ICT integration to streamline internal efficiencies and enhance service delivery timelines

WHAT WE DISCUSS – MATERIAL DRIVERS



1 FULFILLING OUR CUSTOMER PROMISE

Our customer promise is based on putting the customer at the center of everything we do. In living up to this ideal, we comply with all legal and regulatory requirements applicable to our business and ensure that all our operational decisions are based on solid fundamentals that will not only meet but exceed customer expectations each and every time.

Principle	Our Responsibility
Customer first	Consider the customer's needs and wants first
Customer accountability	Own the issue and do not pass the blame
Simple, clear and transparent	Communicate in clear and uncomplicated language
Continuous improvement	Continuously improve our products, services and channels in line with customer expectations and changing needs
Monitor and reporting	Identify gaps and initiate appropriate corrective actions

1.1 Our Customer Value Proposition (CVP)

In line with our efforts to put the customer at the center of everything we do, we continuously reach out to our customers to understand their evolving needs in the context of changing lifestyles and socio-economic circumstances. These efforts provide valuable insights that enable LBF to update its CVP and improve readiness to fulfill customer needs more holistically over time.

INSIGHTS FROM OUR MOST RECENT CUSTOMER NEEDS ASSESSMENT

Cost-effective and affordable financial products and services	Consistent support for the achievement of financial goals	Simple and secure platforms with 24/7-365 day transactional capability
Tailor-made solutions for different customer segments - Pay anybody, anywhere, and at anytime with a comprehensive array of payment options, deposit and withdraw cash without having to visit branches	Purchase relevant financial products and services and other valuable services from any location, at anytime, while being rewarded for your loyalty and the value you provide to the firm, while earning rewards	Convenience at a reasonable price via the utilisation of a range of simple-to-use channels.

1.2 Supporting the needs of diverse customer segments

PRODUCT CATEGORISATION - GOLD LOANS

Category	Tenure (months)
Normal	1 3 4 6 9 12
Classic	1 3 4 6 9 12
Premier	1 3 4
Gold	1 3 4
VIP	1 3 4
Sevaka Ranmithuru	1 3 4 6 9 12
Schedule Step-Up	12



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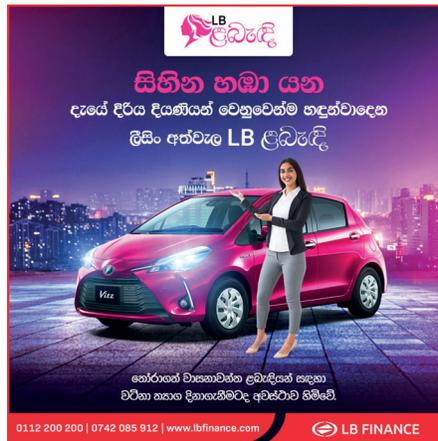
SOCIAL AND RELATIONSHIP CAPITAL

In our quest to be the most preferred financial institution, we have always given equal priority to the needs of every customer. Be it individuals, micro-entrepreneurs or SMEs, we make a conscious effort to offer tailor-made products and services and design our channel architecture to optimise synergies for each respective customer segment.

Keen to give our customers the opportunity to benefit from market dynamics, we proceeded to reprice our investing products in line with the upward movement in interest rates in 2021. Our Gold Loan products too were restructured to enable customers to take advantage of rising world gold prices throughout the year.

At the same time, LBF continued to support pandemic hit customers by extending the government led moratorium and other relief measures.

Our Gold Loan products too were restructured to enable customers to take advantage of rising world gold prices throughout the year



Special leasing product for Ladies



Quick and easy Gold Loan

Dedicated Credit Line to support Micro and SME customers

Reiterating its commitment to support Sri Lanka's SME sector development objectives, LBF in May 2021 raised USD 15 million on a four year tenure from FMO, the Dutch Entrepreneurial Development Bank. The loan was used to create a dedicated funding line for the small-scale agri and youth entrepreneurs who are often overlooked by the formal financial system. To support phase II of this programme, LBF secured a further USD 8 million facilities in December 2022 from a Swiss based impact investor with a vision to develop micro and SMEs in developing countries.

A combination of direct lending and digital tools were used to facilitate lending activities under the credit line. A new digital lending product LB CIM Business Loan was rolled out in January 2022 on the LB CIM Wallet app.

1.3 Leveraging our digital platforms to meet our customer's needs

JOURNEY OF CIM APP

2018/19

- » CIM app launch

2019/20

- » Soft launch facilities available
- » CEFT, Bill payments, Wallet transfers, Proprietary QR, Self-top-up from LB accounts, JustPay acquirer

2020/21

Functional addition

- » Lanka QR acquired
- » Fixed Deposits portfolio view
- » LB Gold Loan & LB Lease payments
- » JustPay issued
- » Scheduled future payment self-care option
- » CIM merchant locator

Functionality enhancements

- » Third party LB Lease payments
- » Credit card payments
- » Insurance payments
- » Improvements to the customer profile view

2021/22

Major changes

- » Integrating CIM app with the LB digital banking portal
- » Gold Loan instant top-up
- » LB Loan request through the app

Functionality enhancements

- » Revamping of the Bill Payment interface

After making a quantum leap in our digital journey following the launch of the LB CIM (Cash-in-Mobile) Wallet app in 2019, LBF has since made steady progress in enhancing the customer's digital experience via the wallet app. In 2020, the app was upgraded with a digital payment solutions feature to enable customers to settle their dues remotely.

Marking an important milestone for the LB CIM wallet app, the Gold Loan top-up facility was rolled in 2021. Launched in response to the COVID-19 mobility restrictions, the top-up facility allows users to obtain additional credit by activating the pre-approved top-up loan assigned to their designated CIM account and instantly receive funds to their wallet account.

With this new development existing customers no longer needed to visit the branch counter for the purpose of obtaining a new loan.

In yet another notable development, LBF tied up with WEBXPAY Ltd., to jointly promote LBF's latest digital working capital product – CIM Business Loan among the MSMEs (Micro, Small and Medium Enterprises).

1.4 Digitising customer journeys

CUSTOMER LIFE-CYCLE MANAGEMENT

- » Onboarding processes that are seamless and agile
- » Transaction and service capabilities that are interactive and available 24 hours a day, seven days a week
- » Contact centers that are future-ready and multi model

ENHANCED FOR INTEGRATED END-TO-END SOLUTIONS

- » Being at the forefront of innovation allows to deliver excellent customer experiences and enables growth
- » Reimagining customer journeys and experiences through in-house system developments

LEVERAGE OUR COMPETENCY IN DATA AND ANALYTICS

- » Personalisation
- » Underwriting capabilities through machine learning, AI and ML
- » Risk management and control

1.5 Delighting customers by delivering an exceptional customer experience

Driven by our desire to deliver exceptional customer experiences we continue to seek out new and innovative ways to refine our internal systems and infrastructure and enhance their scalability and effectiveness.

KEY INITIATIVES FOR FY 2021/22

Strategic Pillar	Action	Benefits to the customer
» LBF's Digital transformation strategy	» Digitising the credit approval procedure to improve overall functional efficiency for granting of new loans	<ul style="list-style-type: none"> » Elimination of paper-based forms and documentation » Remote approval capability to reduce time taken from initiation to approval
	» AI-based credit scoring model to expedite granting of loans to customers	<ul style="list-style-type: none"> » Reduced processing time for repeat customers with a consistently high credit score » Added advantages for customer loyalty for those with higher credit scores
» CBSL initiatives for financial sector development	» Digital on-boarding enabled through system integration with the Department for Registration of Persons (DRP) online platform for the verification of customer National Identification Card (NIC) numbers	<ul style="list-style-type: none"> » Anytime anywhere convenience offered by remote on-boarding » Elimination of paper based forms and documentation

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

1.6 Building customer awareness

As a responsible financial institution, we believe open and transparent communications help to build trust and retain customer loyalty. We strive to provide customers with all relevant information regarding our products and services to enable them to compare our offerings with peers before making informed decisions in their best interest. Premised on this, we ensure that our marketing and promotional material conforms to all regulatory compliance requirements as well as industry norms and standards. In addition, we use insights from our engagements with customers to continuously enhance the quality of the content of our promotional material.

Moreover, all content is strictly vetted to ensure they are in line with the Company's ethics principles. In this regard, product-specific promotional and marketing content is first signed-off by the respective product head, while generic content is reviewed by the head of marketing. As a policy, all product specific and generic content be reviewed and approved by the Board of Directors prior to being published.

As part of our overall approach to open communication, we employ multiple communication mediums to give all customer segments fair and equitable access to our information. In the past, we have relied heavily on ATL and BTL

activities conducted through conventional mediums. However, the pandemic environment in these past two years has compelled a dramatic shift in our approach where, social media now dominates our marketing and promotional campaigns. With social media playing a prominent role in articulating LBF's value proposition to the market, a dedicated in-house social media management unit was set up at the start of the current financial year. Under the purview of this new unit, social media activities were significantly accelerated which, saw more than of our promotional activities for financial year 2020/21 were done on social media.

KEY INITIATIVES FOR 2021/22

Strategic Pillar	Action	Highlights
Multi-modal strategies	'Sinhavalokana' Campaign (duration - 02 months) to reinforce brand reputation in tandem with LBF's 50th anniversary celebrations	More than 1,200 segments on electronic media
	'LB Ran Naya' Campaign (Duration - year round) targeting Gold Loan customers	25 adverts on print media More than 1,500 segments on electronic media 02 posts per month on social media
	'LB Ran Udanaya and Athata Salli Karata Maala' (Duration - 03 months) for existing Gold Loan customers and to revive dormant accounts	More than 20 adverts on print media More than 1,000 segments on electronic media 02 posts per month on social media
BTL strategies	Pocket campaigns through the propaganda vehicle (Duration - year round)	
	Leaflet campaigns (Duration - year round)	
Social media strategies	Special awareness campaign on savings	02 posts per month on social media
	Special savings campaign targeting different age groups	01 posts per month on social media
	Product promotion for savings and Gold Loans (Duration - year round)	

2

MANAGING OUR CHANNELS

Given that our channel infrastructure creates the eco-system for the delivery of our customer value proposition, we remain proactive in our efforts to make our channels more flexible and responsive to customer needs. A multitude of factors influence our channel management decisions. Some of the factors considered are; customer profiles, customer life-cycles, geographical location, population density and competitive positioning. To increase the overall appeal of our channel architecture, we have begun working to create an omni-channel environment to facilitate greater integration between our physical and digital channels. The Manufactured Capital Report on page 148 offers more comprehensive coverage regarding our channel operations.

Digital financing

English version
PLAY LIST 19

Sinhala version
PLAY LIST 20

Tamil version
PLAY LIST 21



Visit our youtube playlist

SEGMENT 1

Kids/Teenagers 01-18



Children are the custodians of the future
Nurturing their hopes and dreams in the right way is the key to a stable future



LB Minor Savings, LB Regular Savings



SEGMENT 2

Millennials 19-29

Millennials are focused on life experiences and as such express a strong skew towards investment products

Personal Loan, Digital Financing, Leasing and Savings products



SEGMENT 3

Young families 30-39



Young families are often under financial pressures brought on by lifestyle aspirations including: bigger homes, family vehicles, etc.



Leasing, Mortgage Loan, Gold Loan, Digital Financing and Savings products



SEGMENT 4

Established families 40-55

Balancing work commitments, children's education expenses and retirement planning often compels the need of flexible products to accommodate unplanned expenses

Education Loan, Gold Loan and Savings products



SEGMENT 5

Mature well-off 55-60



Mature, financially –stable customers who focus on a higher quality of life and enjoying their retirement



FD products and Savings products



SEGMENT 6

Senior Citizens 60+

Senior citizens who expect secure product returns in order to maintain quality of life they are accustomed to

Senior Citizen's FD and Savings products



CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

	SEGMENT 7 Self-employed individuals	SEGMENT 8 SMEs
 CUSTOMER SEGMENT	Independent self-sufficient individuals seeking dynamic solutions to progress to the next level	Deemed the backbone of the national economy, SMEs require stable long term solutions that would help their businesses to grow and mature
 FOCUS PRODUCTS	Personal Loan, Leasing, Savings, Mortgage and Gold loan	Personal Loan, Gold loan, Mortgage, Micro Leasing and Savings
 CHANNEL PREFERENCES		
	 Branches	 Connected ATMs
	 Deposit Kiosks	 LB CIM Wallet
		 Social Media

2.1 We are available on



Key imperative	key enablers
 Lead with persistence and deliver shared value to a wide-ranging range of stakeholders.	 Continue to invest in strategic capabilities that drive market leadership.
 Address customers' essential needs through hyper-personalised propositions provided in the right time and right moments.	 Continue to build a modern technology design that powers digital transformation of systems and process.
 Deliver propositions through effective, digital first distribution channels that complement our customers' behavioural patterns.	 Evolve our execution model to deliver fast-lane innovation.
 Establish a diverse market footprint that best meets our customers' expectations.	 Develop and nurture an entrepreneurial culture.

3 ENSURING TRUST AND SAFETY

As a financial institution, our business is built on trust. Earning and retaining the trust of our valued customers is a key business imperative. Towards this end, we strive to create an environment where customer's rights are protected at all times. Our Code of Conduct and Anti Corruption and Bribery Policy (ABC) outlines the appropriate behaviours expected of all employees in building working relationships with customers. Furthermore, we undertake to continually train our employees to educate them on customer rights and the importance of honesty and integrity in their dealings with customers.

4 DATA PRIVACY, CUSTOMER PRIVACY AND INFORMATION SECURITY

LBF complies fully with all regulations governing the protection of personal data collected in the process of providing any product or service to customers. In accordance with the regulations in force, we have implemented all recommended safeguards to guarantee adequate security and to prevent such data from being lost, misused, altered, stolen or accessed by unauthorised parties. Going beyond compliance, LBF's systems are benchmarked against the ISO 27001 Information security standard, following the successful completion of the annual audit, the ISO 27001 was renewed in 2020, for a further three-year period ending in August 2023. The Company's information security architecture, including system controls, policies and procedures, all stem from the best practices outlined by the ISO

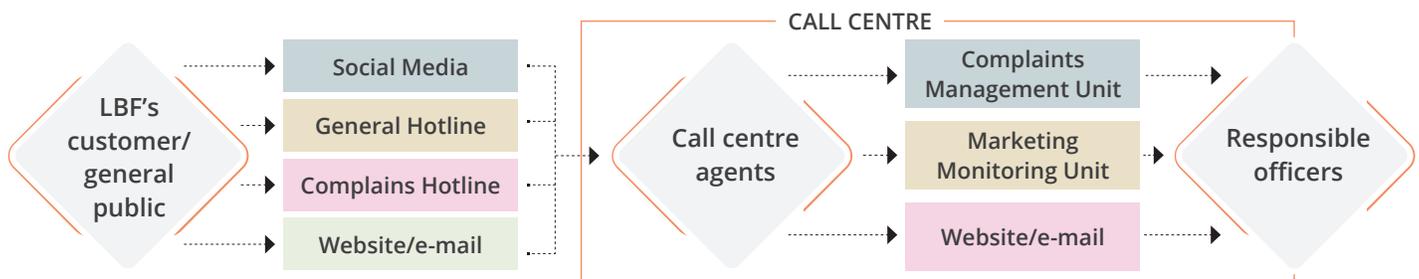
27001. These frameworks were further strengthened in the year under review, in view of the fact that a majority of the Company's employees were working from home for several months. In addition, LBF was one of the first financial institutions to tie up with FinCSIRT, the only dedicated computer security incident response team for Sri Lanka's financial sector.

Meanwhile, taking early action to improve its readiness to comply with the proposed Data Governance Act due to be gazette in the near future, LBF began the initial groundwork for the development of a specific data protection protocol. The new protocol once established, would cover a wide range of areas including data classification, access control frameworks, duties and responsibilities etc.

The Intellectual Capital Report on page 172 offers more comprehensive coverage regarding measures taken to strengthen LBF's Data Privacy Framework.

5 CUSTOMER RELATIONSHIP MANAGEMENT

CUSTOMER RELATIONSHIP ENHANCEMENT MODEL



Since its inception, LBF has worked purposefully to cultivate sound relationships with all customers and over the years we have diversified our approach with the aim of deepening customer interactions. Our focus in the past five years has been to build an ecosystem to promote more frequent dialogue and also foster stronger two-way communication between LBF and its customers. Our intention with these efforts are to empower customers and inspire them to become active partners in LBF's progress.

In 2021, we made good headway with some notable initiatives launched to improve the frequency of one-on-one interactions and strengthen two-way communication. The new fully automated end-to-end customer relationship management system rolled out in October 2021 achieves both these objectives. The customer relationship management dynamic complaint handling module has helped to streamline our internal systems. The dynamic tracking feature of the customer relationship management has allowed us to provide customers with real time updates on the progress on their complaints via SMS.

Taking steps to further strengthen our internal complaint management procedures, a new cross functional team was established to investigate root causes and suggest improvements to reduce recurring complaints over time. We also appointed a dedicated compliance officer to handle the queries received through the CBSL channel regarding moratoriums and other pandemic related aspects.

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL



5.1 Customer complaints 2021/22

Area	No. of Customer Complaints Received	Customer Complaints Solved
Credit	496	97%
Gold Loan	64	97%
Insurance	87	94%
Recovery	779	94%
Savings and deposits	10	95%
General	28	93%

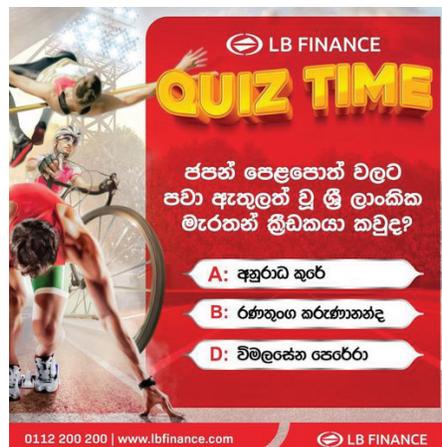
The AI-based chatbot introduced on all social media platforms in 2020, continued to prove its worth as a tool to proactively address customer complaints and respond to queries. The appointment of the new in-house social media unit in 2021 has helped to greatly improve our response ratio through the chatbot tool.

5.2 Digital customer engagement activities

Under the purview of the social media unit, several social media campaigns were launched specifically to promote greater customer engagement.



LB give away



LB give away



LB give away

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LB
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LB anniversary celebration

LB විවිධ
DIGITAL
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Digital avurudu

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0112 200 200 | www.lbfinance.com LB FINANCE

Fun games

JustPay KISS CIB

INTRODUCE ANYONE TO LB CIB
 AND STAND A CHANCE TO WIN
RS. 50,000
 CASHBACK WEEKLY

TUNE IN TO
 KISS MORNINGS
 WITH MARK AND GEM

6:00AM TO 10:00AM
 ON WEEKDAYS

JustPay is a secure retail payment mode enabled via smart mobile devices, which is approved by the Central Bank of Sri Lanka. powered by

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Introduce and win

Thank You
6500
 FACEBOOK GROUP MEMBERS

INVITE YOUR FRIENDS TO JOIN
 LB FINANCE FACEBOOK FAN CLUB

WE HAVE
AMAZING GIFTS
 FOR YOU!

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LB Fan Club

ARE YOU READY TO
WIN

Weekend Getaway with your loved ones
 DINNER VOUCHERS

LIKE FOLLOW SUBSCRIBE

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Cash back

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Fun games

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$\frac{30 \times 60}{15} + 80 = ?$

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Developing saving habits

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

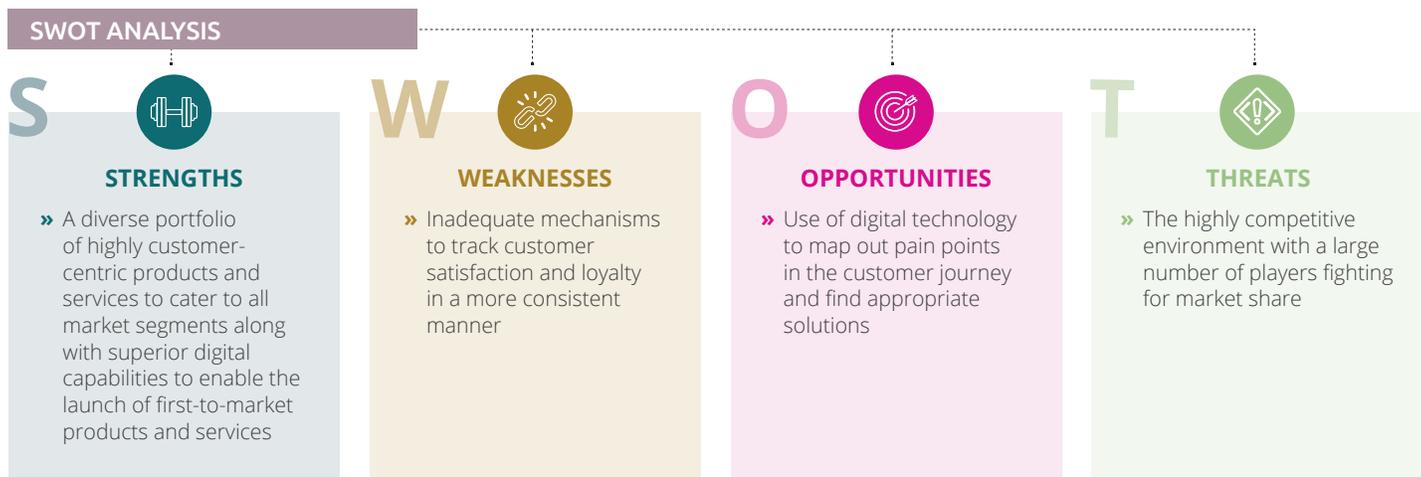
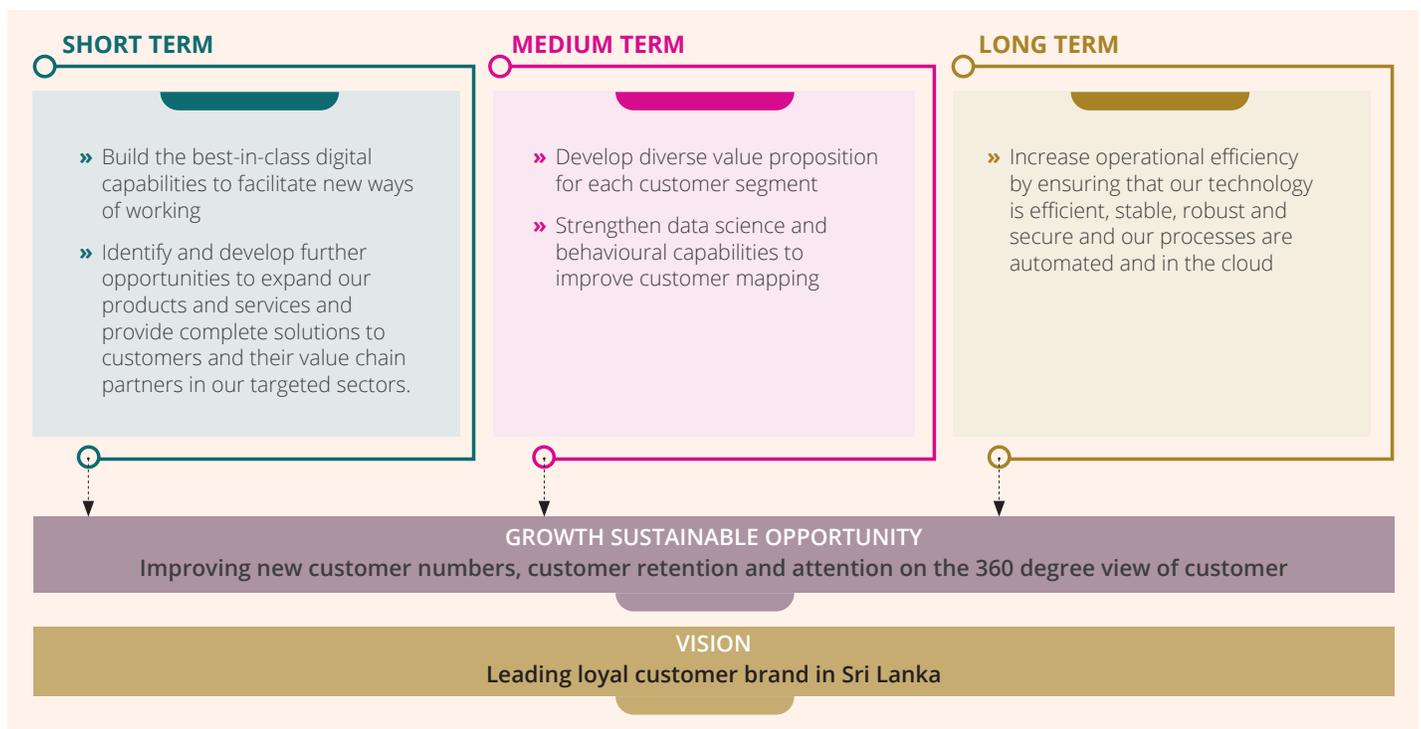
6 MONITORING CUSTOMER LOYALTY AND SATISFACTION

LBF believe the only way which can assess Company's efforts are successful is to quantifiably measure customer loyalty and satisfaction with the first such customer satisfaction survey was done in FY 2020/21. In the year under review, LBF commissioned the research unit of the Department of Marketing - University of Sri Jayewardenepura to carry out another customer satisfaction survey. With an expanded scope and larger sample size, the latest survey was designed to provide quantitative information as well as a range of qualitative indicators to measure customer loyalty towards LBF.

7 BUILDING FOR THE FUTURE FOR CUSTOMER CAPITAL

STRATEGIC OBJECTIVE

Improve our customers' experience with personalised solutions delivered through channels of their choice, based on a deep understanding of their current needs and future ambitions.



BUSINESS PARTNER CAPITAL

Our business partners are critical components of the Company value chain.

Why does LBF need suppliers and business partners?	Why do business partners choose LBF?
To obtain necessary goods and services needed to carry out the day-to-day operations of the Company	To grow their business over time by providing goods and services to meet LBF's requirements

WHAT WE DISCUSS – MATERIAL DRIVERS



1 SUPPLY CHAIN PROFILE

LBF's supply chain consists of large suppliers who account for the total annual procurement spend and a number of small suppliers who supply a range of products and services for the day-to-day administrative operations at our head office and branch network.

	Financial Year		
	2021/22	2020/21	2019/20
No. of business partners	More than 3,500	More than 3,000	More than 4,000

Our newly developed ABC policy applies to all Directors, Employees and third-party service providers such as suppliers, contractors, sub-contractors, outsourced staff and agents engaged by LB Finance PLC. This Policy applies to all activities and functions of LBF, irrespective of their jurisdiction, country or business. It includes anti-bribery and anti-corruption checks. We require our suppliers to uphold high standards of corporate governance and to align with the company's ethics and human rights policies. Their readiness to respond to, manage and mitigate operational, financial and reputational risks is assessed during on boarding and periodically thereafter, in line with the manual of procedure, procurement, external supplier management mechanism and Code of Ethics.

2 SUPPLY CHAIN MANAGEMENT APPROACH

Suppliers are an important part of our value chain and their support is vital towards maintaining the continuity of our day-to-day business. Given the important supportive role they play in our operations, all supply chain management activities (with the exception of IT) are centralised under the purview of LBF's Administrative department. As the main authority in charge, the Administrative department provides oversight to ensure that procurement activities are carried out as per LBF's procurement policy. Our procurement policy, which is aligned with global best practices, provides the assurance of fair and unbiased procurement and equitable payment terms.

3 DEVELOPING SUPPLIERS AS STRATEGIC PARTNERS

As part of their duties, the Administrative department is tasked with selecting suppliers and promoting regular dialogue to ensure suppliers are aware of and remain committed to adhering to LBF's social and environmental best practices. The Administrative team is also charged with overseeing the development of suppliers as long-term strategic partners. However, with these interactions suspended in the current financial year due to the COVID-19, we reached out to suppliers through social media and other online channels, whenever possible and practical.

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

<p>Asset and material</p> <ul style="list-style-type: none"> » Vehicles » Furniture » Office equipment » Stationary 	<p>Financial service provider</p> <ul style="list-style-type: none"> » Banks and financial institutions 	<p>IT</p> <ul style="list-style-type: none"> » IT hardware suppliers » Software development services » Network service security » Software services (ORACLE) 	<p>Outsourced services</p> <ul style="list-style-type: none"> » Security » Food and drinking water » Sanitary facilities » Traveling and transport » Courier 	<p>Other services</p> <ul style="list-style-type: none"> » Auditors » Utility services » Media » Consultancy » Premises providers

4 CREATING VALUE FOR BUSINESS PARTNER CAPITAL

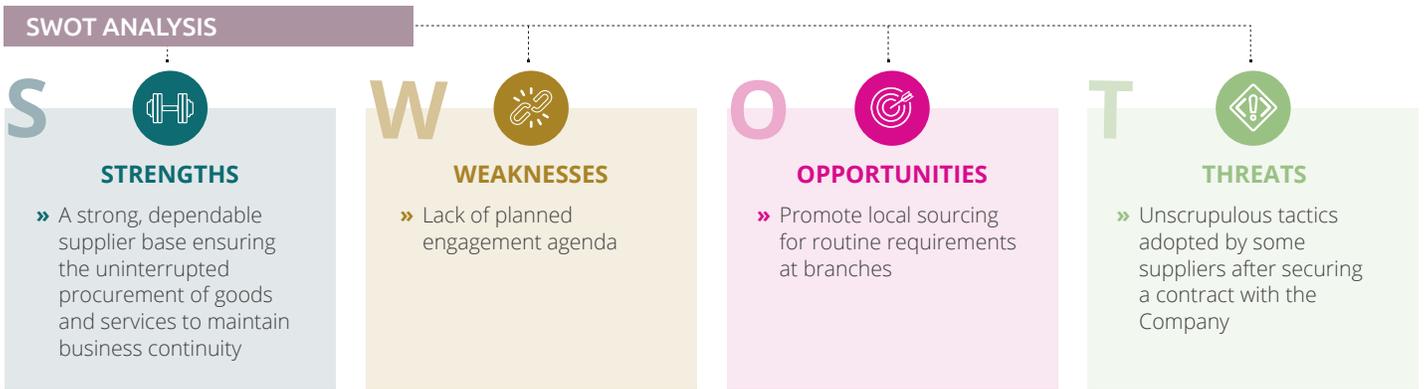
VALUE FOR BUSINESS PARTNERS	VALUE FOR LBF	VALUE FOR SOCIETY
<ul style="list-style-type: none"> » Quick settlement of dues » Possibility to establish long-term business relationships » Earnings stability even amidst uncertainty 	<ul style="list-style-type: none"> » Ability to procure high quality goods and services at competitive prices facilitated by long-term contracts » Assurance of business continuity » Leverage on new technology for more cost effective solutions 	<ul style="list-style-type: none"> » Enhances the service quality of the LBF's value proposition » Improves trust in the financial services industry » Opportunity for development of start-ups

5 BUILDING FUTURE FOR BUSINESS PARTNER CAPITAL

STRATEGIC OBJECTIVE

Ensuring suppliers focus on integrated services and value creation for LBF and its customers. Develop MSMEs as an essential enabler for the creation of much-needed employment opportunities.

SHORT TERM	MEDIUM TERM	LONG TERM
<ul style="list-style-type: none"> » Further strengthen the quality and reliability through supply chain diversification » Create opportunities for suppliers to develop their business in line with LBF's growth trajectory 	<ul style="list-style-type: none"> » Increase supplier training to raise awareness on ethics, integrity and best business practices » Use of technology solutions to streamline the supplier screening process 	<ul style="list-style-type: none"> » Create digital solutions to promote greater financial inclusion among small scale suppliers » Encourage suppliers to align with LBF's social and environmental priorities

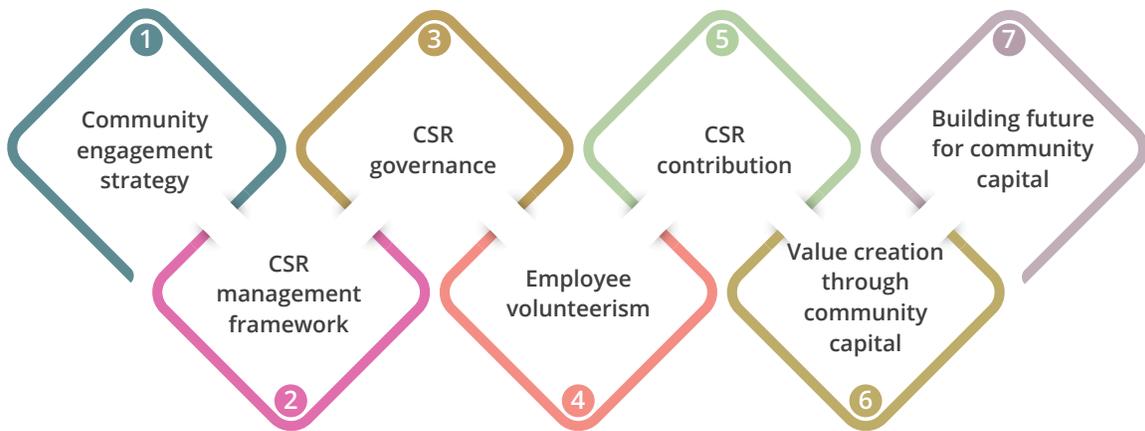


COMMUNITY CAPITAL

Why do LBF connect with the community?	Why do communities choose LBF?
To understand how LBF can assist in addressing key community issues and also to forge partnerships that will support the achievement of the Company's integrated sustainability objectives	To find real solutions for pressing issues that hinder the progress of their communities

As a financial services institution, we greatly value the trust and respect of the wider community. In fact, we measure our success partly by our standing in the community - our community capital. We work continuously to build our community capital. In doing so, we reach out to the community first and foremost through our core business activities to develop micro entrepreneurs. Beyond this, we have a robust CSR strategy that aims to find solutions to some of the most pressing issues that have been the cause of widespread socioeconomic disparities in Sri Lanka.

WHAT WE DISCUSS – MATERIAL DRIVERS



1 COMMUNITY ENGAGEMENT STRATEGY

LBF considers Corporate Social Responsibility (CSR) to be one of its primary responsibilities as a financial services institution. Keen to be an agent of change, we have made sure that our approach to CSR goes beyond mere philanthropy to focus on enabling broader systemic change that will deliver sustainable results over time. To achieve the desired outcomes, we combine our long standing expertise in financial services, our island-wide reach, the expertise of our people and our leadership in technology and innovation.

With our traditional ways of implementing CSR activities rendered invalid in these past two years due to the COVID-19 pandemic, we were compelled to think out of the box in order to meet our CSR commitments. Wherever possible, our flagship education programmes were transformed and delivered using LBF's own social media handles as well as digital mediums, thus ensuring their continuity throughout the pandemic period. We also leveraged on digital technology to improve transparency in our sustainability reporting and raise community awareness on key social and environmental topics. In this regard, we launched a dedicated sustainability web page - "LB Sustainability".

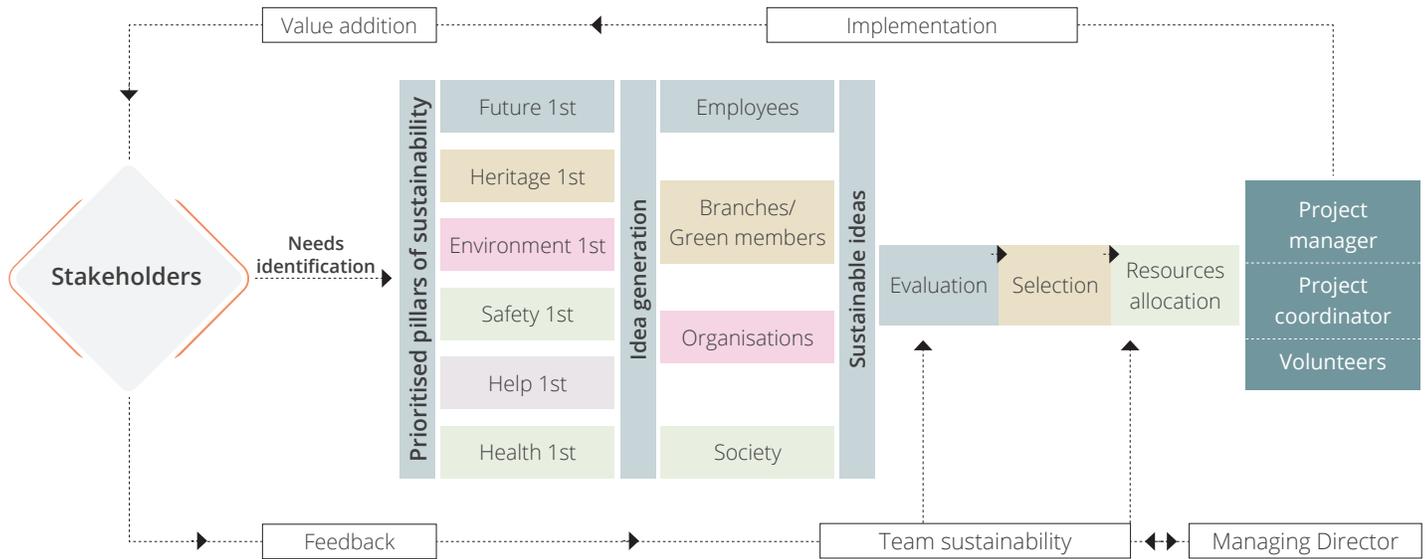
Even as business returns to normal in the post-pandemic era, LBF will continue to maintain a hybrid approach combining both physical and digital engagements to support our CSR strategy. We expect this "phygital" CSR strategy to underpin LBF's efforts to drive broader systemic change in the years ahead.



CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

2 CSR MANAGEMENT FRAMEWORK



3 CSR GOVERNANCE

The Governance and Stewardship of our CSR Strategy is vested with a dedicated Sustainability Team. Guided by LBF's senior management, the Sustainability Team takes responsibility for deciding on sustainability initiatives, formulating projects in line with LBF's five CSR pillars and for overseeing

their execution to achieve the targeted project objectives.

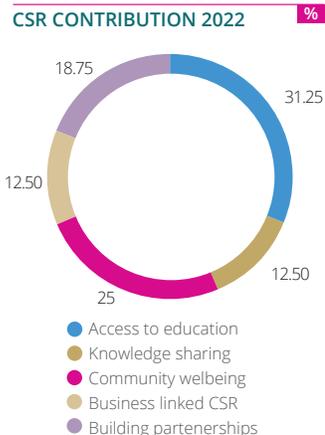
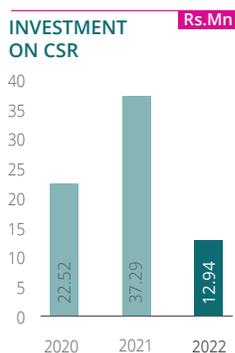
4 EMPLOYEE VOLUNTEERISM

LBF encourages and facilitates volunteer activities by employees so that not only will society be benefitted but the employees will also have the satisfaction that they are contributing to the society. LBF's

volunteering policy has been developed to do more, do better and reach further in uplifting lives and changing mindsets. The volunteers usually share their experiences with others and it improves employee engagement, job satisfaction and commitment. LBF facilitates the volunteer activities with necessary support, training and resources.

5 CSR CONTRIBUTION

- 1 Access to education
- 2 Knowledge sharing
- 3 Community wellbeing
- 4 Build partnerships
- 5 Business linked CSR



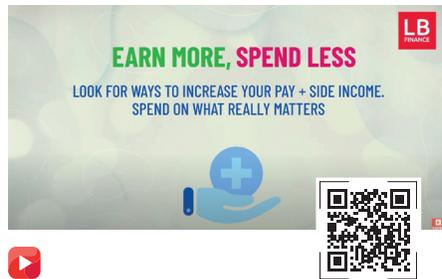
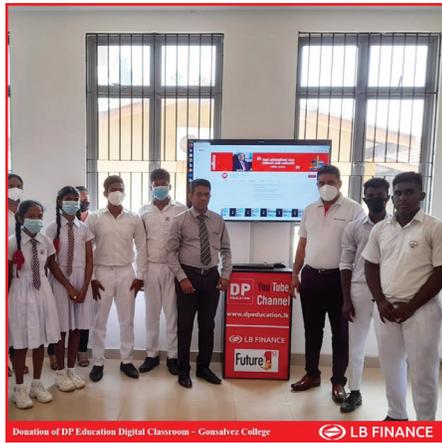
1 Access to education

We believe a quality education at all levels will lay the foundation to reduce inequalities and pave the way for sustainable socio-economic development in the long term. LBF's CSR strategy prioritises access to education with the aim of eliminating the persistent knowledge disparity that exists in Sri Lanka. Furthermore, as a responsible financial institution, we feel that we have a bigger role to play in improving digital literacy among the wider community, which in turn would support the creation of self-sustaining communities with the capacity to fuel economic growth.

Project	Description	Achievements	Employee volunteerism (Hours)	2021/22 Expenditure (Rs.)	SDG focus
Schools and academic education					
Digital classroom Phygital	Donated DP Education Digital Classroom to; » Dombagoda Vidyalaya, Ahangama » Gnsalvez Vidyalaya, Waikkal » Holy Cross, Kalutara » Sudhamma Vidyalaya, Galle » St. Xavier's Girls school, Mannar » Senadikara Vidyalaya, Gampola	» Enhance digital inclusiveness » Incorporate digital literacy as part of early childhood learning » Established digital classrooms at 06 schools	80	1,074,000	4 9
Digital school to your home Digital	» Facilitating digital education through the DP education Platform	» Enhance digital inclusiveness » Incorporate digital literacy as part of early childhood learning	-	-	4 10 17
'LB Supiri Veera Man' Phygital	» Art competition and craft video competition for kids in celebration of Children's day	» Provide mental stimulation to improve psychological well being of children during the COVID-19 pandemic » Encourage the development of aesthetic talent among children » 85 candidates participated of which 10 were selected as winners	936	-	4 9
LB Code Champs Digital	» Online computer coding classes for children under 3 age categories	» Improve digital literacy among children » Provide in house activities for stay home situation in the country » 905 kids participated for the programme	376	-	4 9
Consumer education					
Education on financial management Digital	» Video series on social media to raise awareness of the financial management under the topics of building investment habits, breaking lazy cycle, developing your savings habit, golden rules for strong financial security	» Encourage the savings habit of the customers and non-customers » Improve financial literacy to increase wealth maximisation opportunities » 5 video clips	-	-	4 8 12

CAPITAL REPORTS

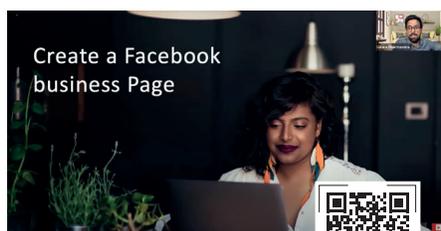
SOCIAL AND RELATIONSHIP CAPITAL



2 Knowledge sharing

Youth are the future of our nation and empowering them will help lead our country's growth trajectory in the years to come. At LBF, we maintain a structured agenda to provide the necessary guidance and support to mould a new generation of innovators, business professionals and corporate leaders.

Project	Description	Achievements	Employee volunteerism (Hours)	2021/22 Expenditure (Rs.)	SDG focus
Developing business to next levels					
Business development Digital	» Video series on social media to build awareness on business development focusing on topics such as - how to build and develop a business on social media, utilise hidden skills to earn an income, and how to identify customers	» Capacity building to drive sustainable business growth » 03 video clips, average more than 3,000 viewers	423	-	4 9 11
Women empowerment					
Developing start-up business and budding entrepreneurs in Sri Lanka and Myanmar Phygital	» Physical and digital awareness, including a video series for women entrepreneurs	» Capacity building to support women's empowerment	24	-	1 2 5 8



CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL



3 Community wellbeing

LB Finance's community wellbeing activities are aimed at providing support as and when needed in order to address the most pressing needs of the community.

Project	Description	Achievements	Employee volunteerism (Hours)	2021/22 Expenditure (Rs.)	SDG focus
Community support					
Distribution of dry rations for selected community, staff and police officers Physical	» Donation of dry rations to families of police officers afflicted by COVID-19 in the line of duty	<ul style="list-style-type: none"> » Minimise financial strain caused by the COVID-19 pandemic » Building up moral of frontline workers of the pandemic 	324	-	1 2
Community awareness					
Awareness programmes Digital	» Social media awareness programmes, covering cyber security, social media usage, financial freedom and stress management	» Preventing the wider community from being subject to cyber crime	183	-	8 11 17
International days celebration Digital	» Social media awareness programmes to celebrate more than 30 international days	» Awareness building on important areas and special segments	240	-	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17
Building ethics and values					
'LB Sara Siththam' Phyigital	» Developed and rolled out 03 short movie segments on social media to enhance ethics and values among the community	<ul style="list-style-type: none"> » Supporting the creation of an ethical society » 3 video clips, average more than 1,000 views 	410	1,450,000	4 11
Protect the culture Digital	» Developed and rolled out a video series on customs related on cultural festivals in Sri Lanka	» Contribute towards safeguarding Sri Lanka's culture and heritage	30	-	8 10



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WORLD AIDS DAY 2021 LB FINANCE

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International Mountain Day 2021 LB FINANCE

National Cyber security Awareness Month

Cyber Fact #11

Install antivirus software, firewalls, and email filters and keep them updated

LB FINANCE

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LB FINANCE

National Cyber security Awareness Month

Cyber Fact #15

Regularly take back up of your documents, photos, and important email to an external hard drive

LB FINANCE

National Cyber security Awareness Month

Cyber Fact #12

Select the right privacy settings on social media platforms to make sure that you are sharing your information, photos and videos with your trusted ones only

LB FINANCE

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International Human Rights Day 2021 LB FINANCE

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International Literacy Day 2021
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LB FINANCE

National Cyber security Awareness Month

Cyber Fact #13

Beware of remote screen sharing apps, as fraudsters may use them to steal your information

LB FINANCE

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WORLD SAFER INTERNET DAY 2022 LB FINANCE

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World Earth day April 22 LB FINANCE

National Cyber security Awareness Month

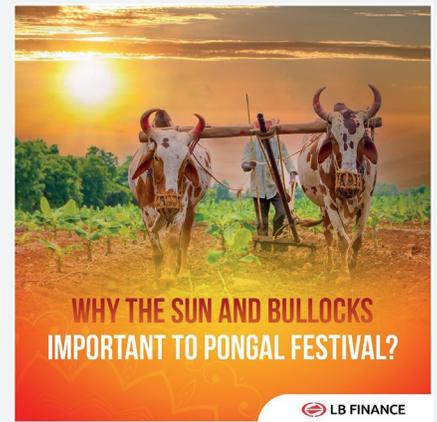
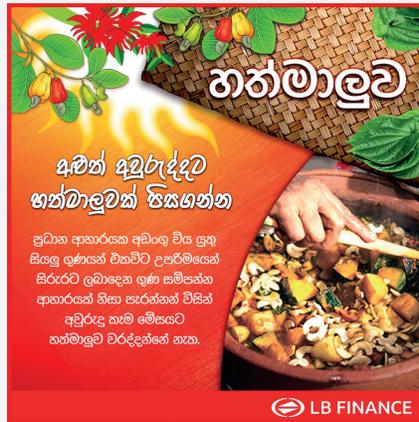
Cyber Fact #14

Be cautious of look-a-like websites and fake profiles of companies on social media

LB FINANCE

CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL



4 Build partnerships

We have come to understand that strategic partnerships with like-minded institutions can bring synergies that greatly enhance the impact of our community initiatives. As such, we seek to forge appropriate value-adding partnerships from time to time, depending on the scope and scale of the projects that we undertake.

Project	Description	Achievements	Employee volunteerism (Hours)	2021/22 Expenditure (Rs.)	SDG focus
With universities					
'SYNDICATE' Business case study competition Physical	LBF in partnership with AIESEC Sri Lanka and the University of Sri Jayewardenepura to jointly conduct the SYNDICATE business case study competition - an Inter-University Competition to develop youth entrepreneurs	<ul style="list-style-type: none"> » Developing the entrepreneurial culture among the youth population 142 contestants from 17 universities participated in the Inter-University Competition 	68	120,000	4 17
With charity organization					
Ruth children's home Physical	IT literacy programme for children at the Ruth children's home	<ul style="list-style-type: none"> » Enhance digital inclusiveness » Incorporate digital literacy as part of early childhood learning 25 Children participated in the programme 	108	-	1 4 5
With career development partners					
LB career support Digital	"LB Pragathi Virtual Career Fair" series in partnership with NIBM Institute of Higher Education, Institute of Information Technology (SLIIT and SLTC)	<ul style="list-style-type: none"> » Increasing the participation in higher education 300 participants engage with the programme 	61	-	8 17

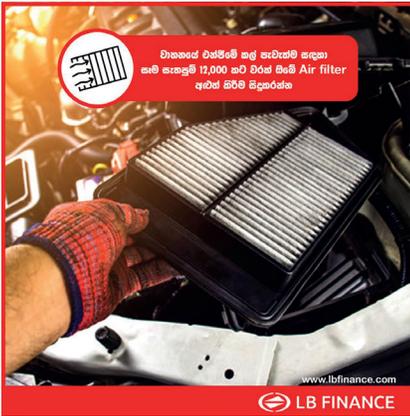


5 Business linked CSR

Project	Description	Achievements	Employee volunteerism (Hours)	2021/22 Expenditure (Rs.)	SDG focus
Focus on core business					
LB Auto review Phygital	Video series on social media to build awareness on vehicle buying trends, care tips etc.	<ul style="list-style-type: none"> Supporting more informed decision making among the community 02 video clips (16 videos in 2020/21), average more than 20,000 viewers 	212	-	4 8
Cyber security					
Cyber security month of LB Digital	Conducted awareness campaigns on social media to enhance the knowledge of cyber security tips on fraudulent e-mails, cautious of the portable devices and sensitive information	<ul style="list-style-type: none"> Awareness build on cyber security problems Building discussion to protect from ransomware 06 awareness campaigns conducted 	88	-	4 16 17

CAPITAL REPORTS

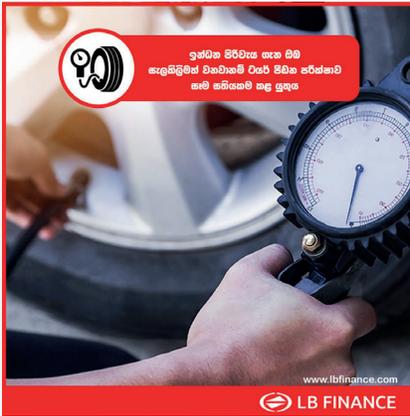
SOCIAL AND RELATIONSHIP CAPITAL




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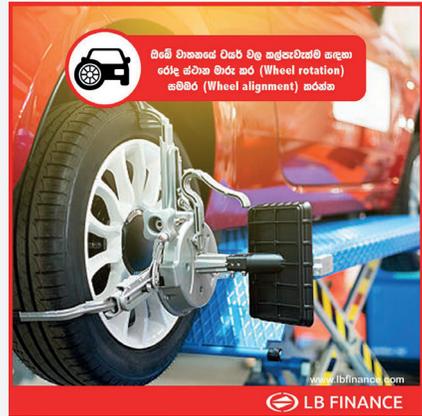
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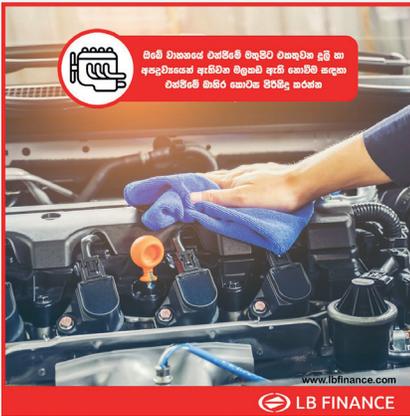
LB FINANCE




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**Lucky draw
May bring you bad luck**



Beware of fraudulent emails which claims that you have won a lucky draw

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A picture is worth a 1000 words



Do not share your sensitive personal photographs and videos on social media

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Sharing is not always caring

Never share your personal information anywhere



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Pencils Have Erasers
Internet Don't



Beware of what you share online

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RUDISHA NAMMUNIRACHCHI
First Female Car Reviewer in Sri Lanka



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6 VALUE CREATION THROUGH COMMUNITY CAPITAL

VALUE FOR COMMUNITIES	VALUE FOR LBF	VALUE FOR SOCIETY
<ul style="list-style-type: none"> » Reduced inequalities » Sustainable communities » Development of the rural economy 	<ul style="list-style-type: none"> » Improved brand equity » Increased brand recognition and awareness of products and services » Creating a pool of future potential stakeholders 	<ul style="list-style-type: none"> » Association with a trusted financial partner » Ability to benefit from sound investment advice » Enhanced trust in the financial services industry

7 BUILDING FUTURE FOR COMMUNITY CAPITAL

STRATEGIC OBJECTIVE

Uplift communities to support sustainable nation-wide development across Sri Lanka



SWOT ANALYSIS



CAPITAL REPORTS

SOCIAL AND RELATIONSHIP CAPITAL

RELATIONSHIP BETWEEN CAPITALS

Trade-off between capitals of social and relationship capital

	Financial Capital			Human Capital			Intellectual Capital			Manufactured Capital			Social & Relationship Capital			Natural Capital		
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Investment towards customer service	▲	▼▲	▼▲	—	▲	▲							▲	▲	▲			
Systemized the supplier registration	▲	▼	▼										▲	▲	▲			
Increasing community service efforts	▲	▲	▲							—	▲	▲	▲	▲	▲	▲	▲	▲

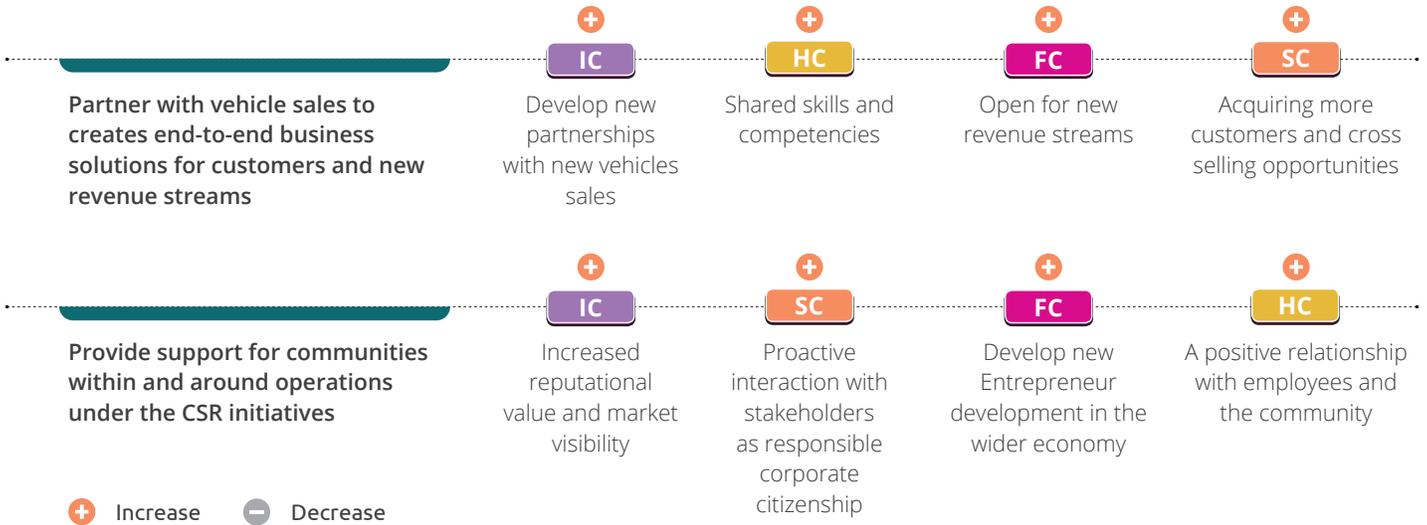
S – Short term M – Medium term L – Long term ▲ Increase ▼ Decrease — Neutral

SOCIAL CAPITAL JOURNEY

2013/14	2014/15	2015/16	2016/17
» Dirimaga' credit facilities to SME sector 	» VISA debit card	» Introduced Power Plus and Money Gram agent ship for international money transfer » Rs. 4.99 million invested on CSR	» Invested Rs. 14.5 million for the betterment of society
2017/18	2018/19	2019/20	2020/21
» 'LB Mulgala' mortgage loan » Children's' savings product renamed as 'Little Heroes' » Re-launched 'L B Yasaisuru' product » Rs. 23.51 million invested on sustainable development projects	» Digital Financial services » Invested Rs. 26.95 million on CSR projects	» LB digital CIM wallet » Invested Rs. 12.9 million on community development projects	» Invested Rs. 37.29 million on CSR projects
2021/22			
» Established digital classrooms in 06 schools » Further strengthened the ISO 27001 Information security standard » Tied up with FinCSIRT (computer security incident response team for Sri Lanka's financial sector)			

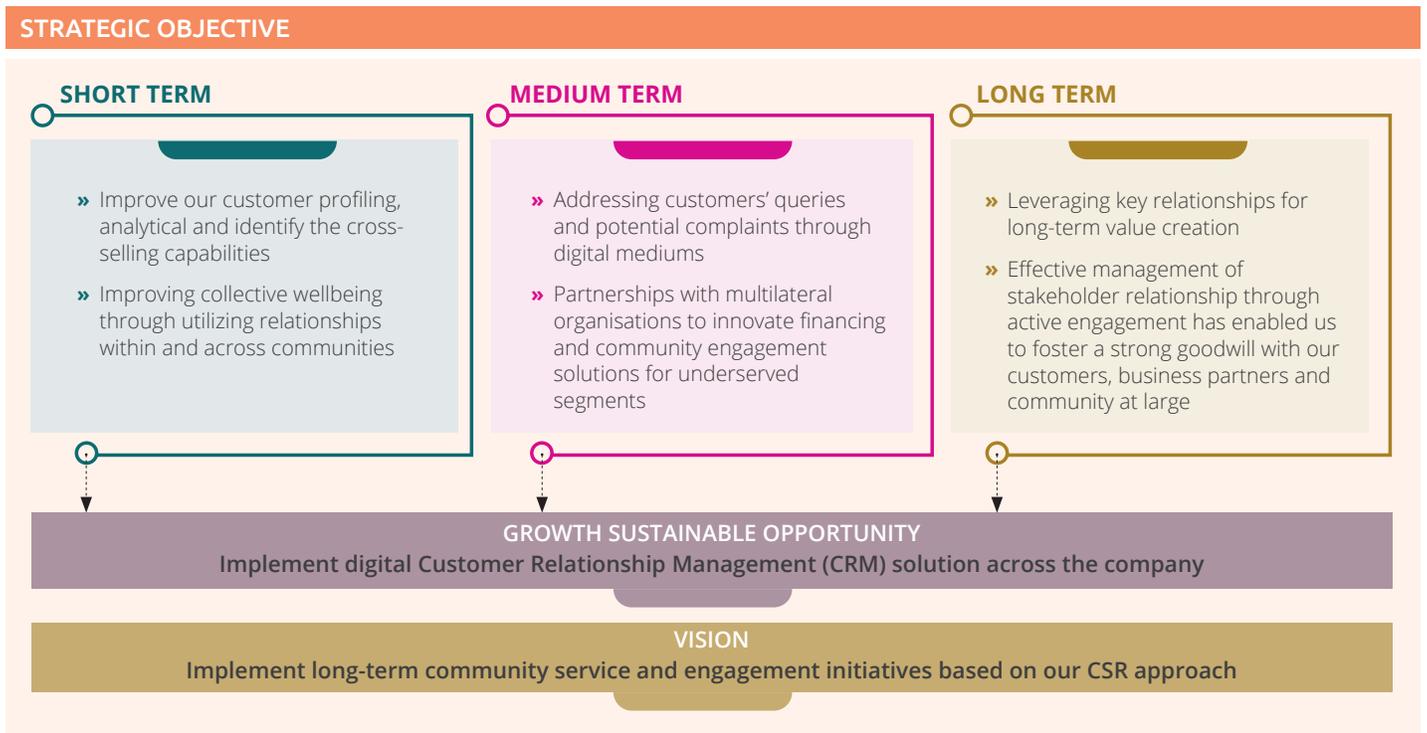
Reaping benefits of investing in social and relationship capital

Focus on enhancing our operational efficiency and fine-tuning our structures to build strong relationships with our customers. We understand, however, that in optimising costs, there are relational trade-offs that need to be carefully managed



BUILDING FOR THE FUTURE

Building for the future - social and relationship capital





NATURAL CAPITAL

NC

Related strategies

Related SDGs

Related material themes

RO

12 13 15

PSS

DTD

In an era when the world is beset by the crisis of global warming and climate change our business operations have not been directly affected by the climate change. However, LBF considers it as a moral obligation to deal with environment in a sustainable manner and strive to conserve them; the Company is therefore committed to the implementation of green initiatives within the Company.

VALUE FOR EMPLOYEE

A robust multi-channel environment that caters to the preferences of all customer segments

VALUE FOR LBF

A strong physical and digital presence reinforces LBF's credibility and competitive position in the markets

VALUE FOR CUSTOMER

The knowledge and expertise gained by working in a sophisticated digital workplace

Carbon conscious

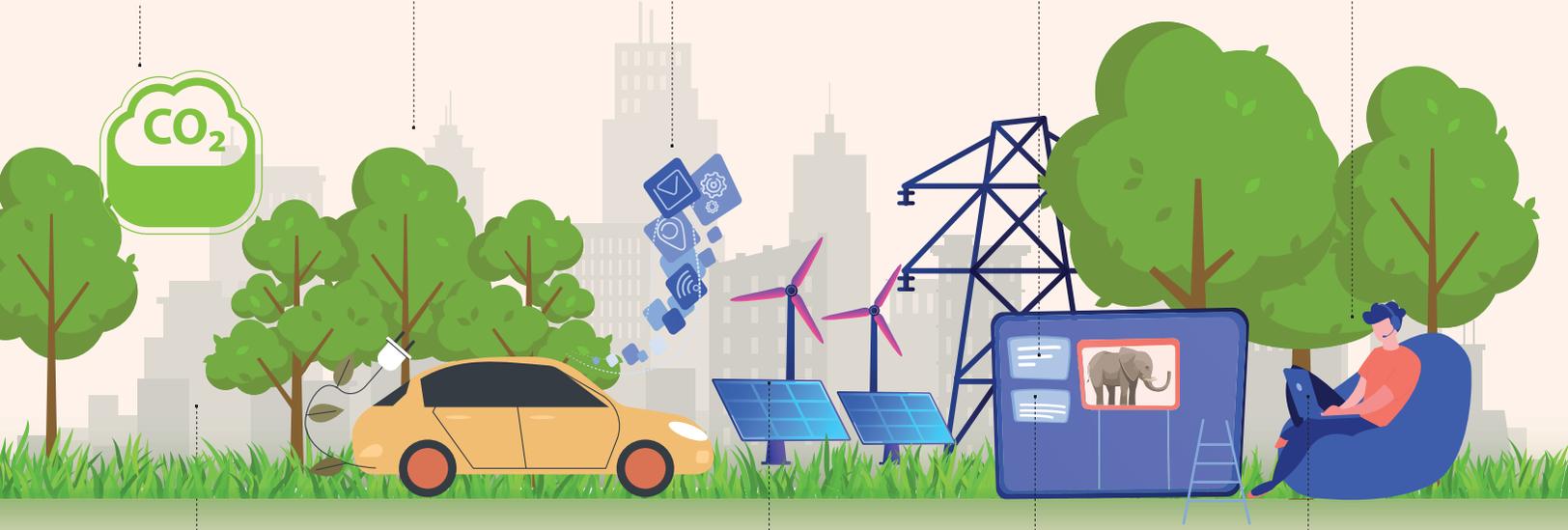
Company

Islandwide tree planting programmes

Rs. 326.88 Mn
Green lending

Awareness building through informative boards

Strengthen the e-learning platforms



3,259 tCO₂e
Carbon footprint

Rs. 3.81 Mn
Invested in environmental initiatives

Digitised environmental conservation projects

System automation to reduce the paper consumption

How we manage the capital

We remain committed to reduce our direct impact on the environment by promoting responsible environmental management activities across all of our operations. At the same time, by using our position as a leading financial institution in the country, we seek to positively influence society to work towards generating favorable environment outcomes



Mr. B D A Perera
Executive Director

Stakeholder's expectation

		STAKEHOLDERS					
		SH	C	E	R	S/C	BP
MATERIALITY	Environmental friendly initiatives		★	★	★	★	
	Green financing		★	★	★	★	
	Carbon footprint calculation	★		★		★	

NATURAL CAPITAL MANAGEMENT

INPUT

- » Energy Management System (EMS)
- » Employee voluntarism for green initiatives
- » Focus digital financing for green business practices

APPROACHES OF MANAGING OUTCOME

- » Conducting organisation wide carbon footprint calculation project
- » Strengthen the e-learning platforms
- » System automation to reduce the paper consumption

STRATEGIC DRIVER

- » Environmental strategy
- » Environmental initiatives
- » Green financing

SPACE FOR DEVELOPMENT

- » Introducing digital products
- » Process of shifting towards a paperless e-office system
- » Customized products & services for green financing

TRADE-OFF

Efforts to build natural capital that only generate positive outcomes. For example, responsible consumption of resources to lower our carbon footprint, helps to improve the lifespan of our assets and also enhances LBF's reputation

KEY OUTPUT

- » Year-on-year reduction of carbon footprint
- » Year-on-year reduction in paper waste generated
- » Contribution towards the low carbon economy

Challenges

- Reducing the paper usage
- Lowering the carbon footprint across the organisation
- Increasing the green financing

Way forward

- Increase focus on environment sustainability
- Create a paperless workplace
- Increased focus on organisation-wide carbon management



Visit web page for our philosophy, Management approaches and analysis of Natural Capital

CAPITAL REPORTS

NATURAL CAPITAL

OVERVIEW

Stakeholders increasingly expect organisations to participate in a blue carbon economy as a means of minimising the environmental impact and preventing natural capital loss. For its part, LBF continues to reform and update its climate action strategies to meet these stakeholder expectations.

Critical Success Factors

- » Top management commitment
- » High quality training deliverable
- » Raising employee morale and productivity

WHAT WE DISCUSS – MATERIAL DRIVERS

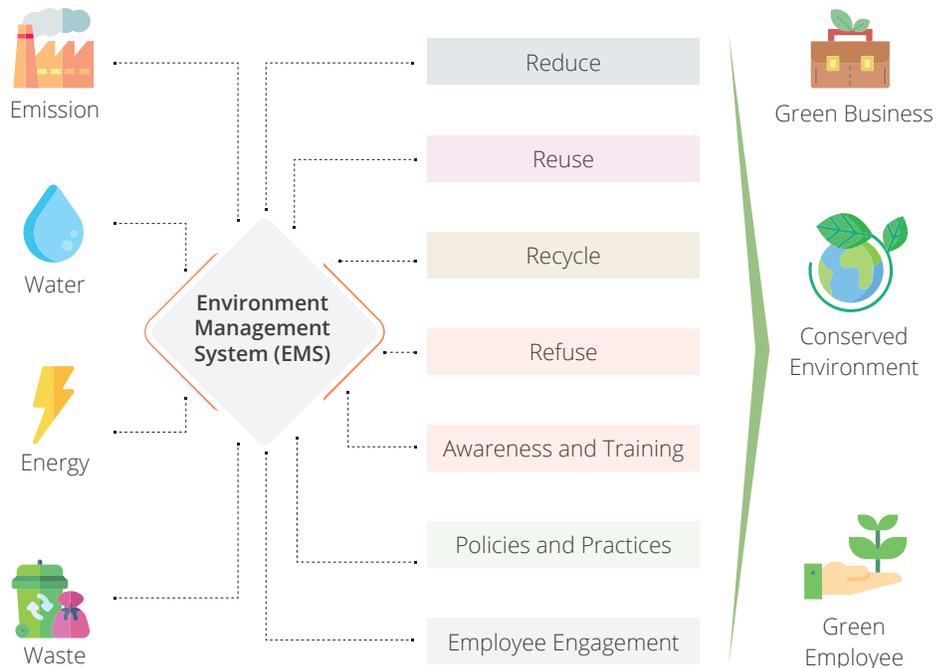


1 OUR APPROACH TO ENVIRONMENTAL SUSTAINABILITY

LB Finance PLC has over the years deepened its commitment towards addressing the environmental challenges arising as a result of climate change. We have adopted a systematic approach by aligning our climate action initiatives based on the priorities outlined by universal policy frameworks such as the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development.

Our intention is to make an impact directly through our own operations and indirectly in our relationships with customers and suppliers across the value chain as well as through the projects we undertake.

In striving to integrate environmental sustainability into our own operations we abide by regulatory requirements and seek to benchmark global best practices to help accelerate LBF's transition to the low carbon status.



With no direct environmental regulatory frameworks applicable to our business as a financial services institution, LBF has adopted globally accepted environmental best practices recommended for service sector organisations. A formal Environmental Policy serves as the overarching mandate in outlining our approach, while our Environmental Management System (EMS) creates the foundation for embedding environmental considerations in our day-to-day operations. The EMS sets out specific environmental goals and action plans for accomplishing these goals and is further supported by LBF's environmental pledge to secure the commitment of employees.

1.1 Environment governance

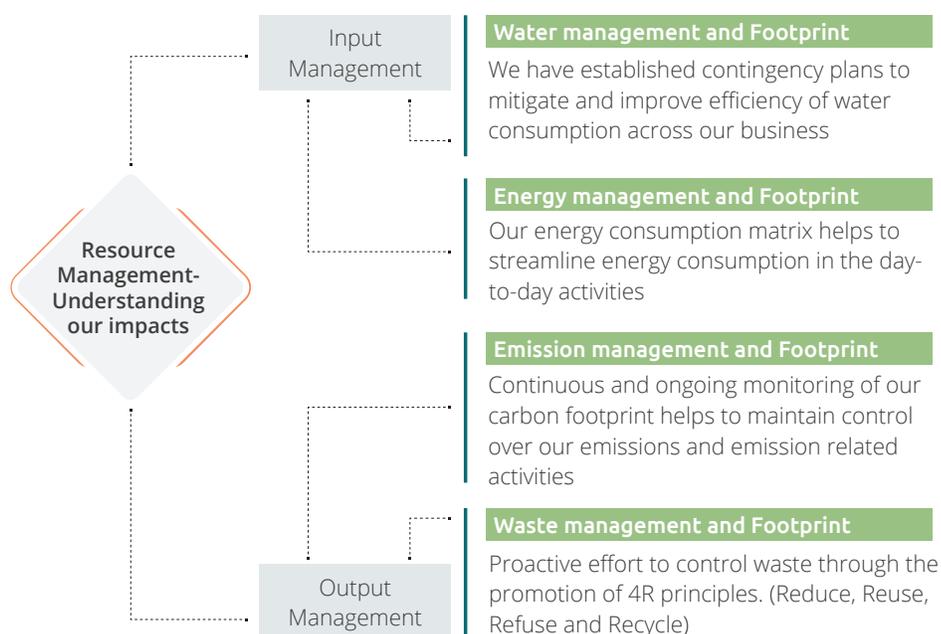
LBF's Sustainability Team provides oversight for the implementation of the EMS. In this capacity, the Sustainability Team is tasked with educating employees on the policies and procedures and for providing necessary technical support. The team is also responsible for continuous improvement of the EMS and in this regard undertakes to assess potential environmental risks across its operations with due consideration of how new regulatory developments and social trends are likely to affect LBF's environmental credentials. Based on the findings, recommendations for appropriate policy and procedure revisions are made to senior management.

2 RESPONSIBLE OPERATIONS

As a major financial institution in Sri Lanka, we want to play our part in fighting climate change and environmental degradation. Hence, we have adopted a strategic approach to address the most material environmental concerns arising out of our day-to-day business operations.

The environmental management system focuses on aiming the usage of LBF's main resources at the best possible way. This is done by avoiding what is not necessary

by refusing, making use in an effective an efficient manner of the resource and reducing, reusing the resources whenever possible and recycling the resources, once the utilisation is complete. Similarly, LBF put in to action policies and practices to adhere to while ensuring employee engagement and awareness. LBF has strategically identified these as the most effective and efficient approaches in creating a sustainable future while minimising the impact on the environment. These actions are collectively or individually addressed under each of the Company's main focus areas.



Policy frameworks

In an era when the world is beset by the crisis of global warming and climate changes, our business operations have not been directly affected by the climate change. However, LBF considers it as a moral obligation to deal with environment in a sustainable manner and strive to conserve them. The Company is therefore, committed to the implementation of green initiatives within the Company through internal develop policies and frameworks.



Visit web page for more information on Our policy frameworks

CAPITAL REPORTS

NATURAL CAPITAL

2.1 Water management strategy

As a service organisation, our interaction with water is limited to the utility and sanitary needs of employees across our branch network. Hence, LBF's water footprint is minimal. Nevertheless, reducing water consumption is a stated objective in our EMS. The EMS sets out the Company-wide water management plan accompanied by clear guidelines to reduce daily water consumption. To complement these efforts, we continue to raise awareness and encourage employees to remain vigilant in order to minimise wastage.



World Water Day celebration

2.1.1 LBF's ongoing actions on water management

Main focus	Actions taken
Reduce consumption	<ul style="list-style-type: none"> » Usage of pressure reducing valves to maintain consistent water pressure » Taps with spray attachment to regulate water flow » Use of high-intensity pressure pumps for vehicle washing
Awareness	<ul style="list-style-type: none"> » Signage providing water saving tips
Reuse	<ul style="list-style-type: none"> » Usage of drain water for air conditioning cooling
Water efficiency interventions	<ul style="list-style-type: none"> » Leak detection tools » Automatic shutdown valves
Policies and procedures	<ul style="list-style-type: none"> » Commitment of employees via the sustainability pledge

2.2 Energy management strategy

LBF's primary source of energy is grid electricity. The electricity consumed by our head office and branches everyday is the largest contributor towards our carbon footprint. LBF's overall electricity consumption has grown exponentially in the last five years as a result of the expansion in LBF's branch footprint. Given the obvious impact on our carbon footprint, energy management has become a key priority, which has prompted us to establish baseline standards in our EMS to measure and monitor energy consumption on a weekly basis.

2.2.1 LBF's ongoing actions on energy management

Main focus	Actions taken
Reduce consumption	<ul style="list-style-type: none"> » Use of high-tech energy efficient equipment » Energy reduction methodologies » Electronic data collection and analysis » Energy audits » Installation of solar water heating systems to save electricity » Energy efficient lighting for sign boards at outlets » Maximum usage of natural light
Awareness	<ul style="list-style-type: none"> » Display of energy saving tips » E-mail campaign on the benefits of energy saving
Employee engagement	<ul style="list-style-type: none"> » Use of energy reduction methods at office and home
Policies and procedures	<ul style="list-style-type: none"> » Commitment of employees to the sustainability pledge » Regulate the operating time of equipment
Refuse	<ul style="list-style-type: none"> » Ask employees to refuse non degradable materials and wastages

Water footprint



Total water consumption

33,044 m³

2020/21 - 31,013 m³

Per employee 8.65 m³

2020/21 - 8.70 m³

Per working day 165.22 m³

2020/21 - 140.97 m³

Per outlet 182.56 m³

2020/21 - 183.51 m³

Energy footprint



Overall energy consumption

30,944 GJ

2020/21 - 15,418.08 GJ

Per employee 8.10 GJ

2020/21 - 4.33 GJ

Per working day 154.72 GJ

2020/21 - 70.08 GJ

Per outlet 170.96 GJ

2020/21 - 91.23 GJ



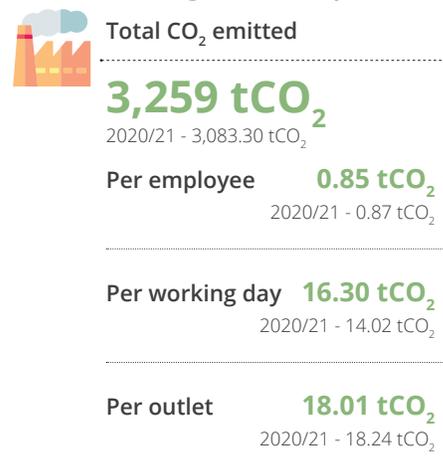
2.3 Emission management strategy

Guided by Principle 15 of the Rio Declaration: The precautionary approach on managing the physical impacts of a changing climate, we have made a firm commitment to reduce emissions attributed to our operations by targeting a significant reduction year-on-year. As a medium term goal, we are aiming to be a carbon credit generating organisation by 2025. However, the increased use of diesel in backup generators during frequent power interruptions in the last quarter of the financial year have resulted in increasing LBF's overall carbon footprint for the financial year 2021/22.

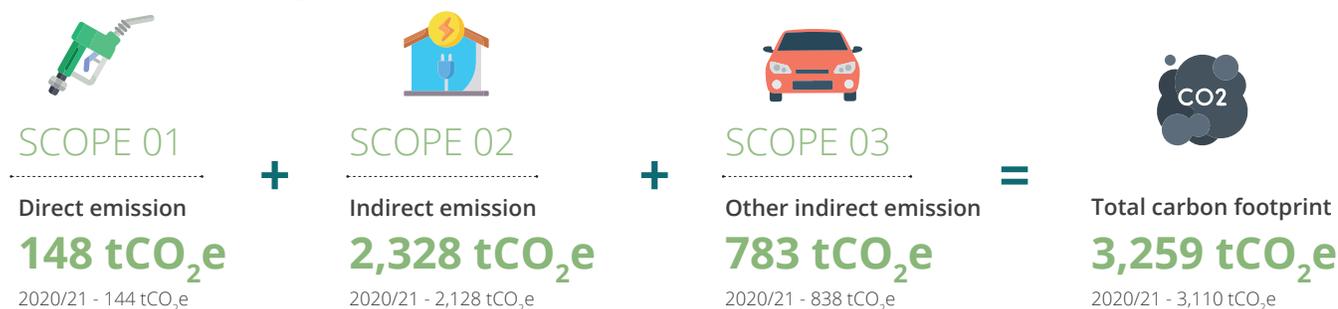
2.3.1 LBF's ongoing actions on emission management

Main focus	Actions taken
Reduce consumption	<ul style="list-style-type: none"> » Moving away from high energy consuming equipment in favour of energy saving solutions » Promote the use of shared transport such as car pooling as opposed to the use of individual vehicles » Regulating usage during peak times » Providing integrated transport solutions for business duties
Awareness	<ul style="list-style-type: none"> » Email campaign on energy saving mechanisms to raise awareness among employees » Educate customers and the general public to accelerate Sri Lanka's transition into a low carbon economy
Leadership	<ul style="list-style-type: none"> » Lead by example to encourage peers to strive for carbon neutrality by adopting best practices

Emission management footprint



Total Emission (Tones co₂e)



CAPITAL REPORTS

NATURAL CAPITAL

Carbon footprint calculation

We are dedicated to operate in a socially and ecologically conscious manner. As part of the global effort to keep global warming below 2 degrees Celsius and move towards a sustainable future, we are continuously exploring new ways to reduce emissions across our value chain. Towards this end, we are combining both technology and operational solutions into our day-to-day operations.

The carbon footprint calculation is the key driver of our emission management strategy. For this calculation we have

adopted the methodology promulgated by GHG protocol. Accordingly, LBF reports on GHG emissions against three WBCSD/ WRI scopes; which is further verified by the ISO 14064 - 1:2006 standards.

Since 2013, LBF has been using a formal carbon footprint calculation methodology based on the GHG protocol guidelines to measure its emission footprint. We calculate direct emissions (Scope 1 as defined by the GHG protocol) resulting from our business activities along with Scope 2 and Scope 3 emissions due respectively to electricity purchased in the course of business and the emissions

caused by employees commuting to and from work. Our assessments for the year under review, did not reveal any significant air emissions or emission of ozone depleting substances, pollutants and other hazardous compounds arising from LBF's operations.



Visit web page for more information on the Carbon Footprint Report

2.4 Waste management strategy

Paper waste has become one of LBF's major concerns, especially with the growth of our business in recent years. This has led us to incorporate the 4R (Reject, Reduce, Reuse, Recycle) practices through our EMS. Our Sustainability Team educates employees regarding the 4R practices. Moreover, we work with Neptune (Pvt) Ltd, a registered recycling partners for the responsible disposal of paper waste.

The Digital Financial Service unit set up in 2019 and the LB Centre for Innovation and Technology set up in 2020 form part of a long-term strategy to reduce paper use across the Company by 50% in 05 years.

2.4.1 LBF's ongoing actions on waste management

Main focus	Actions taken
Refuse	<ul style="list-style-type: none"> » A paperless environment created by digitizing document storage and archiving processes » The centralised web portal (intranet) containing organisational policies, procedures, news, photo gallery and other downloadable documents » Usage of paperless fax machines for day-to-day operations
Reduce	<ul style="list-style-type: none"> » Monitor and control paper consumption
Reuse	<ul style="list-style-type: none"> » Reuse of paper and envelopes as much as possible
Recycle	<ul style="list-style-type: none"> » Paper items directed for recycling are directed to a designated area within each office » All paper waste is recycled through Neptune Recyclers » Recycle all e-waste through an authorised e-waste recycle partner
Awareness	<ul style="list-style-type: none"> » Regular email notifications to build awareness among employees » Campaigns to promote resource efficiency among customers
Policies and procedures	<ul style="list-style-type: none"> » Policies on material usage » Dual side printing policy, with all default settings on printers adjusted accordingly



Awareness build on Global Recycle Day

Waste Footprint

Total paper recycled	23,399 Kg
	2020/21 - 3,986 Kg
Saved No. of fully-grown trees	398
	2020/21 - 68
Saved oil	41,065 Liters
	2020/21 - 6,995 Liters
Saved electricity	93,596 Kwh
	2020/21 - 15,944 Kwh
Saved water	74,3620 Liters
	2020/21 - 126,675 Liters
Saved landfill	70 m³
	2020/21 - 12 M ³

3 RESPONSIBLE PRODUCTS AND SERVICES

Aware that our core business activities can have an indirect environmental impact, we make a conscious effort to ensure that this impact is resoundingly positive.

3.1 Green lending scheme

LBF's green lending scheme offers concessionary terms for the lease of hybrid vehicles and electric vehicles, which are deemed to have a significantly lower carbon footprint compared to traditional diesel or petrol vehicles.

Year	No. of green financing facilities	Amount granted (Rs. Mn)
2021/22	147	326.88
2020/21	1,747	3,515.66
2019/20	2,576	5,401.45
2018/19	3,561	8,566.00
2017/18	450	2,471.36

3.2 Digital financing initiatives

Digital financing initiatives like the LB CIM wallet have a significantly low environmental footprint. Being a cashless solution, LB CIM presents a fully digital customer experience requiring no use of paper and no commuting.



No. of CIM app transactions	No. of CIM app downloads
2.05 Mn	+100,000

4 ENVIRONMENTAL PROTECTION AND CONSERVATION

4.1 'Thuru Wawamu' 50 to 50,000

Thuru Wawamu' is LBF's flagship environmental project. Launched on 13th September 2018, 'Thuru Wawamu' is an ambitious project to systematically increase the forest cover in Sri Lanka by planting 50,000 saplings over a three-year period. The 'Thuru' mobile app launched subsequently in 2019 was also aimed at supporting the overall effort. As per the initial plan, the project was to conclude in May 2021 to coincide with LBF's 50th anniversary. However, pandemic related constraints in 2020 saw plans being postponed and tree planting programme conducted based on the situation.

4.2 Awareness building through informative boards

As part of our ongoing efforts to increase awareness, LBF has undertaken to install and maintain display boards and warning messages at the entrance of all national parks. The project is an ongoing initiative of the Company conducted in partnership with the Young Zoologists' Association of Sri Lanka.

Year	Project location
2021/22	Udawalawa, Katharagama, Suriyawewa, Padalangala, Matara, Ambalanthota, Ussangoda, Agunakolapalessa, Hambanthota, Dehiwala Zoo
2020/21	Dehiwala
2019/20	Ridiyagama, Pinnawala
2018/19	Ridiyagama, Pinnawala, Dehiwala
2017/18	Wasgamuwa

4.3 Continuous Awareness

To demonstrate our commitment to climate action, we undertake to promote sustainability knowledge and good practice among our customers and communities. Awareness campaigns run through social media aim to inform the importance of environment protection and conservation.



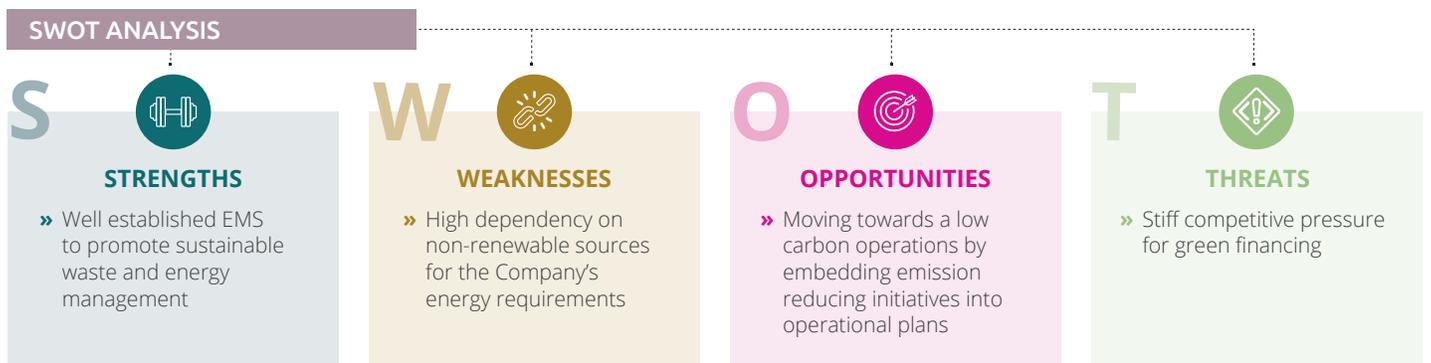
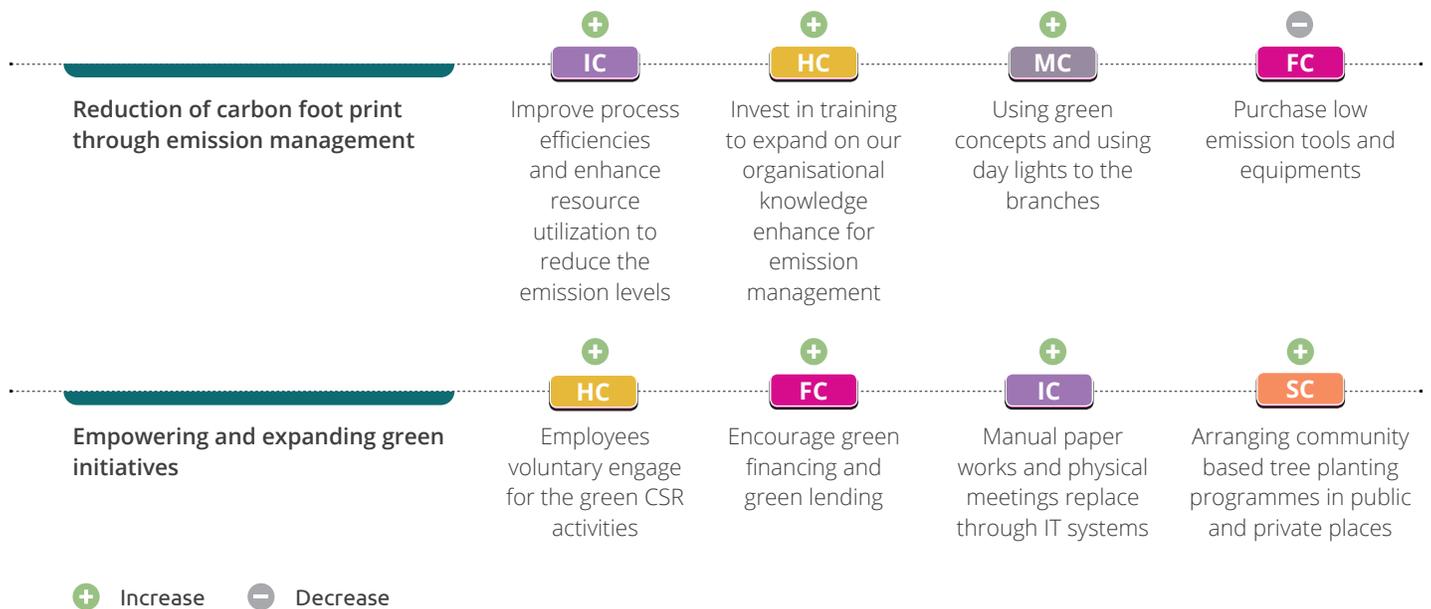
5 RELATIONSHIP BETWEEN CAPITALS

5.1 Trade-off between capitals

	Financial Capital			Human Capital			Intellectual Capital			Manufactured Capital			Social & Relationship Capital			Natural Capital		
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Green office practices	▼	▲	▲				▲			▲	—	—				▲	▲	▲
Green financing	▼	▲	▲										—	▲	▲	▲	▲	▲

S – Short term M – Medium term L – Long term ▲ Increase ▼ Decrease — Neutral

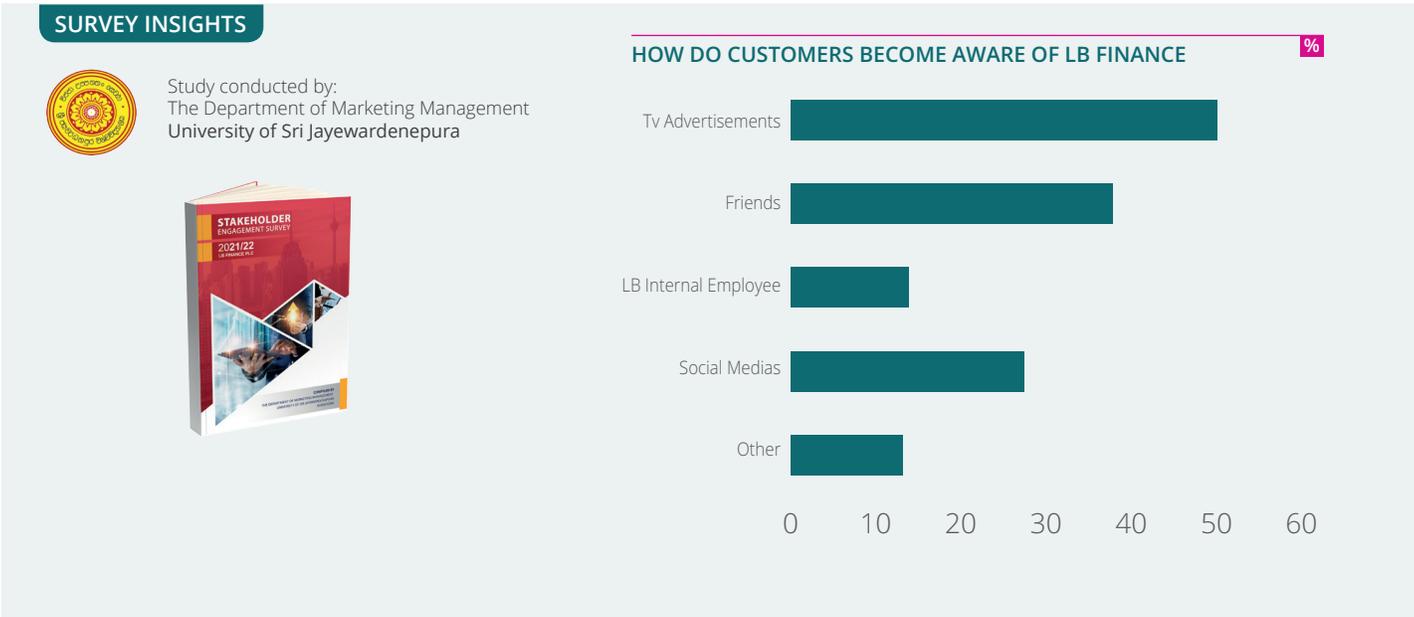
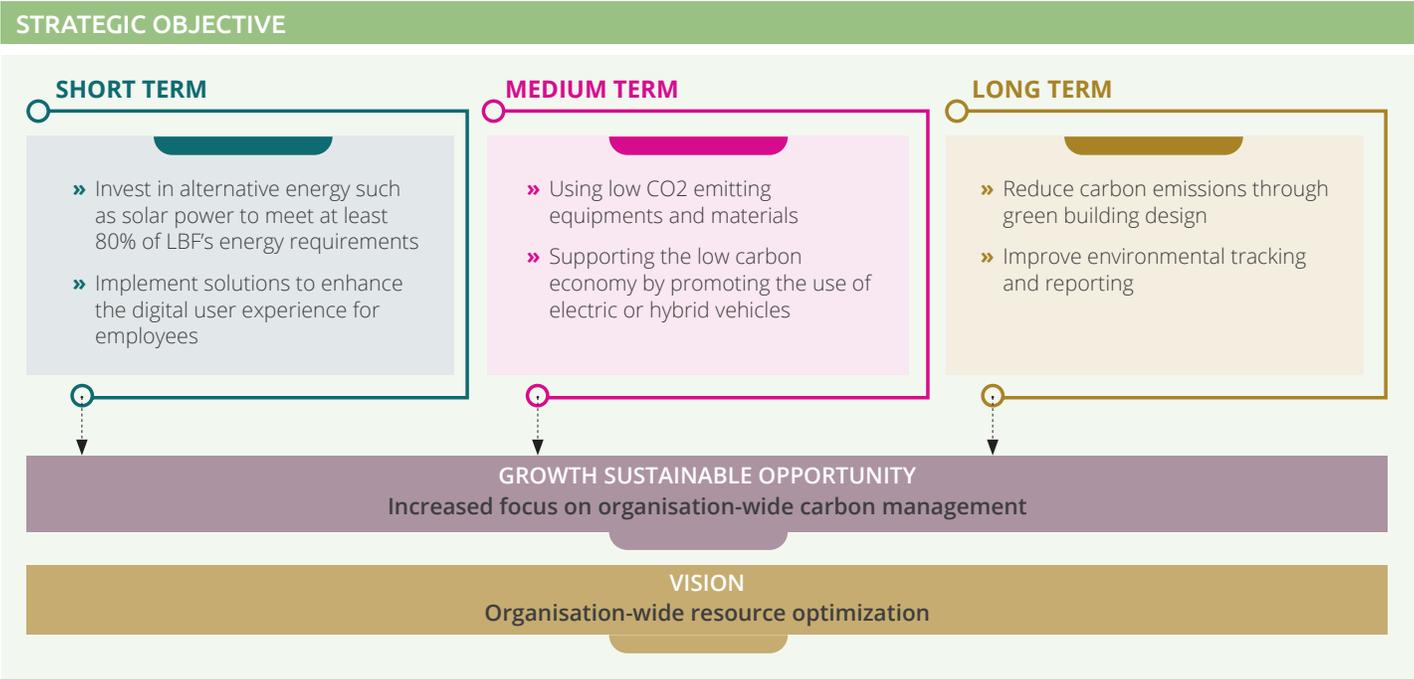
5.2 Reaping benefits of investing in natural capital



CAPITAL REPORTS

NATURAL CAPITAL

6 BUILDING FUTURE FOR THE NATURAL CAPITAL





ethical

Leadership

Section 4

Our responsibility

Corporate Governance – Chairman's statement - 224 | Corporate Governance Report - 225
Annual Report of the Board of Directors on the Affairs of the Company - 244

Board Sub Committee Reports

Remuneration Committee Report - 252 | Nomination Committee Report - 253 | Audit Committee Report - 254
Integrated Risk Management Committee Report - 257 | Related Party Transactions Review Committee - 260
Summarised risk management report - 262

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CHAIRMAN'S STATEMENT

I declare that all the members of the Board of Directors and all Company employees have acted in compliance with the applicable statutory, legal, internal and regulatory requirements and, towards this end, have discharged their duties in accordance with the policies, procedures and standards covered by LB Finance PLC's internal Code of Conduct.



G A R D Prasanna
Chairman

Dear Stakeholders,

As Chairman, I wish to place on record that my fellow Directors and I fully appreciate the importance of effective corporate governance which is key our commitment in safeguarding stakeholder interests primarily towards depositors interest as a tenet; and which is critical to proper functioning and business continuity in this challenging turbulent environment. The Board further reiterates its commitment to the principles of fairness, accountability, integrity, and transparency by ensuring values and behaviours are consistent in conducting business at the highest professional standards, integrity and ethics.

COMPLIANCE WITH BEST PRACTICES

In our quest towards effective corporate governance and in ensuring compliance, we continually review and update Group-wide governance processes to align with regulatory frameworks and best practices applicable to our core business as a financial service provider.

In the year under review the Board prioritised the early adoption of the best practices outlined in the Finance Business Act Direction No.5 of 2021 on Corporate Governance through the consultative process initiated by the Central Bank of Sri Lanka for the NBFIs. The Directive will come into effect from 01st July 2022, which includes several transitional provisions where implementation deadlines allowing NBFIs sufficient time until 01st July 2024 to fully comply with. Moving ahead swiftly, we proceeded to comply with the majority of the requirements even before March 2022. Accordingly, we reviewed and amended the Terms of Reference of the Board

Integrated Risk Management Committee to significantly enhance their scope of work and oversight responsibilities

As part of our ongoing efforts to promote good governance at all levels of the business, we conducted a detailed review of the Group's internal policies, with a number of new policies implemented and several existing policies being updated to capture the best practices. The Whistleblowing and Corporate Communication Policies were reviewed and the latest revisions were translated in all three languages and uploaded to the Group intranet, and salient provisions of many important policies have been communicated to staff through continuous training programmes.

In yet another notable development, the Board made good progress in establishing a new anti-bribery protocol, which was incorporated as part of the Code of Conduct for employees. The newly developed anti-bribery policy will be a key lever in driving the anti-fraud culture across the Company. Towards this end the Board intends to introduce routine training schedule to cover all employees. As part of this same effort, we launched a focused initiative to develop the "Anti-Fraud Culture" within the organization, where we implemented the fraud risk self-assessment process for all departments. This process requires functional heads to document the perceived fraud risk in their respective functions. As the next step in this process, we expect to study the results of these self-assessment forms in order to understand risk areas and put in place necessary procedural controls along with appropriate monitoring and reporting for fraud risk.

LB Finance has invested in enhancing the intellectual capabilities in the areas such as Cyber security and usage of IoT, through the engagement of the latest technologies and domain experts (at both management and board level) to ensure a sustainable level of assurance over confidentiality, integrity, and availability of computing resources. Further, LB Finance is on a clear road map for standardizing its cyber security practices by aligning with the new Finance Business Act Direction No. 01 of 2022 on Technology Risk Management and Resilience.

The Board also began working on a new mechanism for evaluating the performance of Board Committees, based on an annual self-evaluation presented by the Committee Chair documenting the work of the Committee throughout the past year. Having made good progress in working out the mechanics of this process, we expect to roll it out over the next financial year.

In conclusion I declare that the Board is satisfied that it has fulfilled its responsibilities as set out in the Board charter, and that the Board and Board committees have discharged their fiduciary duties, acted in good faith, with diligence and care, and in the best interests of the LB Finance Group and all its stakeholders.

A handwritten signature in black ink, appearing to be 'GARD', is written over a light blue horizontal line.

G A R D Prasanna
Chairman

18 May 2022



Visit our youtube playlist

OUR CORPORATE GOVERNANCE OVERVIEW

Material drivers

1. Corporate governance philosophy	12. Differentiating the role of the chairman and the Managing Director
2. Value creation through corporate governance	13. Responsibilities of the Chairman
3. Core principles in lbf corporate governance	14. Responsibilities of the Managing Director
4. Corporate governance framework and structure	15. Responsibility of Individual Directors
5. Regulatory and internal benchmarks	16. Role of the company Secretary
6. Our board	17. Appointment/retirement/Re-election of Directors
7. Board meetings	18. Induction of and training for Directors
8. Evaluating board effectiveness	19. Evaluating the performance of the Managing Director/CEO
9. Board committees	20. Commitment to Shareholders
10. Management committees	21. Communication with Shareholders
11. Board accountability	22. Future outlook

1 CORPORATE GOVERNANCE PHILOSOPHY

Strong Corporate Governance has always been the bedrock of LBF's success. L B Finance PLC's Corporate Governance framework serves as the foundation to conduct the Company's affairs in such a way that meets the expectations of its stakeholders. The LBF Board leads the Company towards the achievement of its strategic objectives and the delivery of positive outcome to stakeholders.

LBF's corporate governance philosophy stems from our belief that corporate governance is an integral element in improving efficiency and growth as well as enhancing investor confidence. The corporate governance philosophy is scripted as:

"As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long-term success."

Our governance philosophy is based on providing a control framework for the Board and its Committees to execute their fiduciary responsibilities to all stakeholders by ensuring transparency, accountability, fairness and independence in their decision making. However, we believe Corporate Governance is not just limited to creating checks and balances; it is more about creating organizational excellence leading to increasing employee and customer satisfaction and shareholder value without compromising on our ethics and values.

The Company believes in sustainable corporate growth that emanates from the top leadership down through the organisation to the various stakeholders which is reflected in its sound financial system, enhanced market reputation and improved efficiency.

We believe that our Company shall go beyond adherence to the regulatory framework. Our corporate structure, business, operations and disclosure practices have been strictly aligned to our corporate governance philosophy.

Transparency, accountability, fairness and intensive communication with stakeholders are integral to our functioning.

We believe in system-driven performance and performance-oriented systems. We accord highest priority to these systems and protect the interests of all our shareholders, particularly the minority shareholders.

We have tried to blend growth and efficiency with governance and ethics. Our Board of Directors, guided by the mission statement, formulate strategies and policies having focus on optimizing value for various stakeholders including customers, shareholders and society at large.

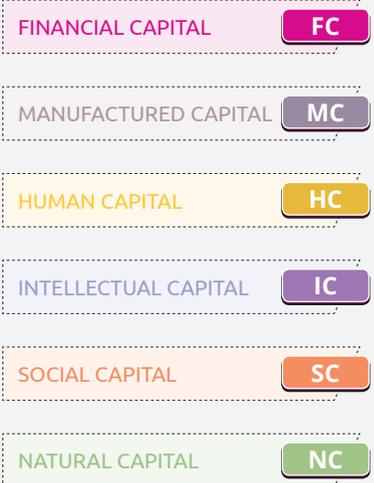
The Board leads the Company with the integrity and competence in a manner that is responsible, accountable, fair and transparent, show as to ensure leadership that results in the achievement of the Company's strategic objectives, positive outcomes, overtime and value creation to the stakeholders.

CORPORATE GOVERNANCE

2 VALUE CREATION THROUGH CORPORATE GOVERNANCE



Input

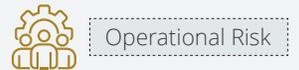
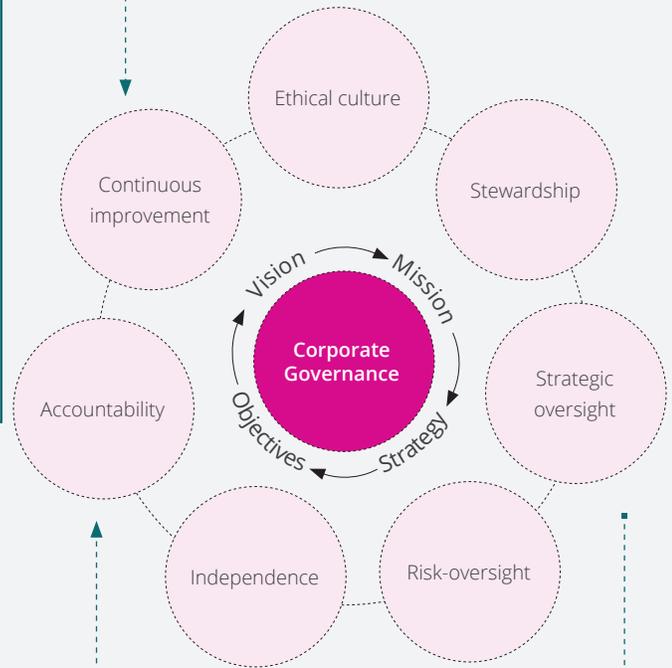


Key Risk Mitigators

Governance Pillars

- » Philosophies
- » All regulations
- » Governance structure
- » Anti-Money Laundering measures
- » Charters/terms of reference
- » Business Continuity Plan
- » Company policies and procedures

Core principals of Corporate Governance Strategy



Ensuring engaged and informed shareholders

» Top Return on Asset (ROA) performance of the industry

» Relatively controlled NPL

» Efficiency drives reducing TAT of small scale loan processing and overall disbursement

» Optimized Spread and Well managed liquidity risk



Compliance Risk



Strategic Risk

3 CORE PRINCIPLES IN LBF CORPORATE GOVERNANCE

LBF believes that strong and effective corporate governance helps to cultivate a culture of integrity, leading to positive performance and a sustainable business. The Group's approach to good governance is based on the following principles;

Ethical culture

Trust, integrity and good governance are hallmarks of the Board's governance approach. By setting the tone from above, the Board champions the values of trust, integrity and good governance that are well entrenched in the culture of LBF, and reinforces the ethical principles on which LBF's reputation and success are founded. To maximise shareholder value on a sustainable basis, these values must extend into every segment of LBF operations and business activities.

Stewardship

The members of the Board are the stewards of LBF, exercising independent judgment in overseeing management and safeguarding the interests of shareholders. In fulfilling its stewardship role, the Board seeks to instill and foster a corporate environment founded on integrity and to provide Management with sound guidance in pursuit of long-term shareholder value.

Strategic oversight

The members of the Board are the key advisors to Management, advising on strategic direction, objectives and action plans, taking into account both the opportunities and LBF's risk appetite. In carrying out this oversight role, the Board actively engages in setting the long term strategic goals for the organisation, reviews and approves business strategies, corporate financial objectives and financial and capital plans that are consistent with the strategic goals, and monitors LBF's performance in executing strategies and meeting objectives.

Risk-oversight

The Board oversees the framework, policies and systems to identify and manage risks to the businesses and seeks to embed a strong risk management culture throughout LBF. The Board actively monitors the organisation's risk profile relative to risk appetite and seeks to ensure that Management's plans and activities provide an appropriate balance of return for the risks assumed and are prudently focused on generating shareholder value.

Independence

Independence from Management is fundamental to the Board's effective oversight and mechanisms are in place to ensure its independence. All direct and indirect material relationships with LBF are considered in determining whether a member of the Board is independent.

Accountability

Transparency is a key component of good governance. The Board is committed to clear and comprehensive financial reporting and disclosure, and constructive shareholder engagement. The Board has carefully defined the expectations and scope of duties of the Board, its committees and Management.

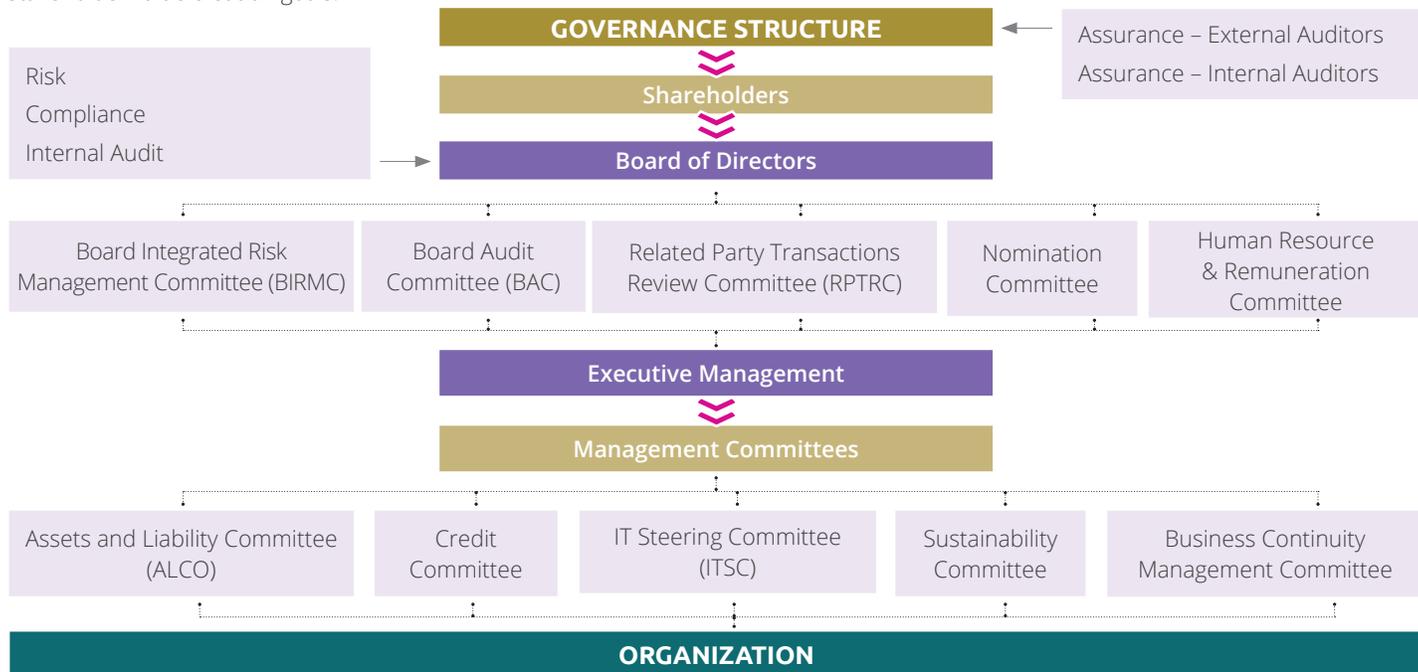
Continuous improvement

The Board is committed to continuous improvement of its corporate governance principles, policies and practices, which are designed to align the interests of the Board and Management with those of shareholders, to support the stewardship role of the Board and to enhance the Board's ability to safeguard the interests of shareholders through independent supervision of Management. To ensure policies and practices meet or exceed evolving best practices and regulatory expectations, LBF's corporate governance system is subject to ongoing review by the Board.

CORPORATE GOVERNANCE

4 CORPORATE GOVERNANCE FRAMEWORK AND STRUCTURE

LBF's commitment to governance is brought to life through a strong governance framework along with a clear oversight structure that collectively supports the Group's strategy and decision making processes to ensure business continuity and drive growth in order to achieve stakeholder value creation goals.



5 REGULATORY AND INTERNAL BENCHMARKS

Regulatory benchmarks on corporate governance	Internal benchmarks on corporate governance	Assurance Processes
<ul style="list-style-type: none"> » Companies Act No. 07 of 2007 » Finance Business Act No. 42 of 2011 and all Directions/Guidelines issued by the Monetary Board of the Central Bank of Sri Lanka including Corporate Governance Direction No. 03 of 2008 (as amended) » Listing Rules of the Colombo Stock Exchange (CSE) » The Code of Best Practice on Corporate Governance as published by the Institute of Chartered Accountants of Sri Lanka (voluntary) » Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 and amendments thereto including new Act no 19 of 2021. » Listing Rules of the Colombo Stock Exchange (CSE) » Inland Revenue Act No. 24 of 2017 and other statutes including Shop and Office Employees Act No. 19 of 1954 and amendments thereto » Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Sri Lanka Financial Reporting Standards. » AML and CFT legislations and relevant rules and regulations issued by the FIU including Customer Due Diligence rule 01 of 2016 and Financial Transactions Reporting Act No. 6 of 2006 	<ul style="list-style-type: none"> » Articles of Association of the Company » Charters/Terms of Reference of Board, Subcommittees and Management Committees » Organisational structure » Code of Ethics and Conduct for all employees » All Board-approved Policies and procedures on operational areas » Anti corruption and bribery policy 	<ul style="list-style-type: none"> » Internal Audit programme » Internal Compliance and risk management framework » ISO 27001: 2013 Information Security Standard Surveillance Audit » ISACA (ITAF) audit framework » External Audit (Financial) » External Assurance on Sustainability indicators

6 OUR BOARD

LB Finance PLC's Board of Directors is ultimately responsible for the Group in its entirety. As the apex governing body of the organization, the Board instructs and oversees the management and control structures that direct all functions within the Group. The Board is further charged with ongoing review and continuous improvement of the governance framework in line with best practices for good corporate governance.

6.1 Board composition

The composition of the Group Board is governed by the Articles of Association and the Listing rules of the Colombo Stock Exchange. The current LBF Board comprises a healthy mix of Executive Directors and Non-Executive Directors. Independent Non-Executive Directors bring an outside perspective to exercise

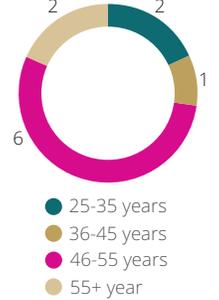
BOARD COMPOSITION



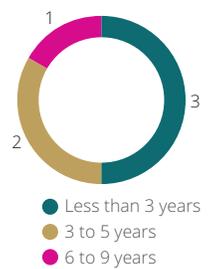
DIVERSITY OF EXPERTISE



AGE ANALYSIS



TENURE OF THE NON-EXECUTIVE DIRECTORS



CORPORATE GOVERNANCE

independent judgment on Board matters. A strong mix of skills, experience and diversity among Directors helps to maintain a good understanding of the business and operating environment; challenge management decisions and facilitate strategic debate. The composition of the LBF Board is subject to change from time to time owing to new appointments, retirements, resignations, and the re-election of Directors.

6.2 Conflict of interest

Directors are expected to exercise utmost good faith, honesty and integrity in all their dealings with or on behalf of the Group. They are required to act in the Group's best interests by disclosing real or perceived conflicts to the Board.

All LBF Directors are required to furnish a formal annual declaration to Related Party Transactions Committee indicating their interests in other entities and the Directorships they hold in these organisations.

The Directors to abstain from voting on any Board Resolution when the Director or any of his/her relatives or concern, in which he/she has a substantial interest, is interested. The Director's concern shall not participate in any discussion on a related party transaction with which he/she or any of his/her immediate family members are associated and is required to provide all material information concerning the related party transactions to the RPT Committee and the Board.

6.3 Role of the Board

As the main governing body within the Group, the LBF Board sets the Group's vision, mission, values and strategy to reflect stakeholder expectations. The Board is further responsible for ensuring that LBF's strategy is implemented in line with the overall vision of the Group. In this regard, the Board provides entrepreneurial leadership for the execution of the Group strategy and exercises independent judgment in overseeing the management and performance of businesses. The Board is assisted in these tasks by five Board Committees and several Management committees appointed to oversee various key aspects of the business.

COLLECTIVE RESPONSIBILITIES OF THE LBF BOARD

Board oversight for the management of the Company	Key Highlights for 2021/22
<p>Strategic Oversight</p> <ul style="list-style-type: none"> » Developing short term targets and medium to long objectives to support the Company's growth trajectory » Preserve LBF's brand reputation and credibility in the industry by ensuring that the Company operates in accordance with policies approved by the Board » Updating the Company's governance structure to reflect changes in LBF's strategy » Ensuring capital investment decisions are in line with the Company's strategy » Ensuring the Company's funding strategy takes cognisance of regulatory capital adequacy and liquidity requirements » Increasing the scalability of the Company's IT strategy to stay ahead of peers 	<ul style="list-style-type: none"> » Board approved the Strategic Plan - 2021/22 to 2023/24 » Quarterly review of strategic plan was performed <p>More details on page 92 (Strategy and Resource allocation section)</p>
<p>Financial control</p> <ul style="list-style-type: none"> » Ensuring that the Company operates in such a way as to preserve its financial integrity and in accordance with policies approved by the Board » Ensuring the quality and integrity of the accounting and financial reporting systems, disclosure and procedures and internal controls; » Ensuring appropriate mechanisms are in place to provide independent assurance to verify the integrity of the Company's financial statements » Financial reporting 	<ul style="list-style-type: none"> » Reviewed the Interim Financial Statements for the year ended 31st March 2022 » Impairment manual was amended and approved by the Board to cater the requirements of Direction No. 1 of 2020 on classification and of measurement of credit facilities » Finance Manual was reviewed by the Board » Credit Approval Manual and Leasing Operations Manual were reviewed by the Board <p>More details on page 312 (Notes to the financial statements)</p>

Board oversight for the management of the Company**Key Highlights for 2021/22**

Compliance Oversight

- » Ensuring appropriate controls are in place to comply with all applicable Statutory, Legal, Regulatory and Internal requirements.
 - » Reviewing the compliance reporting obligations to Regulators and other Statutory bodies.
 - » Monitoring and reporting on related party transactions
 - » Implement best practices to achieve compliance leadership in all areas of the business
- » Overall monitoring of internal policy reviews including whistleblowing and Corporate Communication and communicating to LBF Staff in all three languages and uploading to the group intranet.
 - » Non-Executive, Executive Directors and some members of staff participated on a Web Conference on Key Aspects of AML/CFT Obligations for Board of Directors and Senior Management of the Licensed Finance Companies.
 - » Level of compliance on CDD Rule No. 1 of 2016 and other directions issued by relevant authorities on AML and CFT have been assessed through IAD and duly addressed the gaps
 - » ABC culture has been strengthened by adopting Board approved ABC policy
 - » A process is in place to provide self declaration by the HODs on compliance of all Statutory and regulatory requirements.
 - » Outsourcing arrangements proposed for the Financial Year 2021/22 was reviewed by the Audit Committee in order to comply with Finance Business Act Direction No. 07 of 2018 - Outsourcing of Business Operations.
 - » AML Compliance reports were submitted to the Board as per CDD rule No 1 of 2016 and updated monthly compliance checklists were also presented.

Risk Oversight

- » Reviewing and approving the Company's risk appetite in line with LBF's strategy and in consideration of macro-economic variables
 - » Ensuring the quality and adequacy of LBF's enterprise-wide risk management processes and monitoring systems
 - » Ensuring appropriate mechanisms are in place to provide independent assurance of the Company's risk management framework
 - » Promoting the risk culture at all levels across the Company
- » BIRMC charter was amended to pre-adopt to incorporate the provisions of Corporate Governance Direction no. 05 of 2021
 - » Strengthened the risk related policy framework of the Company
 - » New Risk limits were introduced to Risk Appetite Statement in terms of credit concentration risk, related party transactions, operational risk, investment limits
 - » Myanmar subsidiary was embedded in the Enterprise Risk Management process of the Company
- More details on Risk Management Report

HR Best Practices

- » Developing human resources to support the Company's growth strategy
 - » Safeguarding employee wellbeing
 - » Setting the tone for a culture of ethics
- » Succession Plan for Key Management Personnel was reviewed by the Board of Directors.
- More details on page 158 (Human Capital Report)
-
-

CORPORATE GOVERNANCE

Board oversight for the management of the Company

- IT Governance
 - » Strengthening the Company's core IT infrastructure
 - » Improving LBF's Information security architecture
 - » To assess and report IT-related risks and organisational impact.
 - » Ensure LBF is adhering to CBSL's IT compliance requirements for NBF's

Key Highlights for 2021/22

- » Establishment of a separate Information Security Governance team to ensure a high level of compliance with IT internal controls and support IT Governance activities
- » Ensured IT steering committee meetings are held as per the schedule and key IT governance matters are presented at the board/ board subcommittee level for strategic oversight
- » Strengthened the Information Systems and Cyber Security audit process.
- » Regular checks were conducted to ensure the compliance level and fulfillment of gaps with regard to CBSL's new issuance of Finance Business Act (Technology Risk Management and Resilience) Direction No.1 of 2022
- » Identification of IT/ cyber risks and risk treatment plans were discussed at the board subcommittee level on a regular basis.
- » Reviewed IT Policies

More details on page 172 (Intellectual Capital Report)

- Sustainability Integration
 - » Ensure LBF plays an active role in addressing sustainability issues
 - » Promote sustainability best practices at all labels of the business
 - » Improve transparency of sustainability reporting in line with global best practices

More details on page 212 (Natural Capital Report)

MATTERS FOR WHICH BOARD APPROVAL IS SOUGHT

- » Material acquisition and disposal of assets
- » Annual Financial Statements
- » Annual Strategic Plan
- » Corporate or financial restructuring initiatives
- » Share issuance, dividends and other returns to shareholders

7 BOARD MEETINGS

The LBF Group Board meets every month, or more often if needed. It is mandatory for all Directors to attend Board Meetings. All Directors are required to come well prepared for each meeting and actively participate in all matters outlined under the agenda. In preparing for Board Meetings, Directors are allowed to reach out to the Company's Senior Managers to obtain necessary information or clarifications. They also have the right to seek independent professional advice.

Directors who are unable to attend a Board meeting in person are allowed to participate by telephone or via video-conference.

The Company secretary is required to maintain minutes of every Board meeting. Directors' concerns regarding matters which are not resolved unanimously are also recorded in the minutes. Minutes are first presented to the Chairman for approval prior to being circulated among the Directors and other members of Corporate Management who were present

at the particular meeting. Minutes of the meetings are typically circulated within two weeks after the meeting date.

Meanwhile Board/ Director action items are circulated shortly after the meeting, to enable follow up. Action is tracked and a formal update compiled and included in the board pack for the next meeting.

Before each meeting

The Company Secretary seeks advice from the Chairman and the Managing Director to set the agenda to ensure sufficient time is allocated at each meeting to address all pertinent matters. Routine matters on the agenda include: discussions on strategy, the Company's performance, Industry Performance, Financial Results, status of Human Resources, Risk Management and Compliance, progress on Company's digital initiatives, status on Cyber Security and Data Privacy etc.

A Board approved procedure is in place to enable any Director to include additional

matters and proposals to the Agenda. In line with this procedure, Directors are required to make a written request to the Chairman detailing matters to be included.

Once the agenda has been finalized, all Directors are provided with detailed information on all items on the agenda. To give Directors sufficient time to prepare, the information pack containing relevant Board Papers is circulated at least seven (07) working days prior to the meeting date. All information and Board Papers are also uploaded to a secure portal to give Directors remote access.

Aside from the Board, selected members of the Corporate Management / Board Committees may also be invited to be present at Board Meetings depending on the items set out under the agenda.

All Directors are required to come well prepared for each meeting and actively participate in all matters outlined under the agenda. To facilitate this, all Directors are allowed to reach out to the Company's Senior Managers to obtain necessary information or clarifications. They also have the right to seek independent professional advice.

At the Board meeting

LBF's Chairman plays a key role in promoting open and active debate among Directors. All Board members are expected to come well prepared and engage in robust discussions on key matters pertaining to the Company. The Chairman / Chairperson of each Board committee will be called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings, which are typically scheduled before the Board meeting.

The Managing Director provides a comprehensive update on the Company's business and operations to date as well as

an overview of the context in which these outcomes were achieved, while certain business heads are invited to provide updates on business aspects under their purview. In this regard, the Chief Financial Officer presents the financial performance and significant financial highlights, while the Compliance Officer (CO) presents the status of compliance with statutes / regulations and significant regulation updates and the Deputy General Manager – Strategy and Digital Finance will provide an update on the progress of digital initiatives.

Directors' interests and related party transactions are also tabled at Board Meetings. If at any point during the meeting,

a Director finds himself / herself in a situation which is construed as a conflict of interest, the Director in question is required to recuse him or herself from the discussions and refrain from participating in Board decisions on the particular matter.

Meanwhile Directors who are unable to attend a Board meeting in person are allowed to participate by telephone or via video-conference.

The Company secretary is required to maintain minutes of every Board meeting.

CORPORATE GOVERNANCE

After the Board meeting

Minutes are first presented to the Chairman for approval prior to being circulated among the Directors and other members of Corporate Management who were present at the particular meeting. Minutes of the meetings are typically circulated within two weeks after the meeting date.

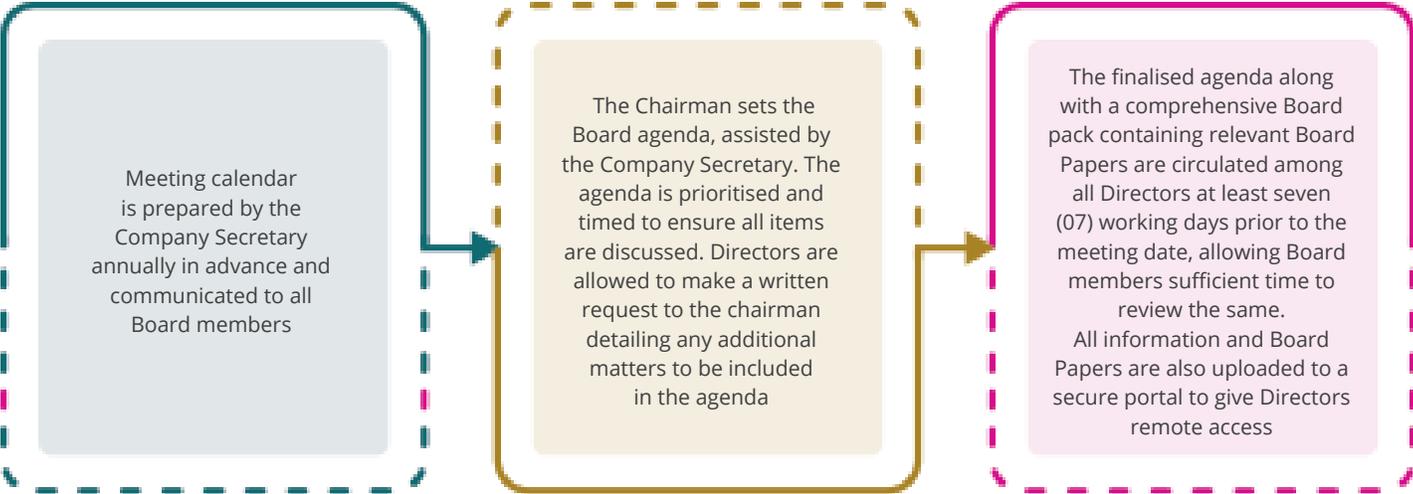
Strong emphasis is placed on encouraging continuous and ongoing

engagement of Directors in the matters of the Company at all times. In this regard, Directors also have access to senior management and may request from management any additional information to make informed and timely decisions. Moreover, the Managing Director keeps the Board updated on LBF's performance and prospects vis-a-vis the prevailing economic and regulatory climate and the Chief Financial Officer is required to provide the Board with detailed financial

performance reports on a monthly basis. Throughout the year, Directors also have various opportunities to interact with members of the Management Committees.

Board approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions, while special Board meetings are also convened on occasion as and when the need arises.

PLANNING OF BOARD MEETINGS



Board attendance from April 2021 to March 2022

Board members	Composition	Date of appointed to the board	Board meeting attendance
Mr. G A R D Prasanna	Chairman / Non-Independent Non-Executive Director	01.12.2021	4/4
Mrs. Anandhiy Gunawardhana	Chairperson/ Independent Non-Executive Director	01.03.2013	13/13
Mr. Dhammika Perera	Executive Deputy Chairman	22.10.2002	12/14
Mr. Sumith Adhihetty	Managing Director	12.10.2003	14/14
Mr. Niroshan Udage	Deputy Managing Director	01.01.2007	14/14
Mr. B D A Perera	Executive Director	01.01.2007	14/14
Mr. Ravindra Yatawara	Executive Director	15.03.2016	14/14
Mrs. Yogadinusha Bhaskaran	Non-Executive Director	15.03.2016	14/14
Mr. Ashane Jayasekara	Independent Non-Executive Director	30.10.2017	14/14
Mrs Ashwini Natesan	Independent Non-Executive Director	01.09.2018	14/14
Mr. Dharmadasa Rangalle	Non-Executive Director	10.04.2019	14/14
Ms. Yanika Amarasekera	Independent Non-Executive Director	01.07.2021	10/10

BOARD FOCUS ON STRENGTHENING GOVERNANCE FRAMEWORKS - FY 2021/22

FINANCIAL REPORTING

Policy Revisions/New Policies

- » Finance Manual
- » Tax Procedure Manual
- » Impairment Policy

RISK MANAGEMENT

Policy Revisions/New Policies

- » Stress Testing Policy and Framework
- » Risk Appetite Statement
- » Credit and Operations Manual
- » Credit Risk Management Framework & Policy
- » Penal Interest Rate

INFORMATION TECHNOLOGY

Policy Revisions/New Policies

- » ISMS Scope Document
- » Information Security Policy
- » ISMS Implementation Guide
- » Standard Operating Procedure – Digital Financial Services

CAPITAL AND LIQUIDITY MANAGEMENT

Policy Revisions/New Policies

- » Assets and Liability Management and Liquidity Management Policy
- » Investment Policy
- » Foreign Exchange Risk Management Policy and procedure for foreign currency borrowings

BOARD CHARTERS

Policy Revisions/New Policies

- » Integrated Risk Management Committee Charter
- » Audit Committee Charter

CONDUCT AND ETHICS

Policy Revisions/New Policies

- » Employee's Share Trading Policy
- » Procedure of AML & Combating of Financing of Terrorism
- » Communication Policy
- » ABC Policy

BUSINESS CONTINUITY MANAGEMENT

Policy Revisions/New Policies

- » Disaster Recovery Organization
- » Disaster Recovery Plan

CORPORATE GOVERNANCE

8 EVALUATING BOARD EFFECTIVENESS

All Directors are required to submit an annual self-evaluation to LBF's Nomination Committee. The Nomination Committee together with the Chairman review these self-evaluations against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairman and/or Nomination Committee Chairman/Chairperson acts

on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors.

The Nomination Committee also performs an annual assessment to evaluate the overall effectiveness of the LBF Board, in terms of the balance and mix of skills, experience, independence and knowledge, the gender representation. These recommendations are discussed with the Chairman and appropriate action taken where necessary.

9 BOARD COMMITTEES

Board Committees play an important role in supporting the Group Board in carrying out its oversight responsibilities. The duties and responsibilities delegated to these Board Committees are formally documented in each Committee's Terms of Reference (TOR), which have been formally approved by the Group Board. The Board reviews and updates Committee TOR's as needed. As stipulated by the TOR of all Committees, the Committee Chairman is required to report back to the Board after each meeting.

9.1 Board subcommittee areas of oversight activities for 2021/22

Board sub committee	Board Members	Areas of oversight	Report reference (page no.)
Human Resource and Remuneration committee	Mr. M A J W Jayasekara Mr. G A R D Prasanna Ms Yanika Amarasekera	<ul style="list-style-type: none"> » Remuneration policy » Directors remuneration and compensations 	252
Nomination committee	Mr. Ashane Jayasekara Mr. G A R D Prasanna Mrs Ashwini Natesan	<ul style="list-style-type: none"> » Review the Board structure, size, composition and competencies » Board member and key personnel appointments » Overseeing the Board and the senior management succession planning 	253
Board Audit Committee (BAC)	Mrs. Yogadinusha Bhaskaran Mr. Ashane Jayasekara Mrs Ashwini Natesan	<ul style="list-style-type: none"> » 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 	254 - 256
Board Integrated Risk Management Committee (BIRMC)	Mr. M A J W Jayasekara Mrs Dinusha Bhaskaran Mrs. Ashwini Natesan Mr. J A S S Adhihetty Mr. Niroschan Udage Mr. B D A Perera Mr. Ravi Yatawara	<ul style="list-style-type: none"> » Risk Management Framework » Risk measurement, monitoring and management » Compliance with regulatory and internal prudential requirements » Reviewing the business continuity planning 	257 - 259
Related Party Transactions Review Committee (RPTRC)	Mrs. Ashwini Natesan Mr. M A J W Jayasekara Mr. Dharmadasa Rangalle	<ul style="list-style-type: none"> » Related party transaction policy » Providing independent review, approval and oversight of RPT » Ensuring relevant market disclosures 	260 - 261

9.2 Attendance of Directors at meeting of sub-committees from April to March 2021/22

Committee members	Composition	Remuneration committee	Nomination committee	Board Audit committee	Board Integrated risk management committee	Related party transaction review committee
Total meetings held		3	4	13	4	5
Mrs. Anandhiy Gunawardhana	CP/IND	2/2	5/5	13/13	4/4	
Mr. J A S S Adihetty	MD		5/5		5/5	
Mr. Nirosan Udage	DMD				5/5	
Mr. B D A Perera	ED				5/5	PI
Mr. Ravi Yatawara	ED				3/5	
Ms. Yogadinusha Bhaskaran	NDN	2/2		13/13	1/1	
Mr. Ashane Jayasekara	IND	2/2	5/5	13/13	5/5	6/6
Mrs Ashwini Natesan	IND				5/5	6/6
Mr Dharmadasa Rangalle	NDN					6/6

● Chairman/Chairperson of the Committee

CP	Chairperson	ED	Executive Director
MD	Managing Director	NDN	Non Independent Non Executive Director
DMD	Deputy Managing Director	PI	Permanent invitee
IND	Independent Non-Executive Director		

9.3 Evaluating the performance of Board Committees

Directors collectively evaluate the performance of the Board and Board Committees whilst the Chairperson and Nominating Committee Chairman evaluate the performance of each individual Director. These assessments are made against pre-established criteria which are derived from the Board's charter and responsibilities. The results of the evaluation are used constructively to discuss improvements to the Board and ensure that each Director remains qualified for office. The Chairperson and / or Nomination Committee Chairman / Chairperson acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors.

10 MANAGEMENT COMMITTEES

Management Committees have been appointed to provide direct oversight on various disciplines in order to assist the Managing Director / CEO in carrying out the day to day operational management of the Group. Management Committees are typically Chaired by LBF's Corporate Management. Currently there are five Management Committees.

Description	Tasks	Members	Frequency of meetings held
IT steering committee	To ensure that IT strategy is aligned with the strategic goals of the Company whilst its top most mandate is to find and align business solutions that may leverage technology. IT Steering Committee also looks into information security-related matters on a regular basis	Managing Director Executive Director - Asset Management Chief Financial Officer Head of IT Representatives from relevant departments	Monthly

CORPORATE GOVERNANCE

Description	Tasks	Members	Frequency of meetings held
Assets and liability committee	To monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements	Managing Director Deputy Managing Director Executive Directors Head of Treasury Head of Deposits Chief Financial Officer Deputy General Manager - Strategy and Digital Finance Head of Risk Management	Weekly
Credit committee	The committee shall be responsible for laying out the overall credit policy for the Company. This includes setting lending guidelines in conformity with credit risk appetite set by the Board of Directors	Managing Director Deputy Managing Director Executive Directors Chief Financial Officer Head of Risk Management	Monthly
Sustainability committee	The formulation and the review of the Company's CSR policy, and ensuring that CSR activities are integrated into the Company's operations. Keeping in line with the Company's triple bottom line focus, the Committee is tasked with the responsibility of steering the Company's CSR activities aimed at uplifting the communities we work with and preserving the environment	Deputy Managing Director Head of Treasury Representatives from relevant departments	When necessary
Business continuity management steering committee	Committee is responsible for align BCM goals with business goals and provides strategic direction and support in establishing, implementing, operating, monitoring, reviewing and improving the BCMS.	Deputy Managing Director Business Continuity Manager Representatives from the relevant departments	Monthly

11 BOARD ACCOUNTABILITY

11.1 Oversight for Regulatory Compliance

As the apex governing body of LBF, the Board is responsible for ensuring the Group maintains a 100% compliance record in regard to all laws, rules, statutory directives and regulatory codes applicable to the Group's various business operations. The Board also plays a proactive role in promoting the early adoption of new regulations as and when needed.

11.2 Responsibility for Risk Management and Internal Control

As the main steward for the management of risk, the Group Board is responsible for ensuring that all key risks of the Group are adequately identified, measured,

managed and monitored. For this purpose, the Board, together with the Integrated Risk Management Committee have implemented a robust risk management system to support the Group's business activities. Furthermore, the Board with the assistance of the Audit Committee has put in place a comprehensive internal control framework to provide reasonable assurance regarding the efficacy of the risk management programme in driving Group strategy.

For more information - please refer to the Risk Management Report on page 257, Board Audit Committee Report on page 254 and the Intellectual Capital Report on page 172.

11.3 Responsibility for Financial Reporting

The Board adheres to all mandatory reporting frameworks for reporting on LBF's financial position. Interim financial reports summarising the Group's quarterly / bi-Annual financial performance are submitted to the CSE. These reports are also uploaded to the corporate website where they are available in all three languages.

The Integrated Annual Report is prepared to provide a detailed assessment of the Group's financial position for a particular financial year. The Annual Report complies with all statutory requirements. The financials contained therein are independently verified by the Group's external auditors. The contents of the Annual Report is reviewed by the Audit

Committee prior to be submitted for Board approval, and published soon thereafter. The Annual Report is uploaded to the CSE website, while printed copies are also furnished to the CSE and circulated to shareholders within the stipulated timeline prior to the AGM. Credit Rating reports issued by independent rating agency - Fitch Ratings are also published on the corporate website.

The responsibility for maintaining day to day financial records rests with the Group Head of Finance.

11.4 IT Governance

IT governance is the responsibility of the Board. The Board discharges its duty for IT governance through the IT Steering Committee - a management-level committee that assists the Board in policy formulation and development of the Group IT and Digital strategies. At an operational level, the responsibility for maintaining the Group's IT infrastructure, and implementing IT policies comes under the purview of the Group IT Head, while the execution of the

Group's digital strategy is the responsibility of the Head of Digital Strategy. The Group CISO (Chief Information Security Officer) is responsible for overseeing network security to safeguard the Group's digital assets.

11.5 HR Governance

The Board remains the ultimate authority for developing a sustainable Human Capital strategy to support the achievement of the Group's short, medium and long term objectives. The Board executes these responsibilities through the Nomination Committee and the Head of HR. The Nomination Committee is responsible for policy formulation to reflect HR best practices, while the Head of HR is charged with policy implementation as well as aligning Human Capital development activities in tandem with the Group's strategy.

11.6 Sustainability Governance

The Board demonstrates its commitment to sustainability by providing oversight for the Group's Strategic Sustainability Framework. The Board has delegated to the

Audit Committee, the task of maintaining continuous and ongoing review of the Group's sustainability performance. In this capacity, the Audit Committee is charged with reviewing the Group's Material Matters to determine their relevance vis-a-vis the evolving economic, social and environmental context. This process is undertaken every two years by the Audit Committee assisted by the Sustainability team. Findings are presented to the Board and approval sought for any change to Material Matters. The management approaches for respective Material Matters are developed by the Audit Committee, approved by the Board and implemented by the sustainability team via goals and targets set through the sustainability framework. The Board retains the authority for approving the CSR projects that demonstrate LBF's commitment to selected UN Sustainable Development Goals. The sustainability team is tasked with executing these projects. The sustainability team, through the Audit Committee, reports to the Board on the progress of projects. The Board approved Annual Integrated Report contains comprehensive data and

Commitment coming from the top

Reporting to the Board of Directors or other key leaderships can help demonstrate that a company is serious about sustainability.



Accountability must be established and communicated clearly

Accountability helps ensure that sustainability is integrated with other business goals. Including sustainability performance into the company's annual goals and employee performance review and compensation processes may be helpful mechanisms.



Alignment between the structure and the business is imperative

Sustainability governance structures that align with and complement the existing business model and organisational structures can be more successful than creating redundant or competing structures.



Sustainability programme

Flexibility to adapt and build up on the sustainability program across business units and regions can advance the sustainability agenda. Allowing for some adaptation can help ensure the sustainability program's relevance to a business unit's own strategies or region's local conditions. It also can generate employee engagement.

CORPORATE GOVERNANCE

information regarding LBF's sustainability performance for a particular financial year. LBF's newly launched sustainability web page and social media handles also provide additional information and statistics about the Group's ongoing sustainability initiatives.

11.7 Role in enforcing ethics

As the apex governing body in the organisation, the LBF Board sets the tone from the top for promoting ethics and the highest standards of business integrity. The following Board approved policies and procedures form the basis of devolving a cohesive Group-wide ethics culture

- » Code of Conduct for Employees - sets expected behavioural standards for employees and offers guidance regarding what is unacceptable in the course of normal business. In 2021 the Code of Conduct was further strengthened with the inclusion of specific guidelines on anti-bribery and corruption as well as receiving or giving of corporate gifts.
- » Whistleblowing policy - allow employees and other stakeholders to anonymously report possible financial irregularities, misuse of Group assets, incorrect financial reporting or other issues that may require internal investigation. All Whistleblower complaints are reviewed by the Board Audit Committee on quarterly basis. Throughout the investigation process, the Committee will maintain two-way communication to ensure the whistleblower is informed of the progress of the investigation. In the current financial year, the scope of the Whistleblower policy was further expanded to include. The updated policy was translated in all three languages and uploaded to the Group intranet. It was also circulated separately to all staff with official email access.

12 DIFFERENTIATING THE ROLE OF THE CHAIRMAN AND THE MANAGING DIRECTOR

The role of LBF's Chairman is distinct and separate from that of the Managing Director/Chief Executive Officer, with a clear division of responsibilities between the two. Mr. G A R D Prasanna - LBF's Chairman leads the Board while Mr. Sumith Adhihetty - our Managing Director provides oversight for

LBF day to day business operations as per the authority delegated to him by the Board.

To establish a greater independent element, the Board has appointed Mr. Ashane Jayasekara as the Senior Director with clear terms of reference to discharge his duties as the Senior Director, in compliance with Corporate Governance Direction No. 3 of 2008.

ROLES OF INDEPENDENT DIRECTORS

Providing external and independent oversight on business, governance and best Board room practices.

Regulatory updating and refreshing their skills, knowledge and other expertise with the business, the risk for the business and end environment.

Ensuring with the Board as a whole that the group is operating within the risk appetite and risk management framework

13 RESPONSIBILITIES OF THE CHAIRMAN

- » Provide strong and effective leadership to the Board and sets the tone from the top in terms of culture and values
- » Ensure the Board is structured effectively, with the appropriate balance of skills and independence to maintain the highest standards of integrity and corporate governance
- » Foster open and inclusive discussions at Board meetings / Committee meetings to challenge executives, where appropriate;
- » Work with the Managing Director and the Company Secretary to ensure that Board members receive accurate, timely and clear information to enable them to take sound decisions and effectively monitor the performance of executive management;
- » Ensure that the performance of individual directors and of the Board as a whole and its committees is evaluated regularly
- » Ensure LBF maintains effective communication with shareholders and other stakeholders.

14 RESPONSIBILITIES OF THE MANAGING DIRECTOR

- » Accountability for operational management and oversight for the full range of activities of the customer businesses and functions in line with the Board approved strategy
- » Delivery of performance against approved budgets
- » Promulgate ethics and integrity at all levels of the Company
- » Promote a performance driven culture where employees are engaged and motivated to deliver customer outcomes
- » Lead, manage and develop LBF's senior leadership team, ensuring professional capability is developed and that succession coverage meets the needs of LBF;
- » Ensure LBF has effective frameworks and structures to identify, assess and mitigate day to day risks

15 RESPONSIBILITY OF INDIVIDUAL DIRECTORS

Directors are expected to set aside adequate time to fulfill their obligations towards the Company, including partaking in Board meetings. Directors are expected to lead by example in acting ethically and with integrity at all times. All Directors must be guided by the provisions of the Conflict of Interest Policy under which it is mandated that Directors should avoid any situation which might give rise to a conflict between their personal interests and those of the Company. Directors are responsible for disclosure as soon as they become aware of conflict situations. During the nomination process, all disclosed conflicts of interest (actual and potential) are reviewed and assessed to ensure that there are no matters which would prevent that person from offering himself / herself for election to the Office of Director. If at any point during the nomination process, a Director find himself / herself in a situation which is construed as a conflict of interest, the Director in question is required to recuse him or herself from the discussions and refrain from voting on the matter

16 ROLE OF THE COMPANY SECRETARY

The Company Secretary is not a Director, but attends all Board meetings and serves in an advisory capacity to support the Chairman and the LBF Board in executing their duties. Furthermore, the Company Secretary facilitates communication between the Board, its committees and management and also assists in the induction of new Directors. Should they require advice on corporate governance best practice and regulatory developments, Directors have separate and independent access to the Company Secretary at all times. Managing LBF's profile with key stakeholders, including oversight of relations with key influencers and regulators also comes under the purview of the Company Secretary. The appointment and removal of the Company Secretary require the approval of the Board.

17 APPOINTMENT/RETIREMENT/RE-ELECTION OF DIRECTORS

Directors are appointed through a formal process that ensures Directors meet the fit and proper test requirements. The standard terms and conditions of appointment of new Directors (both Executive and Non-Executive) has been documented and approved by the Board.

The Nominations Committee plays an important role in assessing the suitability of potential candidates to be appointed to the Board, with due consideration of how their skills, expertise, age and diverse perspectives can contribute towards enhancing the quality of LBF's Board. As part of the assessment process, the Nomination Committee will also consider the number of external directorships held by the potential candidate to ensure that these do not compromise his/ her ability to function as an effective member of the LBF Board.

Suitable candidates are further vetted by the Chairman of the Board before being presented for approval of the shareholders at the next Annual General Meeting. New appointments so ratified are communicated to the CSE and announced to the public through a press release. These announcements contain a brief profile of the Director and specify if the new appointee will assume a Non-Executive Director or Executive capacity and whether the person will function as an Independent or Non-Independent Director on the LBF Board.

On occasion, Directors may be appointed post-AGM, to fill casual vacancies that arise due to resignations or retirement of Board members. These appointments are also notified to the CSE followed by an official press release. Resignations by Directors along with the relevant reasons are also informed to the CSE and notified to the public.

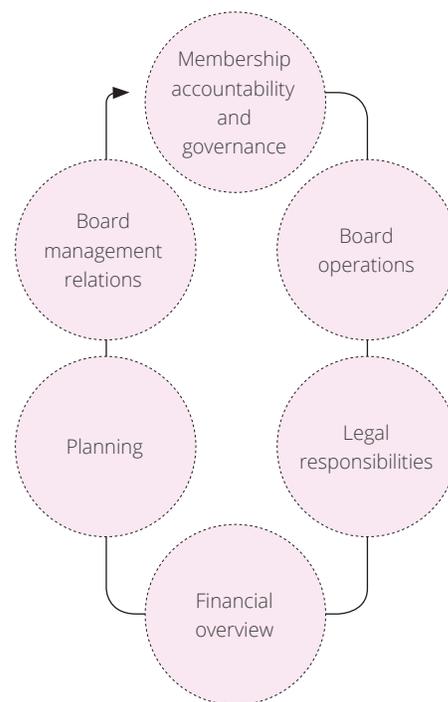
As per the Group Articles of Association 1/3 of the Non- Executive Directors are required to retire from office at each Annual General Meeting but remain eligible to stand for re-election by the shareholders at the Annual General Meeting. A Director appointed by the Board to fill a casual vacancy is also entitled to offer himself / herself for re-election at the next AGM

18 INDUCTION OF AND TRAINING FOR DIRECTORS

New Directors receive an orientation pack encapsulating the Code of Conduct, LBF's policies and other important information about the Group. As part of their orientation, all new Directors are introduced to LBF's Corporate Management.

All Board Directors are entitled to receive training at LBF's expense. Directors are encouraged to undertake regular training to support continuous professional development and to stay informed on the latest developments in the financial services industry and on the regulatory front. Typically, LBF's Directors attend training sessions conducted by the Financial Intelligence Unit of the CBSL.

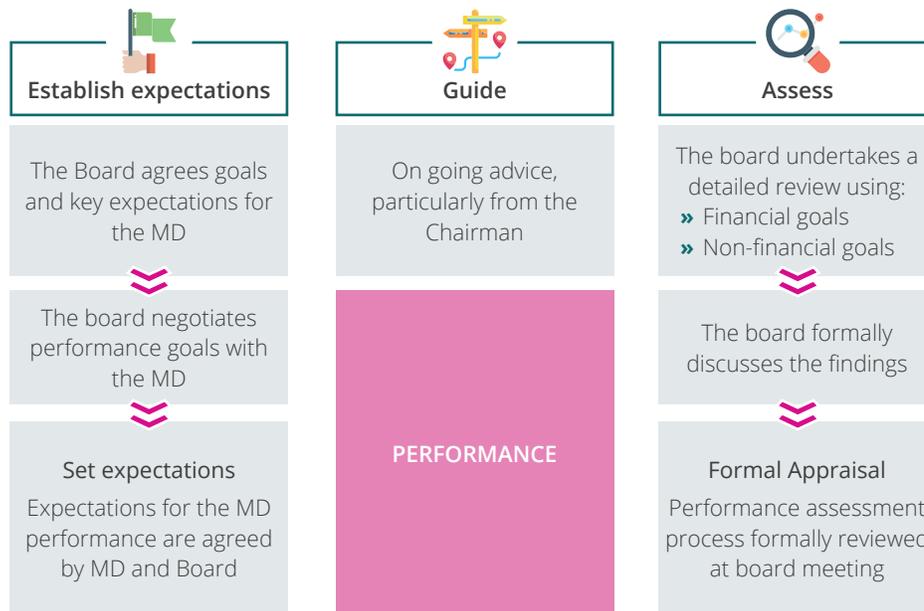
The following criteria are considered for the evaluation:



CORPORATE GOVERNANCE

19 EVALUATING THE PERFORMANCE OF THE MANAGING DIRECTOR /CEO

The performance of the Group Managing Director / CEO is assessed annually by the Board Chairman, with the findings shared with the Board for the determination of adjustments to remuneration.



Responsibilities Reserved towards Board by Stakeholders

DIRECTORS

- » Approval of business strategy
- » Approval and monitoring of major financial and strategic commitments
- » Determination of capital structure and dividend policy
- » Approval and monitoring of financial reporting
- » Oversight of risk management, internal controls and compliance systems
- » Recommendations regarding external auditors, their terms of appointment and determination of remuneration
- » Approval of annual budget
- » Regular review of financial performance
- » Ensuring adequacy of technology and information systems for effective operations

SHAREHOLDERS

- » Review of the size and composition of the Board
- » Appointment of members to board
- » Review the Board's performance

CUSTOMERS

- » Benchmarking value creation for customers, clients and partners
- » Ensure creation of sustainable and trusted organization

20 COMMITMENT TO SHAREHOLDERS

20.1 Shareholder rights

LBF promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Companies' Act. These rights include, among others, the right to participate in profit distributions and the right to attend and vote at general meetings. Ordinary shareholders are entitled to attend and vote at the AGM in person or by proxy. LBF respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure. All price-sensitive information is publicly released prior to any sessions with individual investors or analysts. As part of its commitment to uphold Shareholder Rights, the LBF Board has also laid down a "Share Trading Policy" to serve as the code of Internal Procedures and Conduct for the Prevention of Insider Trading. The main objective of the "Share Trading Policy" is to prevent the purchase and/or sale of shares of the Company by an Insider (Director or employee of LBF and their dependants) on the basis of unpublished

price sensitive information. Under this Policy, insiders are prevented from dealing in the Company's shares during the closure of Trading Window, while express permission is required to deal in securities beyond specified limits. All Directors and designated employees are further required to disclose related information periodically as defined by the "Share Trading Policy".

20.1 Conduct of shareholder meetings

The Annual General Meeting (AGM) provides shareholders with the opportunity to share their views and to meet the Board, including the chairpersons/chairman of the Board committees and members of Key Management Personnel. At the AGM, LBF financial performance for the preceding year is presented to shareholders. LBF's external auditors are also present at the AGM to answer shareholders' queries. In accordance with the recommendations contained in the Code and the Guidelines, resolutions requiring shareholder approval are tabled separately for adoption at the Company's general meetings unless they are closely related and are more appropriately tabled together.

EMPLOYEES

- » Reinforcement of the corporate culture and core values and ensuring that the Company remains an employer of choice
- » Review and approval of the CEO and Management performance
- » Oversight of succession planning for the CEO, Management team and such other Executives as the Board may deem fit

COMMUNITY

- » Oversight of the management of social, economic and environmental concerns consistent with the injury-free vision
- » Reinforcement of reputation, brand and community relations

21 COMMUNICATION WITH SHAREHOLDERS

The Board welcomes engagement with shareholders and encourages them to express their views. The Annual Report is designed to provide Shareholders with a comprehensive view of the Company's affairs during a particular financial year. Procedures are in place to provide timely information to current and potential shareholders. The Board reviews and approves the contents of the Annual Report to determine its effectiveness in providing shareholders with timely, accurate and relevant information regarding the business activities of LBF. The Feedback Form which was incorporated into the Annual Report serves

as the key mechanism for shareholders to communicate with the Company. As a large organisation, LBF deals with several stakeholder Groups. To further strengthen the communication with shareholders and other stakeholders, the Board has reviewed and verified the LBF communication policy. We believe that adopting a structured approach to engaging with and involving stakeholders will allow us to collaborate and learn from one another in the pursuit of mutually supportive relationships. Accordingly, the LBF Board reinforces its commitment to inclusive stakeholder engagement is based on the principles of:

- » **Relevance:** Focusing on those issues of material concern to our stakeholders and identifying how best to address them for our mutual benefit
- » **Completeness:** Understanding the views, needs, performance expectations and perceptions associated with these material issues while also taking cognisance of prevailing local and global trends
- » **Responsiveness:** Engaging with stakeholders on these issues and giving regular, comprehensive, coherent feedback

More compressive details regarding LBF's Stakeholder Engagement activities can be found on page 68 of this report. In addition, Shareholders are invited to have a direct communication to raise their queries and concerns by contacting LBF's Company Secretary, P W Corporate Secretarial (Pvt) Ltd., through the following channels:

Telephone : 0114640360 - 3
Fax : 0114740588
Email : pwcs@pwcs.lk
Address : P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08

The Board continues to proactively consider and adapt, as suitable to the circumstances of LBF, emerging practices to promote engagement with Shareholders.

22 FUTURE OUTLOOK

Corporate governance plays a vital role in business and future emphasis is to further satisfy the Company's stakeholders whilst sustaining growth of the Company. Therefore, we believe in the following; operating structure, internal control, review, benchmark, feedback, effective and transparent communication.

By Order of the Board,
L B Finance PLC

P W Corporate Secretarial (Pvt) Ltd
Secretaries

18 May 2022

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of L B Finance PLC have pleasure in presenting to the shareholders the Annual Report of the Board of Directors on the affairs of the Company together with the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st March 2022 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Report includes the information as required by the Companies Act No. 07 of 2007, Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

GENERAL

L B Finance PLC (the Company) is a Licensed Finance Company in terms of the Finance Business Act No.42 of 2011.

It was incorporated under the Companies Ordinance No. 51 of 1938 as a private

limited liability company on 30th May 1971, converted to a public limited liability company on 29th September 1982 and was admitted to the Official List of the Colombo Stock Exchange on 30th December 1997. The Company was re-registered as per the Companies Act No. 07 of 2007 on 6th June 2008 under Company Registration No. PQ 156.

The Company is a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The ordinary shares of the Company and Debentures issued by the Company 10,000,000 Senior Unsecured Redeemable Rated Debentures (redeemable in 2022) and 20,000,000 Subordinated Unsecured, Redeemable, Rated Debentures (redeemable in 2022) are listed on the Main Board of the Colombo Stock Exchange.

The Company has been affirmed a national long-term rating at A-(Ika) (RWN) with a stable outlook by Fitch Ratings Lanka Limited. The rating in respect of the

Debentures issued by the Company are 10,000,000 Senior Unsecured Debentures redeemable in 2022 - national long term rating at A-(Ika) and 20,000,000 Subordinated Debentures redeemable in 2022 - national long term rating at BBB (Ika). Fitch Ratings Lanka Limited has placed the national long term rating of the Company on Rating Watch Negative (RWN) and according to the said Rating Agency, RWN reflects heightened downside risks to the NBFIs' credit profiles amidst increased economic and financial-market volatility in Sri Lanka. This risk is exacerbated by the deteriorating sovereign credit profile and the ensuing risks to the stability of the financial system.

Both the registered office of the Company and its head office are situated at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07.

As per the requirements set out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Level of compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Page 244
Signed Group Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Page 305 to 424
Auditor's Report on Group Financial Statements	Section 168 (1) (c)	Page 301 to 303
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 316
Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	Page 247
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 416
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 250
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 246
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 328
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 250
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 251
Information as per Section 168 (i)(b) to (j) in relation to the subsidiaries	Section 168 (2)	Pages 246, 250 and 312

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission, goals and values are given on page 16 of this Report.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were savings/deposit mobilisation, lending activities including finance lease/ vehicle loan facilities, gold loans, mortgage loans, personal loans and other credit

facilities, value added services and digital financial services.

The Company's subsidiary, L B Microfinance Myanmar Company Limited, carried on micro finance business in Myanmar. During the

year under review the Company acquired the majority shareholding in Multi Finance PLC a Licensed Finance Company, under the Master Plan for Consolidation of Non-Bank Financial Institutions (NBFIs) of the Central Bank of Sri Lanka.

The Company has an interest in the leisure sector through its investment in The Fortress Resorts PLC.

There were no significant changes in the nature of the principal activities of the Company during the year under review, except the acquisition of Multi Finance PLC as aforesaid. It is further declared that the Company has not engaged any activity, which contravenes laws and regulations.

REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiaries and their performance during the year with comments on financial results, future strategies and prospects are contained in the Managing Director's Review on pages 36 to 39 which forms an integral part of this Report.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message on page 33, Managing Director's Review on page 36 and the Management Discussion and Analysis on page 50.

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 Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved

by the Board of Directors on 18th May 2022.

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.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of affairs of the Company and its 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 305 - 424 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 07 of 2007, directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities for Financial Reporting is given on page 300 and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

DIRECTORS' STATEMENTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 10 (2) (b) of Finance Companies (Corporate Governance) Direction No. 03 of 2008.

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 page 298.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Controls over Financial Reporting as referred to in page 297.

AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on page 301 to 303.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The accounting policies adopted in the preparation of the Financial Statements are given on pages 305 to 424 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.

INCOME

The income of the Company for the year ended 31st March 2022 was Rs. 30,159 million (in the year 2020/21 it was Rs. 29,766 million)

Group Income during the year was Rs. 30,157 million (2020/21 – Rs. 29,930 million)

An analysis of the Income is given in Note 4.1.1 to the Financial Statements.

FINANCIAL RESULTS AND APPROPRIATIONS

The profit before tax increased by 28% whilst the Company recorded a growth of 27% 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 28%.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Details of appropriation of profit of the Company and the Group are given below:

	2022 Rs. '000	2021 Rs. '000
Profit for the year after payment of all the expenses of management, provision for depreciation and amortisation, impairment of loans and other losses and tax on financial services.	11,910,462	9,306,375
Less: Income tax expense	3,248,604	2,503,778
Profit after tax	8,661,858	6,802,597
Unappropriated balance brought forward from previous year	19,754,900	15,944,328
Actuarial gains/(losses) on defined benefit plans	65,362	30,665
Profit available for appropriation	28,482,120	22,777,591
Less: Appropriations		
Dividend paid for previous financial year	2,216,229	-
Interim dividend payable/paid for current financial year	1,662,171	1,662,171
Transfers during the year	433,568	1,360,519
Total appropriation	4,311,968	3,022,691
Unappropriated balance carried forward	24,170,152	19,754,900
Proposed final dividend	Rs. 2/- per share	Rs. 4/- per share

RESERVES

The reserves of the Company and the Group with the movements during the year are given in Note 4.36 to the Financial Statements on pages 391 to 392.

TAXATION

The Income Tax rate applicable to the Company's operations is 24% (24% in 2020/21)

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% w.e.f. first January 2022 (15% upto 31st December 2021) (2020/21 - 15%)

THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31st March 2022 consisted of 11 Directors with a balance of skills, wide knowledge and experience in entrepreneurship, banking, finance, audit and assurance, legal and marketing which is appropriate for the business carried out by the Company.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 40 to 45.

Executive Directors

Mr. Dhammika Perera
Executive Deputy Chairman

Mr. J A S S Adhihetty
Managing Director

Mr. Nirosan Udage
Deputy Managing Director

Mr. B D A Perera

Mr. R S Yatawara

Non-Executive Directors

Mr G A R D Prasanna – Chairman
(appointed as a Director on 1st December 2021 and appointed Chairman 1st March 2022)

Mrs. Yogadinusha Bhaskaran

Mr. M A J W Jayasekara *

Mrs. Ashwini Natesan *

Mr. Dharmadasa Rangalle

Ms Yanika Amarasekera
- Independent Director
(appointed on 1st July 2021)

Extension of office of the Managing Director

Relevant regulatory approval was received in terms of Finance Business Act, Directions No.05 of 2020, for the Managing Director, Mr J A S S Adhihetty to continue in office, for a period of one year after attaining the age of 70 years. In terms of the said regulatory approval granted on 28th June 2021, read together with the shareholders' approval at the Annual General Meeting held on 30th June 2021, Mr Adhihetty continues to function as the Managing Director of the Company, since attaining the age of 71 years on 4th July 2021.

Re-designations during the year

Mr. G A R D Prasanna Non-Executive Director was appointed the Chairman and Mr. M A J W Jayasekara, Independent Non-Executive Director was appointed the Senior Director on 1st March 2022. The said appointments were made in terms of the Articles of Association of the Company read together with Finance Companies (Corporate Governance) Direction No. 03 of 2008, which requires the Board to designate an Independent Non-Executive Director as the Senior Director, where the Chairman is a Non-Independent Director.

The relevant regulatory approval in terms of Finance Companies (Structural Changes) Direction No.01 of 2013 was obtained for the aforesaid structural changes.

Resignations/cessations during the year

During the year, Chairperson of the Board of Directors, Mrs. Anandhiy K. Gunawardhana, completed nine years of service as a Director and accordingly, ceased to be Director with effect from 28th February 2022 in terms of paragraph 4(2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008.

Directors of the Subsidiaries

The Directors of the subsidiary, **L B Microfinance Myanmar Company Limited** as at 31st March 2022;
Mr. Dhammika Perera
Mr. Sumith Adhihetty
Mr. Dulan De Silva
Mr. Nirosan Udage
Mr. B D A Perera
Mr. R S Yatawara

There were no changes in the Directors of LB Microfinance Myanmar Company Limited, during the year under review and upto the date of this Report.

The Directors of the subsidiary, Multi Finance PLC as at 31st March 2022

Mr. H F I S Fonseka

Mr. P Jayasundera

Mrs. C Atapattu (resigned w.e.f. 27th April 2022)

Ms. D T De Alwis

Mr. J P Polwatte

Mr. I Ratnasabapathy

Consequence to receipt of the approval from the Director NBF, Mr. G A R D Prasanna, Mr. M A J W Jayasekara, Mr. Niroshan Udage, Mr. B D A Perera, Mr. R S Yatawara, Mrs. Ashvini Natasan, Mr. Dharmadasa Rangalle and Ms. Yanika Amarasekara were appointment. Directors of the said company w.e.f 18th May 2022.

Annual assessment of continuing Board of Directors

The fitness and property of continuing Board of Directors is subject to annual assessment by the Director, NBF Under Finance Business Act Directions No. 6 of 2021

Retirement by rotation and re-election of Directors

The names of the Directors who are

- (i) subject to retirement by rotation in terms of Articles 85 and 86 of the Articles of Association and
- (ii) proposed for re-appointment in terms of Section 211 of the Companies Act, and the applicable provisions thereto, are set out in the undernoted Table;

The Nomination Committee and the Board have recommended the re-election/re-appointment of the said Directors, subject to the relevant regulatory approval/s in terms of the applicable Directions issued under the Finance Business Act.

Directors' interests register and Directors' interests in contracts or proposed contracts

The Company maintains the Directors' Interests Register in terms of the Companies Act No. 07 of 2007.

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 6.1 to the Financial Statements on pages 416 to 419 and form an integral part of this Annual Report.

The remuneration paid to the Directors during the year under review is entered in the Interests Register and the aggregate of such remuneration is disclosed in this Annual Report under 'Directors' Remuneration' on page 248.

The relevant interests of Directors in the shares/debentures of the Company as at 31st March 2022 as recorded in the Interests Register are given in this Report under Relevant interest of Directors on shares on page 249 and Directors interest in debentures on page 249.

In accordance with the Myanmar Companies Law, Directors of the subsidiary have disclosed their interests in shares and securities in the said subsidiary and related companies and also their interests in contracts and other arrangements with the said company.

Directors' Declarations in terms of paragraph 7(3) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008

The Chairman and the Directors of the Company have made declarations as per the requirements in Section 7 (3) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended), that there is no financial, business, family or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

Name of Director	Applicable Article of the Articles of Association/Section of the Companies Act	Other information
Mrs Yogadinusha Bhaskaran	Articles 85 and 86	<p>According to Articles 85 and 86, the Directors to retire by rotation at the Annual General Meeting are those who (being subject to retirement by rotation) have been longest in office since their last election or appointment.</p> <p>If one-third of the Directors eligible for retirement by rotation is not a multiple of three, the number nearest to (but not greater than) one-third shall retire from office. As per the Articles, in calculating the said number, Executive Directors and Directors who were appointed to fill casual vacancies and as additional Directors are excluded.</p> <p>Accordingly after excluding the five Executive Directors and the two Directors, who were appointed during the year the number of Directors subject to retirement by rotation is four and therefore, one Director should retire by rotation. Accordingly, Mrs. Yogadinusha Bhaskaran will retire by rotation and offer herself for re-election at the forthcoming Annual General Meeting.</p>

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Name of Director	Applicable Article of the Articles of Association/Section of the Companies Act	Other information
Mr G A R D Prasanna Ms Yanika Amarasekera	Article 92	According to Article 92, any Director appointed during the year shall hold office only until the next Annual General Meeting and shall then be eligible for re-election. Mr. G A R D Prasanna and Ms. Yanika Amarasekera being Directors appointed since the last Annual General Meeting retire at this Annual General Meeting in terms of Article 92 and being eligible are recommended by the Directors for re-election by the shareholders.
Mr. J A S S Adhietty	Section 211 of the Companies Act	<p>Mr. J A S S Adhietty, who holds the position of Managing Director of the Company, attained the age of 70 years on 4th July 2020. The Board at its meeting held on 27th April 2022, having considered the Finance Business Act Directions No.05 of 2020 and the approval granted by the Monetary Board on 28th June 2021, for an extension of office for a period of one year from 4th July 2021, resolved to seek the prior approval of the Monetary Board for a further extension vis-à-vis Mr. Adhietty.</p> <p>In terms of Section 210 of the Companies Act, Mr. Adhietty vacates office at the conclusion of the next Annual General Meeting.</p> <p>In line with the Board's decision to seek an extension of time period for Mr. Adhietty in terms of the aforesaid Directions No. 05 of 2020 and the Company's application for the requisite regulatory approval in terms of the said Directions No. 05 of 2020 and Finance Business Act Direction No. 06 of 2021, the Board further resolved to place a resolution before the shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act seeking the approval of the shareholders for the re-appointment of Mr. Adhietty specially declaring that the age limit referred to in Section 210 of the Companies Act shall not apply to Mr. Adhietty, which will be effective only if the Company receives the requisite regulatory approvals in terms of the said Direction. Additionally, the approval of the shareholders is sought for the aforesaid Resolution in compliance with the Guidelines attached to the said Direction No. 05 of 2020, with respect to determining the fitness and propriety of Directors beyond the age of 70 years upto a maximum of 75 years.</p>

RELATED PARTY TRANSACTIONS WITH THE COMPANY

The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24 and abstained from voting on matters which they were materially interested.

With effect from 1st January 2016, all proposed non-recurrent related party transactions have been placed before the Related Party Transactions Review Committee formed under the Listing Rules

of the Colombo Stock Exchange, for its review and recommendations.

The aggregate value of transactions of related parties (as defined in LKAS 24 – 'Related Parties Disclosure') with the Company are set out in Note 6.1 to the Financial Statements on pages 416 to 419.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party 'more favorable treatment' than that accorded to other similar constituents of the Company.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2022.

DIRECTORS' REMUNERATION

The remuneration of Directors of the Company and its subsidiaries is disclosed under key management personnel compensation in Note 6.1.1 to the Financial Statements on page 416.

RELEVANT INTERESTS OF DIRECTORS' IN SHARES

The Directors shareholding and the relevant interests of Directors in the shares of the Company as at 31st March 2022 and 31st March 2021 are as follows;

	Shareholding as at 31st March 2022	Shareholding as at 31st March 2021
Mr G A R D Prasanna	-	-
Mr. M A J W Jayasekara	-	-
Mr. Dhammika Perera	-	-
Mr. J A S S Adhihetty	424,480	424,480
Mr. N Udage	1,816,540	1,616,540
Mr. B D A Perera	-	-
Mr. R S Yatawara	8,593	7,620
Mrs. Yogadinusha Bhaskaran	-	-
Mrs. Ashwini Natesan	-	-
Mr. Dharmadasa Rangalle	-	-
Ms Yanika Amarasekera	-	-

Mr. Dhammika Perera is the major shareholder of Vallibel One PLC, which holds 286,729,600 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.

Mr. Dhammika Perera and Mr. J A S S Adhihetty are Directors of Vallibel One PLC, where they serve as Chairman/Managing Director and Non- Executive Director respectively.

Mrs. Yogadinusha Bhaskaran is the Chief Executive Officer of Vallibel One PLC.

Mr. Dhammika Perera, also serves as the Chairman of Royal Ceramics Lanka PLC.

DIRECTORS' INTERESTS IN DEBENTURES

Except for 15,000 Subordinated, Unsecured, Listed, Redeemable Rated Debentures held by Mrs.Anandhiy K Gunawardhana who ceased to be a Director on 28th February 2022, no debentures were registered in the name of any Director during the year under review.

BOARD SUBCOMMITTEES

The Board of Directors of the Company has formed five Committees in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008

(as amended), Listing Rules of the Colombo Stock Exchange and as per the Recommended Best Practices on Corporate Governance.

They are the Audit Committee, Remuneration Committee (re-named as the Human Resources and Remuneration Committee with effect from 16th March 2022), Integrated Risk Management Committee, Related Party Transactions Review Committee and the Nomination Committee.

The composition of the said Committees as at the reporting date is as follows:

Audit Committee

Mrs . Yogadinusha Bhaskaran - -
Chairperson/Non-Executive Director
Mr. M A J W Jayasekara
- Independent Non-Executive Director
Mrs. Ashwini Natesan
- Independent Non-Executive Director
The Report of the Audit Committee appears on pages 254.

Integrated Risk Management Committee (IRMC)

Mr. M A J W Jayasekara
- Chairman/Independent
Non-Executive Director
Mrs. Dinusha Bhaskaran
- Non-Executive Director
Mrs. Ashwini Natesan
- Independent Non-Executive Director
Mr. J A S S Adhihetty
- Managing Director

Mr. Niroshan Udage
- Deputy Managing Director
Mr. B D A Perera
- Executive Director - Asset Management
Mr. R S Yatawara
- Executive Director
Mr. Bimal Perera
DGM- Strategy and Digital Finance
Mr. Malith Hewage
- Chief Financial Officer
Mrs Deshika Yatawara
- Chief Manager - Treasury
Mr. Leonard Perera -
Compliance Officer
Mrs. Waruni Perera
- Senior Manager - Risk Management
The Report of the IRMC appears on
page 257

Human Resources and Remuneration committee

Mr. M A J W Jayasekara
- Chairman/ Independent
Non-Executive Director
Mr. G A R D Prasanna
- Non-Executive Director
Ms . Yanika Amarasekera
- Independent Non-Executive Director
The Report of the Human Resources and
Remuneration Committee appears on page
252.

Related Party Transactions Review Committee (RPTRC)

Mrs. Ashwini Natesan
- Chairperson/ Independent
Non-Executive Director
Mr. M A J W Jayasekara
- Independent Non-Executive Director
Mr. Dharmadasa Rangalle
- Non-Executive Director
The Report of the RPTRC appears on page
260.

Nomination Committee

Mr. M A J W Jayasekara
- Chairman
- Independent Non-Executive Director
Mr. G A R D Prasanna
- Non-Executive Director
Mrs. Ashwini Natesan
- Independent Non-Executive Director
The Report of the Nomination Committee
appears on page 253.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

STATED CAPITAL AND DEBENTURES

The Stated Capital of the Company as at 31st March 2022 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.

The details of the debentures in issue as at 31st March 2022 are set out in Note 4.29 to the Financial Statements on page 383.

SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDINGS

Shareholders

There were 5,127 shareholders registered as at 31st March 2022 (3,590 shareholders as at 31st March 2021).

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 largest shareholders, public holding and ratios and market price of shares are set out on pages 142, 145 and 146 under Financial Review.

Ratios and market prices of debentures

Interest rate of comparable government securities, ratios and market prices of the debentures issued by the Company, as required by the Listing Rules are set out on page 147.

During the year under review, there were no changes in the credit rating for the Company and/or the Debentures issued by the Company Please refer page 244 of this Report under the title 'General' regarding the credit rating.

DIVIDENDS

The Company paid an interim dividend of Rs. 3/- per share for the year under review out of the profits of the Company.

The Directors have recommended a final dividend of Rs.2/- per 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 Finance Companies Guideline No. 01 of 2013, the Company has 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 8th July 2022 (to those shareholders who have provided accurate dividend disposal instructions, by way of direct credit to their respective Bank Accounts, through SLIPS) and on 22nd July, 2022 (to those shareholders whose payments are to be made by way of cheques).

Property plant & equipment and significant changes in fixed assets/ market value of land/fair value of investment property

The details of Property, Plant and Equipment are given in Notes 4.24 of the Financial Statements.

The land and buildings owned by the Company all of which are classified under property, plant and equipment are recorded at cost The land and buildings of the subsidiary. Multi Finance PLC are investment properties and recorded at the fair value. Details of those properties and their market values as at 31st March 2022 as per valuations conducted by H V Manjula Basnayake an Independent Valuer are set out in Note 4.24.9 and 4.25.1 to the Financial Statements on pages 373 and 375.

HUMAN RESOURCES

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender race or religion.

As at 31st March 2022, the Company had 3,806 employees (3,560 employees as at 31st March 2021).

Material issues pertaining to employees and industrial relations pertaining to the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

Employee share option schemes/ employee share purchase schemes

The Company has not implemented any Share Option/Share Purchase Schemes for its employees.

DONATIONS

During the year under review the Company made donations to the value of Rs. 7.95 Mn.

AUDITORS

Messrs Ernst & Young, 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 Auditors of the subsidiary company, L B Microfinance Myanmar Company Ltd is UTW (Myanmar) Limited, a Member of Ernst & Young Global Limited. The Auditors of Multi Finance PLC are Messers KPMG Chartered Accountants.

A total amount of Rs. 8,568,528/- is payable by the Company to the Auditors for the year under review comprising Rs. 3,865,795/- as Audit Fees, and 2,217,734/- as audit related fees and expenses and Rs 2,485,000/- for non-audit services. The amounts payable to the Auditors of the subsidiary companies, LB Microfinance Myanmar Company Limited and Multi Finance PLC for the year under review are Rs. 3,906,795/- and Rs. 1,472,000/- respectively.

The Auditors of the Company have expressed their willingness to continue in office. The Audit Committee at a meeting held on 11th May 2022 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.

RISK MANAGEMENT AND INTERNAL CONTROL

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee. Specific steps taken by the Company to manage the Risks are detailed in the section on Risk Management on pages 394 to 415.

Directors' statement on Internal Controls over Financial Reporting is on page 298.

MATERIAL FORESEEABLE RISK FACTORS

Material Foreseeable Risk Factors as applicable to the business operations of the Company and subsidiaries are set out in Notes 5.1 to 5.6 to the Financial Statements.

APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with the Section 2 (8) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 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.

The Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007, Finance Companies (Corporate Governance) Direction No. 03 of 2008, Listing Rules of the Colombo Stock Exchange and Best Practices on Corporate Governance.

Board and sub-committee evaluations for the year under review were discussed at the Board Meeting held in the month of May 2022.

CORPORATE GOVERNANCE

The Board of Directors is responsible for the governance of the Company.

The Board has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all of Company's dealings and on making the best effort in achieving performance and quality profits. The Board has continuously refined the structure and systems to ensure governance on the lines as defined, being aware all the time that it is accountable to the stakeholders and to the general public.

The Report on Corporate Governance on pages 224 to 243 describes the application of the Corporate Governance practices within the Company during the year under review.

COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board, the Audit Committee and the Integrated Risk Management Committee.

STATUTORY PAYMENTS

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for, except for certain assessments where appeals have been lodged.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Company on environmental protection are given in the report on Natural Capital on page 212.

OUTSTANDING LITIGATION

In the opinion of the Directors and Company's Lawyers, pending litigation by and against the Company will not have a material impact on the financial position of the Company or its future operations.

CONTINGENT LIABILITIES

Except as disclosed in Note 6.5 to the Financial Statements, there were no material contingent liabilities as at the reporting date.

EVENTS AFTER THE REPORTING DATE

Except for matters disclosed in Note 6.9 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements.

GOING CONCERN

The Board of Directors has reviewed the Company's corporate/business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

ANNUAL GENERAL MEETING

The Notice of the Forty Ninth (49th) Annual General Meeting appears on page 440.

In view of the situation prevailing in the country, the Board has decided to hold the Annual General Meeting of the Company as a Hybrid Meeting (hybrid of physical and electronic means) in line with the guidelines issued by the Colombo Stock Exchange for the conducting of Hybrid AGMs and on the assumption that no curfew will be in force on the date of the AGM and that there would be no restrictions imposed by the authorities on travel and/or conducting of meetings.

Shareholders are advised to refer to the Circular to Shareholders dated 7th June 2022 for further instructions in this regard.

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 the Company by two Directors and the Secretaries of the Company in pursuance of the authority granted by the Board by a Resolution passed on 7th June 2022 having acknowledged the contents of this Annual Report.

Signed on behalf of the Board by

G A R D Prasanna
Chairman

Sumith Adhietty
Managing Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

7 June 2020

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Committee member	Status
Mr. Ashane Jayasekara	Chairman/ Independent Non-Executive Director (ceased with effect from 17th December 2021 and re-appointed to the Committee on 16th March 2022)
Mrs. Anandhiy Gunawardhana	Independent Non-Executive Director (ceased with effect from 28th February 2022)
Mrs. Yogadinusha Bhaskaran	Non-Executive Director (ceased with effect from 16th March 2022)
Mrs Ashwini Natesan	Independent Non-Executive Director (Chairperson from 17th December 2021 to 16th March 2022)
Mr G A R D Prasanna	Non-Executive Director (appointed on 16th March 2022)
Ms Yanika Amarasekera	Independent Non-Executive Director (appointed on 16th March 2022)

ATTENDANCE AT MEETINGS HELD DURING THE YEAR

Committee member	Attendance
Mr. Ashane Jayasekara	3/3
Mrs. Anandhiy Gunawardhana (ceased with effect from 28th February 2022)	2/2
Mrs. Yogadinusha Bhaskaran (ceased with effect from 16th March 2022)	2/2
Mr G A R D Prasanna (appointed on 16th March 2022)	1/1
Ms Yanika Amarasekera (appointed on 16th March 2022)	1/1
Mrs Ashwini Natesan (from 17th December 2021 to 16th March 2022)	-

The Company Secretary functions as the Secretary to the Committee.

Aligning remuneration with performance, and making continued progress towards ensuring a high performing culture in line with the Company's values

Ashane Jayasekara
Chairman - Remuneration Committee



The Managing Director and the Executive Directors attend meetings of the Committee by invitation and provide relevant information and their views to the Committee for its deliberations, except when the Executive Directors' own remuneration packages and other matters relating to them are discussed. The Company Secretary functions as the Secretary to the Remuneration Committee.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Remuneration Committee was formed by the Board in compliance with Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange and its composition and functions are in conformity with the Listing Rules. Upon re-constitution of the Committee on 16th March 2022, it was re-named as Human Resource and Remuneration Committee in line with Directions 10.1 and 10.5 of the Finance Business Act, Directions No.05 of 2021.

FUNCTIONS

The functions of the Committee include the following

- » To make recommendations to the Board on the Remuneration Policy of the Company.
- » To make recommendations on the compensation and benefits of the Managing Director and Executive Directors.
- » To oversee any major changes in the employee remuneration and benefit structures throughout the Company, to consider and examine such matters as it considers appropriate.
- » To make recommendations on other related matters referred to the Committee by the Board of Directors.

ACTIVITIES DURING THE YEAR

The Committee met thrice during the year, where it reviewed and made recommendations to the Board on bonus payments to Executive Directors and reviewed the Terms of Reference of the Committee.

POLICIES AND PROCEDURES

Remunerations committee operates within the terms of reference as approved by the Board.

As per the said terms of reference, the Committee shall consist of not less than three

(3) members, comprising exclusively of non-executive directors, a majority of whom shall be independent.

The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.

As required by the said terms of reference, Committee reviewed the revised terms of reference in April 2021, and having assessed the adequacy thereof, noted that no revisions / amendments were necessary to the said terms of reference. Consequent to the Finance Business Act Directions No.05 of 2021, the Committee reviewed the requirement to amend the terms of reference in line with the said Directions and decided to present a revised version to the Board of Directors.

REMUNERATION POLICY

The primary objective of the Remuneration Policy of the Company is to align remuneration with performance, whilst ensuring that the Company is able to attract and retain employees critical to deliver the Company's strategy and to make continued progress towards ensuring a high performing culture in line with the Company's values.

Through the Remuneration Policy, the Company endeavors to encourage an entrepreneurial mindset by creating a working environment that motivates high performance so that all employees can positively and ethically contribute to the strategy, vision and goals of the Company while upholding its values.

DIRECTORS' REMUNERATION

The total amount paid as Directors' remuneration during the year under review is set out in Note 6.1.1 to the Financial Statements, which is in line with the Policy for Directors' Remuneration adopted by the Board on 17th February 2021.

Ashane Jayasekara
Chairman Remuneration Committee

18 May 2022

NOMINATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

Committee member	Status
Mr. Ashane Jayasekara	Chairman/ Independent Non-Executive Director
Mrs. Anandhiy Gunawardhana	Independent Non-Executive Director (ceased w.e.f. 28th February 2022)
Mr Sumith Adhihetty	Managing Director (ceased w.e.f. 16th March 2022)
Mr G A R D Prasanna	Non-Executive Director (appointed w.e.f. 16th March 2022)
Mrs Ashwini Natesan	Independent Non-Executive Director (appointed w.e.f. 16th March 2022)

ATTENDANCE AT MEETINGS HELD DURING THE YEAR

Committee member	Attendance
Mr. Ashane Jayasekara	6/6
Mrs. Anandhiy Gunawardhana (ceased w.e.f. 28th February 2022)	6/6
Mr Sumith Adhihetty (ceased w.e.f. 16th March 2022)	6/6
Mr G A R D Prasanna (appointed w.e.f. 16th March 2022)	-
Mrs Ashwini Natesan (appointed w.e.f. 16th March 2022)	-

The Company Secretary functions as the Secretary to the Committee.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Nomination Committee was formed in line with the Best Practices on Corporate

Governance and the present composition of the Committee is in line with Direction 10.4 of Finance Business Act Directions No.05 of 2021.

Assessing whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.

Ashane Jayasekara

Chairman – Nomination Committee



FUNCTIONS

The functions of the Nomination Committee include:

- » To regularly review the structure, size, composition and competencies of the Board, the requirement of additional/ new expertise and the succession arrangements for retiring Directors and make recommendations to the Board with regard to any structural changes in the Board.
- » To consider the making of any appointments to the Board and to provide advice and recommendations to the Board on such appointments;
- » To ensure that Directors are fit and proper persons to hold office as per the criteria set out in the Directions issued by the Central Bank of Sri Lanka and the relevant Statutes;
- » To evaluate and recommend the appointment, promotion, extension, transfer and re-designation of the Managing Director and Executive Directors.
- » To recommend Directors who are retiring by rotation to be placed before the shareholders, for re-election.
- » To oversee and review the Board's succession plan.
- » To consider and examine such matters as it considers appropriate.
- » To make recommendations on other related matters referred to the Committee by the Board of Directors.

ACTIVITIES DURING THE YEAR

The Committee met six times during the year to deliberate on re-election of Directors retiring at the Annual General Meeting, recommendation on seeking an extension of period of office of the Managing Director beyond the age limit of 70 years in terms of the Finance Business Act Directions 05 of 2020, succession planning for key management personnel, to review and make its recommendations on a revised organizational chart, appointment of two Directors and recommendations for the appointment of Chairman and Senior Director. The Committee's deliberations on the appointment of a Senior Director due

to the non-independence of the Chairman designate and the decision thereon, was reached, without the participation of Mr Ashane Jayasekara, the Chairman of the Committee.

Additionally, the Committee reviewed the structure and composition of the Board and recommended the requirement of additional/ new expertise on the Board and also discussed the succession arrangements for retiring Directors

Based on the Committee's recommendations, extension of the period of office of the Managing Director, addition of two new Board Members and the appointment of Chairman and Senior Director were approved by the Board subject to the requisite regulatory approvals. Further the Board also approved revised organisational structure as recommended by the Committee.

POLICIES AND PROCEDURES

The Nomination Committee operates within the terms of reference as approved by the Board. As per the said terms of reference, the Committee shall be constituted with Non-Executive Directors, majority of whom may preferably be Independent Non-Executive Directors.

The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.

As required by the said terms of reference, the Committee reviewed the revised terms of reference in May 2022, incorporating the changes necessitated by Direction No.10.4 of Finance Business Act Directions 05 of 2021.

Ashane Jayasekara
Chairman Nomination Committee

18 May 2022

BOARD AUDIT COMMITTEE REPORT

At a time of an unprecedented social and economic challenges in nature, the committee has ensured that our core responsibilities are liquidated with due care by assuring consistency of internal control framework and compliance to regulators are met to warrant the integrity of the financial reporting process.

Mrs. Yogadinusha Bhaskaran
Chairperson - Audit Committee



COMPOSITION OF THE COMMITTEE

During the year, the Board Audit Committee consisted of three Non-Executive Directors, a majority of whom are independent, in line with the composition requirements specified by the regulators. The Board is satisfied that the current members of the Committee are competent in financial matters and have recent and relevant experience.

Board member	Board status
Mrs. Yogadinusha Bhaskaran	Non-Executive Director
Mrs. Anandhiy K Gunawardhan *	Independent Non-Executive Director
Mr. Ashane Jayasekara	Independent Non-Executive Director
Mrs. Ashwini Natesan **	Independent Non-Executive Director

* Retired w.e.f. 03.01.2022 ** Appointed to BAC w.e.f. 01.03.2022

The Managing Director, Deputy Managing Director, Executive Directors and the senior management of LBF including Chief Internal Auditor and Chief Financial Officer attended the meetings by invitation. The members of the management team and the Company's External Auditor, Messrs. Ernst & Young were invited to participate at the meetings as and when required.

P W Corporate Secretarial (Pvt) Ltd acted as Secretary to the Committee, the proceedings of which were periodically reported to the Board.

The profiles of the Audit Committee members are given on pages 254 to 256.

MEETING ATTENDANCE

Board member	Attendance
Mrs. Yogadinusha Bhaskaran	13/13
Mrs. Anandhiy K Gunawardhana	12/12
Mr. Ashane Jayasekara	13/13
Mrs. Ashwini Natesan	1/1

COMMITTEE RESPONSIBILITIES

» The Audit Committee is set up primarily to assist the Board in carrying out its overall independent oversight functions in relation to the accuracy and integrity of the financial statements, internal control systems and compliance with Company policies, legal and regulatory

requirements. This is done to safeguard the interests of shareholders, depositors and other stakeholders.

» The Committee is vested with the responsibility for supervision to ensure the effectiveness of the system of internal controls, financial reporting, internal audit function, risk management,

compliance with laws, regulations and directions of the CBSL and other regulators, as well as the adequacy and effectiveness of the governance process of the organization.

- » The Committee shall exercise its independent oversight on internal and external assurance functions and ensure both internal and external auditors' independence, objectivity and the effectiveness of the audit process, taking in to consideration relevant Sri Lankan professional and regulatory requirements.
- » The Audit Committee shall ensure that the company adopts and adheres to highest-level of standards in corporate governance practices, prime ethical standards and industry best practices in the best interest of all stakeholders
- » Reviewing of the internal audit reports and steps shall be taken liaising with the senior management of LBF to ensure that precautionary measures are taken to mitigate the risk that could arise due to reported control weaknesses, procedure violations, frauds and errors.
- » The Committee is provided with sufficient resources to perform its duties including support, as necessary, from the Internal Audit Department, the external auditor, legal counsel and management in examining all matters relating to the Company's adopted accounting principles and practices, and in reviewing all material financial, operational and compliance controls.

COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

Audit committee charter

The fundamental role of the Audit Committee is to assist the board in supporting its oversight responsibilities in the areas of internal and external audit, internal financial controls and financial reporting. The Board approved Charter of the Audit Committee clearly defines the Terms of Reference of the Committee. The Charter is reviewed annually, to ensure new developments to the Committee's functions and concerns are catered to. The Audit Committee Charter was last reviewed and approved by the Board of Directors in June 2021.

Financial reporting system

The Committee assisted the Board of Directors in the discharge of its duties by reviewing the financial reporting system adopted by the Company. The Committee satisfied itself that accounting policies, practices and internal controls in place are adequate to provide reasonable assurance that the financial reporting system is effective and efficient to provide 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 accordance 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 systems and procedures in place to ensure that all transactions are accurately recorded in the books of accounts; and
- » The effectiveness of the financial reporting system/s including the management accounts to ensure reliability of the information provided to the Board and other stakeholders of the Company.

- » The annual and the quarterly financial statements has been reviewed and recommended for the approval of the Board.
- » The Committee focused special attention on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognized in the financial statements by factoring the potential implications of the current economic condition of the country, COVID-19 pandemic and the moratorium schemes introduced by the government to support the recovery of the economy.

Regulatory compliance

Regulatory compliance is a priority. Mechanisms to ensure timely and effective implementation of regulatory requirements are necessary to safeguard the interests of all stakeholders. Process owners are responsible for compliance with regulations as part of their standard operating procedure.

The Compliance Officer reviews and reports on any gaps or areas of non-compliance to the Audit Committee. It is also the mandate of the Compliance Officer to disseminate new regulatory requirements and update policies and procedure manuals to incorporate such requirements. The reports of the Compliance Officer are also periodically submitted to the Board.

A process has been set up to obtain periodic confirmations from the senior management regarding compliance with the statutory and regulatory requirements through the compliance function. The Committee also obtains assurance from internal auditors on several key regulatory compliance of the Company, in line with their respective internal audit programmes.

A process is in place to establish new procedures / processes, or amending the existing, to facilitate new statutory / or regulatory requirements come in to 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.

Major directions issued by CBSL during the year namely, direction no. 05 of 2021 on Corporate Governance and direction no. 01 of 2022 on Technology Risk Management and Resilience have been followed up by the Compliance Officer and the implementation status is regularly reviewed by the committee at the monthly meetings.

In addition, committee has followed the remediation status of the CBSL on-site examination observations at the monthly meetings to ensure the completion of requirements within the agreed timelines.

Internal Audit

A fully-fledged Internal Audit Department is in place to provide independent assurance to the Committee in discharging its duties. The Committee ensures that the internal audit function is independent of the activities it audits and it possesses proficiency and exercises due professional care. The Board approved procedure manual for Internal Audit Department is in place to reflect current practices of the Internal Audit Department. The procedure manual was last reviewed and approved by the Board in June 2021.

The annual internal audit plan is reviewed by the Committee before commencement of the financial year and assesses the adequacy of resources for the department to provide uninterrupted assurance service. The Committee has reviewed the performance of the chief internal auditor for the period.

The Committee reviewed the efficacy of the internal control system and compliance with regulatory requirements and also the Company's accounting and operational policies through the internal audit function. Prior to the commencement of audits, the scope of audit is reviewed by the Committee which recommends amendments where necessary, prior to approval. Control weaknesses highlighted in the internal audit reports are critically examined by the Committee. Follow-up action taken by the management on the audit recommendations are also reviewed.

BOARD AUDIT COMMITTEE REPORT

The Committee recommends re-audits of certain processes where necessary, to ensure effectiveness of the internal controls.

The Committee paid high level attention on the company's information systems and its supporting technology infrastructure to ascertain the adequacy of internal controls and effectiveness and efficiency of such investments are fulfilled while ensuring the confidentiality, integrity and availability of the processes supports for financial reporting. The IS Audit team independently assessed the level of confidence in line with industry standards such as ISO 27001:2013, COBIT, NIST, CIS etc., and other statutory/ regulatory directions to provide assurance at the monthly Audit Committee meetings.

The Committee retained the services of Messrs. KPMG Sri Lanka to supplement the Internal Audit Department in performing branch audits. The representatives of Messrs. KPMG Sri Lanka present their audit reports to the Committee during their monthly meetings.

External Audit

The Committee assisted the Board by recommending the appointment of the External Auditor in compliance with the relevant statutes and regulations. It monitors the service period, approves the audit fee and any resignation or dismissal of the auditor.

The Committee reviewed the independence and objectivity of the external auditor - Messrs. Ernst & Young, Chartered Accountants. The Committee together with management reviewed and discussed the scope of audit, approach and audit plan with Messrs. Ernst & Young, prior to the commencement of the audit for 2021/22.

The Auditors were provided with the opportunity of meeting the Non-Executive Directors 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 interests between the Company and the Auditor which would hinder the independence and objectivity of the Auditor. The Policy for obtaining non-audit services was reviewed and approved in June 2021.

During the year, the Committee evaluated the performance of the external auditor. The Audit Committee has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants, be reappointed as the external auditor for the financial year ending 31st March 2023, subject to the provisions made in new corporate governance direction no. 05 of 2021 and the approval of the shareholders at the next annual general meeting.

CORPORATE GOVERNANCE AND WHISTLEBLOWING POLICY

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 due to new corporate governance direction no. 05 of 2021 has been identified by the committee and processes are in place to duly comply the requirements. The Committee is satisfied with the present corporate governance framework of the organisation which ensures a balance of power and authority.

The Committee ensures the Whistleblowing Policy of the Company is a current, active set of measures to which all

employees/ incidents have recourse. There was only one incident reported by a whistleblower during the year and necessary investigations and actions were implemented as per the provisions made in the whistle-blowing policy. All employees are encouraged to practice whistleblowing if they suspect any wrongdoing. Senior Management, from time to time conducts awareness programs to encourage staff to raise genuine concerns. The Compliance Officer reports on the whistleblowing incidents to the Committee each quarter end. The Committee remains committed to follow-up on any future complaints/ incidents, should they occur.

TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

Continuous training and professional development have been undertaken by committee. Attending virtual and physical seminars, conferences, workshops, presentations done by internal and external officers on the areas such as new accounting standards, tax regulations, new statutes and directions issued by the Central Bank of Sri Lanka.

AUDIT COMMITTEE EFFECTIVENESS

As in the previous years, the effectiveness of the Committee was self-evaluated by its members and the results were presented to the Board. The Committee has concluded that its performance was effective.

I wish to thank my fellow Committee members, Executive Directors and the Senior Management for their cooperation during the year.



Mrs. Yogadinusha Bhaskaran
Chairperson

18 May 2022

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

In an ever-expanding risk universe, the IRMC stays focused on LBF's organizational resilience, in the presence of distinctive risks such credit, market, operational, capital, and liquidity being influenced by both internally and externally driven developments.

Adverse geopolitical and macroeconomic risks, as well as new categories of risks, such as cyber, conduct, crime/corruption, climate, and economic crisis related threats, are being continuously reviewed and addressed on a timely manner.

During the year under review the Central Bank of Sri Lanka issued the Finance Companies Direction No. 5 of 2021 on Corporate Governance. As a measure of prudence, the Committee pre-adopted provisions in relation to IRMC which had transitional provision until 1st July 2024. As a result, the Terms of Reference of the amended accordingly and the frequency of meetings changed to bi-monthly from previous quarterly meetings.



Ashane Jayasekara

Chairman - Integrated Risk Management Committee

COMPOSITION OF THE COMMITTEE

Board member	Board status
Mr. Ashane Jayasekara	Chairman, Independent Non-Executive Director
Mrs. Anandhiy Gunawardhana *	Independent Non-Executive Director
Mrs. Yogadinusha Bhaskaran**	Non-Executive Director
Mrs. Ashwini Natesan	Independent Non-Executive Director
Mr. J A S S Adhihetty	Managing Director
Mr. Niroshan Udage	Deputy Managing Director
Mr. B D A Perera	Executive Director
Mr. Ravindra Yatawara	Executive Director

MEETING ATTENDANCE

Board member	Attendance
Mr. Ashane Jayasekara - Chairman, Independent Non-Executive Director	5/5
Mrs. Anandhiy Gunawardhana - Independent Non-Executive Director	3/5
Mrs. Ashwini Natesan - Independent Non-Executive Director	5/5
Mr. J A S S Adhihetty - Managing Director	5/5
Mr. Niroshan Udage - Deputy Managing Director	5/5
Mr. B D A Perera - Executive Director	4/5
Mr. Ravindra Yatawara - Executive Director	Excused

The Integrated Risk Management Committee (IRMC) is a Board appointed committee chaired by an Independent Non-Executive Director in compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended) and the Corporate Governance Direction No.5 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka.

The Company Secretary functioned as the Secretary to the Integrated Risk Management Committee up to January 2022. With the introduction of the aforementioned Direction the Senior Manager – Risk Management functions as the secretary to the Integrated Risk Management Committee. The proceedings of the Committee were reported regularly to the Board.

COMMITTEE RESPONSIBILITIES

The responsibilities of the Integrated Risk Management Committee as mandated by the Board of Directors are as follows:

1. 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.

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

2. Review and approve, at least annually, the Company's overall risk governance structure, and the risk management policy & procedure.
3. Assess all material risks i.e. credit, market, liquidity, operational and strategic 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
4. Monitor and approve, as required, the Company's material strategies, frameworks, plans, policies, processes, models, limits and regulatory requirements in place to govern risk-taking that are consistent with the risk management strategy and the established risk appetite of the Company.
5. Review the adequacy and effectiveness of all management level committees such as Credit Committee and the Asset-Liability Committee to address specific risk and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
6. Review any issues raised by External Auditors or Internal Audit that may materially impact the Company's risk management framework or the risk management.
7. The Committee shall:
 - a. receive reports from management concerning capital adequacy, asset quality, credit, market, liquidity, operational, new and emerging risks etc in order to oversee these risks and assess their effect on capital levels.
 - b. receive reports from management concerning resolution of significant risk exposures and risk events, in order to monitor them and, if thought fit, approve them;
8. 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.
9. Assess all aspects of risk management including business continuity and disaster recovery plans
10. Submit a risk assessment report to the Board Meeting following the IRMC meeting seeking the Board's view, concurrence and /or specific directions.
11. 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;
12. Oversee the reports from management regarding the Company's insurance strategy.
13. Review new product/processes of the Company and recommend the proposed product processes for Board approval.
14. Oversee management processes to ensure adherence to the Company's Risk Management Policy & Procedure.
15. Review the overall and the individual branch level risk reports on a quarterly basis.
16. Annually assess the performance of the compliance officer and the CRO.

COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

Credit Risk

- » New Risk limits were introduced to Risk Appetite Statement in terms of credit concentration risk and related party transactions
- » Reviewed the Credit Scoring Methodology and rationale used for internal customer credit scoring model
- » Local and global macro-economic factors were discussed with a view to identify the impact of such factors on the Company in order to initiate actions in a proactive manner.

- » Reviewed the activities of the Credit Committee through the assessment of the performance of significant exposures against the Company.
- » Reviewed and approved the amendments to the Credit Risk Management Framework and Policy.

Capital Adequacy

- » Initiated to Voluntarily adopt the Internal Capital Adequacy Assessment Process (ICAAP) under BASEL III accord which is a regulatory requirement only for banks.

Liquidity and Market Risk

- » Reviewed the Gold Price outlook to assess the impact of gold price volatility.
- » Reviewed the adequacy and effectiveness of ALCO activities by assessing the asset and liability limits, single borrower exposure/single group exposure, single depositor exposure/large depositor exposure, duration of deposits and optimal funding mix.
- » Reviewed the liquidity position, funding pipeline and liquidity management strategies of the Company.
- » Risk Appetite Statement was further strengthened with the introduction of investment limits.
- » Reviewed and approved the Foreign Exchange Risk Management Policy and Procedure for Foreign Currency Borrowings

Information and Cyber Security

- » Reviewed the adequacy of the existing control environment on protecting confidential / sensitive information of LBF's customers and recommended further preventive measures to strengthen the process
- » Reviewed the gap analysis of Direction No. 1 of 2022-Technology Risk Management & Resilience and strategies to overcome the identified gaps
- » With the heightened levels of IT and cyber risks, separate reporting mechanism was introduced to cover IT and Cyber Security related risks of the Company.

- » Reviewed the activities of Information Technology Steering Committee (ITSC).

Operational and Human Resource Risks

- » A formal mechanism for Fraud risk assessment was established in order to have a anti-fraud culture in the organization
- » Introduction of Branch risk assessment process in terms of operational risk.
- » Reviewed the adequacy of Insurance Policies
- » Reviewed the Operational Risks pertaining to the LB Myanmar subsidiary.
- » Reviewed the mechanism of capturing operational loss events / risks for internal pricing

Compliance

- » Reviewed the impact assessment of the introduction of Direction No. 5 of 2021-Finance Companies (Corporate Governance)
- » Reviewed the annual risk assessment for existing outsourced activities and new outsourcing arrangements.
- » Reviewed the annual risk assessment of Money Laundering and Terrorist Financing (ML & TF) risks of the customers, deposit products, lending products, processes and the overall Company
- » Assessed the Group's compliance with laws, regulations and regulatory guidelines, CBSL directions, internal policies in all areas of business operations.

General

- » Monitored the effectiveness of the risk communication framework in place to escalate the new risks faced by each department in a timely manner and improvements were recommended to streamline the process.
- » Potential risks arising from recent changes in the business environment were discussed with a view to identify the impact of such events on the achievement of the Company's objectives and to initiate remedial action in a proactive manner
- » Reviewed the Key Risk Indicators to identify any significant risks and emerging risks.
- » Reviewed and approved the risk appetite statement of the Company for FY 2021/22.
- » Reviewed and approved amendments to the IRMC Terms of Reference as per Finance Companies (Corporate Governance) - Direction No. 5 of 2021
- » The results of stress tests were reviewed in terms of material risks such as credit default / concentration risk, liquidity risk and market risk.



Ashane Jayasekara
Chairman
Integrated Risk Management Committee
18 May 2022

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Managing relationships with related parties to uphold good governance and the best interests of the Company.

Ashwini Natesan

Chairperson - Related Party Transactions Review Committee



COMPOSITION OF THE COMMITTEE

Committee member	Status
Mrs. Ashwini Natesan	Chairperson/ Independent Non-Executive Director
Mr. Ashane Jayasekara	Independent Non-Executive Director
Mr. Dharmadasa Rangalle	Non-Executive Director

ATTENDANCE AT MEETINGS HELD DURING THE YEAR

Committee member	Attendance
Mrs. Ashwini Natesan	6/6
Mr. Ashane Jayasekara	6/6
Mr. Dharmadasa Rangalle	6/6

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Related Party Transactions Review Committee (RPTRC) of the Company was established by the Board on 22nd September 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules thereby enhancing the Company's internal control mechanisms.

FUNCTIONS

Scope of the Committee includes:

- » To manage relationships with related parties to uphold good governance and the best interests of the Company

- » To provide an independent review, approval and oversight of Related Party Transactions (RPTs) (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- » To review the Charter and Policy annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee.
- » Determining whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- » Establishing guidelines in respect of Recurrent Related Party Transactions, for senior management to follow in its ongoing dealings with the relevant related party
- » Ensuring that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- » Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/regulations are made in a timely and detailed manner

ACTIVITIES DURING THE YEAR

- » The Committee reviewed the recurrent RPTs entered into by the Company including those entered into with its fully owned subsidiary, L B Microfinance Myanmar Company Limited, Related Parties as at the end of every quarter

and the Affirmative Statements by the Head of Finance re-assuring that all transactions entered into during the quarter were recurrent transactions, which have been entered into on an arms-length basis where no favourable terms have been offered to related parties and that there had not been any non-recurrent transactions during the quarter under review (except the two non-recurrent transactions referred to below).

- » The Committee reviewed, two nonrecurrent RPTs during the year and made recommendations and communicated its observations to the Board.

In one transaction, the Committee having considered the essence of the Finance Companies (Business Transactions with its Directors and Relatives) Direction No.02 of 2007, recommended that the Company seeks the approval of the Director - Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, prior to entering into the Agreement in respect of the said transaction although on a strict interpretation thereof, such approval was not a requirement. The Board having taken note of the Committee's recommendations resolved to seek the requisite approval, and the Company is in the process of seeking such approval.

The other RPT transaction was reviewed by the Committee as required by the RPT Charter and recommended to the Board.

Neither of the above non-recurrent RPTs exceeded the threshold for immediate disclosure to the Colombo Stock Exchange as per the Listing Rules.

POLICIES AND PROCEDURES

- » The RPTRC operates within the Charter of the Committee as approved by the Board of Directors. It includes a RPT Policy whereby the categories of persons/entities who shall be considered as 'related parties' have been identified.
- » In accordance with the RPT Policy, Directors are required to make and have made self-declarations for the purpose of identifying parties related to them and wherever such declarations are made, they are minuted by the Company Secretary. The Company Secretary communicates any changes in the Related Parties to the officer responsible for collation of information on related parties.
- » The Company uses a RPT System that enables the Company to retrieve data on RPTs throughout the Company's network. Based on the information as disclosed by the Directors and communicated by the Company Secretary to the relevant officer, the database of related parties maintained in the RPT system is continuously updated and the system automatically generates a comprehensive report every quarter for Management's review, which is also tabled at RPTRC meetings and where necessary, at Board Meetings held after the completion of the relevant quarter. The said report reflects all types of transactions with related parties including general payments, creditors, debtors, savings, fixed deposits and lending.
- » In its review of RPTs, RPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, comparison with market pricing etc. in order to determine whether they are carried out on an arm's length basis, the disclosure requirements as per the Listing Rules of the Colombo Stock Exchange and the level of approval required for the respective RPTs are complied with.
- » The RPTRC ensures that all transactions with related parties are in the best interests of all stakeholders, with

adequate transparency in processes and are in compliance with the Listing Rules and the relevant Directions as applicable to Licensed Finance Companies.

- » The Committee has established guidelines in respect of Recurrent RPTs to be followed by the Management of the Company, in the Company's dealings with related parties.
- » The Committee has also suggested mechanism that can be followed by the Management of the Company whilst reporting that related party transactions are being conducted at arm's length.
- » Reviewing and approval of RPTs are either at a meeting of a majority of the members who form the quorum or by circulation, approved by all the members.

The Committee reviewed the RPT Policy and Charter on two occasions during the year under review and recommended amendments thereto, firstly, to reflect in a more comprehensive manner the applicable Finance Companies Directions and secondly certain provisions of the Transfer Pricing Monitoring Policy approved by the Board.

RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR

1. Information on all related parties, as extracted as at the end of each quarter, was presented to the RPTRC and where necessary, to the Board at their meetings held in the immediately following month
2. All Directors made disclosures of any transactions entered/to be entered into by the respective Directors and/or any related parties of the said Director, which were minted by the Company secretary additionally if any Director assumes office as a Director of any company, the Director concerned makes a disclosure to the Board which is then captured by the Company Secretary and passed on to the officer concerned.
3. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of Rule 9.3.1 of the Listing Rules or disclosure

in the Annual Report as per Rule 9.3.2 (a) of the Listing Rules.

4. The aggregate value of recurrent Related Party Transactions entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.3.2(b) of the Listing Rules.
5. The aggregate value of all RPTs during the year is disclosed in Note 6.1 to the Financial Statements in terms of LKAS 24 – Related Party Disclosures.

DECLARATION

A declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to related party transactions is given on page 248 of the Annual Report



Ashwini Natesan
Chairperson
Related Party Transactions Review
Committee

18 May 2022

SUMMARISED RISK MANAGEMENT REPORT



Risk management is at the core of LBF's operating structure. In fact the nature of the Group's business as a financial service provider requires risk management as a fundamental capability towards ensuring sustained growth and supporting consistent value generation over time.

LBF'S APPROACH TO RISK MANAGEMENT

Reflecting its efforts to take a holistic approach towards managing the risks inherent to the Group's strategy, business and operations, LBF has adopted an Enterprise Risk Management (ERM) framework. By setting out a standardised mechanism to identify, assess, manage and mitigate all quantitative, qualitative and emerging risks within the Group's risk universe, the ERM framework ensures that risk management is entrenched in all facets of the Group's planning and decision-making processes at all levels of the business through a clearly de-fined risk governance structure.

RISK APPETITE

Risk appetite is the maximum level of residual risk that the Group is prepared to accept to deliver its business objectives. In this context, the Risk Appetite aims to strike a balance between the potential benefits of expansion and innovation against the threats that such change inevitably brings.

Delivering on our mandate requires that we proactively manage both risks and opportunities and ensure that we do so in a sustainable manner at all times. In this past year, we continued to closely monitor developments related to the COVID-19 pandemic and its wide-ranging negative impacts. As part of our robust risk management process, we applied a number of stress scenarios to anticipate the consequences of plausible events like outright defaults and possible delays in the collection of maturing assets in part or in full in order to assess the adequacy of LBF's capital and liquidity. These stress tests revealed that LBF is well capitalised and has sufficient liquidity buffers to weather possible adverse scenarios. Even after considering the implications of the pandemic from the perspectives of solvency, liquidity, operational risk, credit risk, market risk, loan loss provisioning, the Group has not faced any significant challenges since the start of pandemic in 2020 and does not expect to face any material impact on its operations and financials. On a related note, we began a new initiative focused on creating a more cohesive Group-wide risk management framework through the wider application of our ERM framework at a subsidiary level.

We also remained vigilant on the economic uncertainties that arose in the latter part of 2021 as a result of the forex liquidity shortage in the Country. While LBF did not encounter any major impacts due to this scenario, the Group will continue to operate in a prudent manner to safeguard its capital and liquidity position in this uncertain environment.

Mr. Ashane Jayasekara
Chairman - Integrated Risk Management Committee

LBF's Risk Appetite Statement (RAS) is issued by the Board to inform employees on the maximum permissible risk in their respective businesses. The Board works with the Integrated Risk Management Committee (IRMC) to establish the parameters for the RAS by:

- » Providing strategic leadership and guidance
- » Reviewing and approving annual budgets and forecasts for each department and for the Group as a whole, under both normal and stressed conditions
- » Regularly reviewing and monitoring the Group's risk performance through quarterly reports

English version
PLAY LIST 13

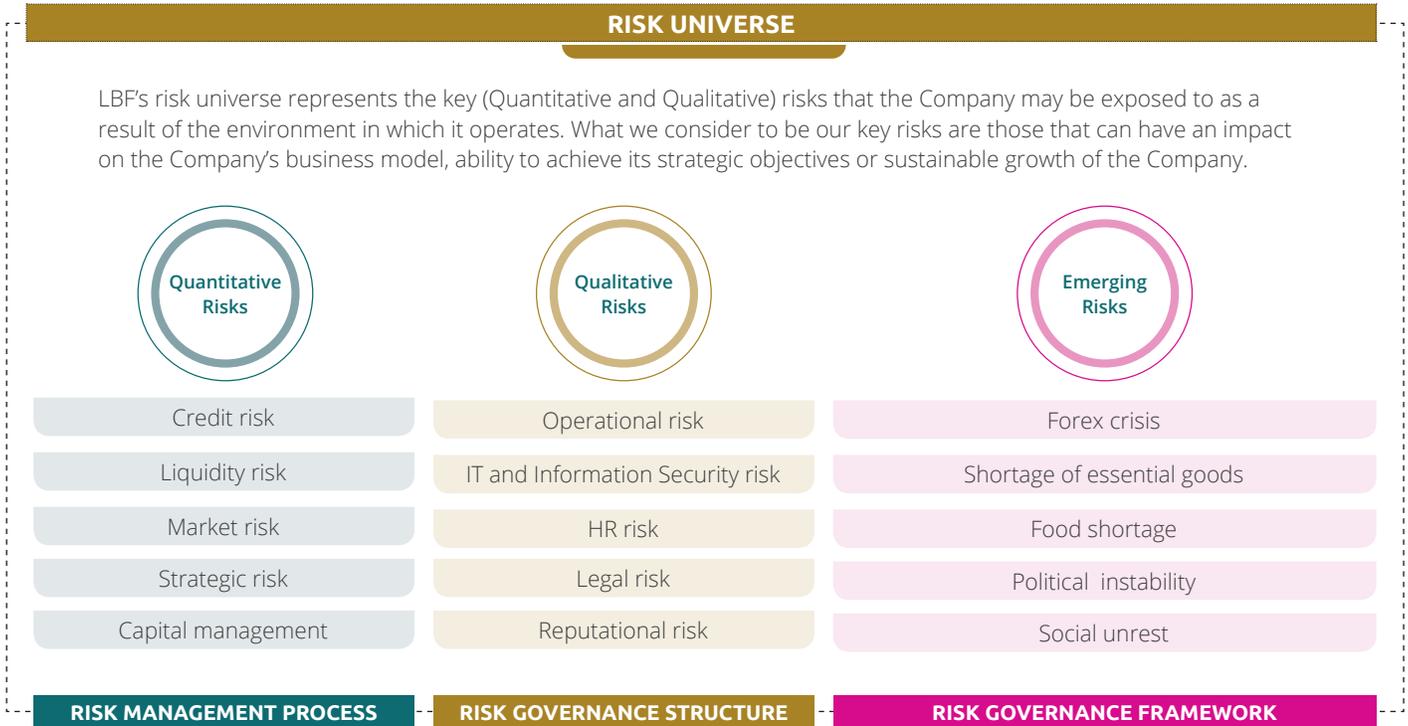
Sinhala version
PLAY LIST 14

Tamil version
PLAY LIST 15



Visit our youtube playlist

LBF'S RISK MANAGEMENT APPROACH



Risk Appetite Statement

Risk Appetite Criteria	Appetite	Regulatory Limit	Actual as at 31st March 2022	Actual as at 31st March 2021
Credit Risk				
Loans and Advances				
Non-performing loans ratio – Gross	5%-7%		4.44%	5.36%
Non-performing loans ratio – Net	< 1.0%		-0.80%	0.10%
Exposure to secured loans and advances	>95%		99.00%	97.00%
Maximum exposure to single borrower – secured - Individual	<=5%	15% of capital funds	1.24%	1.67%
Maximum exposure to single borrower – secured - Group	<=10%	20% of capital funds	1.24%	1.67%
Maximum exposure to single borrower – unsecured – Individual	<=4%	5% of capital funds	0.24%	0.07%
Maximum exposure to aggregate unsecured financing	<=0.5%	1% of Core capital	0.05%	0.58%

SUMMARISED RISK MANAGEMENT REPORT

Risk Appetite Criteria	Appetite	Regulatory Limit	Actual as at 31st March 2022	Actual as at 31st March 2021
Liquidity Risk				
Liquid assets ratio	>12%	"Fixed Deposits - 10% Savings -15% Unsecured Borrowings -10%"	17.60%	17.89%
Deposits renewal ratio	>75%		79.24%	83.52%
Maximum single depositor/group exposure	<=5.0% of total deposits		1.08%	2.10%
Maximum exposure to large deposits (Over Rs.50 mn)	<=20.0% of total deposits		17.24%	18.06%
Capital Adequacy				
Core capital ratio	9.00%	8.00%	25.95%	23.87%
Total risk weighted capital ratio	15.00%	12.00%	26.90%	25.32%
Capital funds to deposits ratio	12.00%	10.00%	37.07%	32.83%
Market Risk (Increase in market interest rates on rate sensitive liabilities)				
% Impact on Net Interest Income from 100 bps shock	5.00%		3.51%	3.35%
% Impact on Net Interest Income from 200 bps shock	10.00%		7.02%	6.70%
% Impact on Net Interest Income from 300 bps shock	15.00%		10.54%	10.05%
% Impact on Net Interest Income from 400 bps shock	20.00%		14.05%	13.40%

MANAGING KEY RISKS FOR FY 2021/22

Risk Category	Sub Risk	Risk Management Update
<p>Credit Risk</p> <p>Credit Risk is the potential loss to the Group as a result of failure by borrowers to meet their contractual obligations towards LBF. Credit Risk typically has three components; default, concentration and settlement risk. However in LBF's context, settlement risk is also considered as part of default risk.</p> <p>Concentration risk refers to the exposure to a particular customer, geography, or portfolio.</p> <p>Given the nature of LBF's core business of lending, Credit Risk is inherent and as such the RAS assigns a significantly more weightage on managing Credit Risk, with tolerance limits set on multiple levels. This is supported by clearly defined protocols for managing both Credit (Default / Settlement Risk) and Credit Concentration Risk.</p>	<p>Default Risk</p> <hr/> <p>Concentration Risk</p>	<p>LBF's Default Risk declined.</p> <p>LBF's Gross NPL ratio stabilised at 4.44% by end-March 2022, well within the benchmark 5 - 7% tolerance range owing to strong inflow of repayments</p> <p>Quality of loans granted during the year improved significantly owing to LBF's cautious lending approach supported by the new credit scoring index to rate customer credibility based on repayment history.</p> <hr/> <p>Credit Concentration Risk remained under control</p> <p>Tolerance limits and single borrower exposure limits for high risk industries such as tourism, transport and construction were tightened.</p> <p>Stress testing framework for measurement of Concentration Risk was further expanded to assess geographical and security-wise portfolio exposures.</p>
<p>Liquidity Risk</p> <p>Liquidity Risk arises when the Group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so at materially disadvantageous to its long term stability</p>		<p>LBF's Liquidity Risk reduced.</p> <ul style="list-style-type: none"> » LBF's liquidity position strengthened amidst the broad based improvement in recoveries throughout the year. » Liquidity levels received a further boost by two tranches of USD funding, the first USD 15 million in April 2021 followed by another USD 8 million in December 2021. » The Treasury began worked proactively to reduce the maturity mismatch between the assets and liabilities » All liquidity ratios continued to be strictly monitored to ensure they remain within Board approved tolerance limits. » LBF's ratios remained well above all statutory liquidity ratios, even after minimum liquidity requirements for NBF's were increased in 2022 consequent to the discontinuation of regulatory relaxations imposed on liquid asset requirements in response to the COVID-19 pandemic.

SUMMARISED RISK MANAGEMENT REPORT

MANAGING KEY RISKS FOR FY 2021/22

Risk Category	Sub Risk	Risk Management Update
Market Risk Market risk refers to the possible loss to LBF owing to changes in market interest rates, exchange rate fluctuations, and the movement in commodity prices such as gold. Given the nature of its operations, LBF remains most sensitive to interest rate risk and commodity price risk, in particular gold prices which stems from the exposure to Gold Loans.	Interest Rate Risk	Interest Rate risk for LBF was moderate. <ul style="list-style-type: none"> » LBF's efforts to dynamically realign its pricing strategies in tandem with the market helped to maintain greater income consistency. » The asset book was also repriced in line with the increase in treasury bill rates towards the end of the year. » The Treasury focused on lower the cost of funding through active negotiation helped to prevent any major escalation in funding costs.
	Commodity Risk	Commodity Risk remained low. Overall exposures were well managed supported by prudent lending and re-pricing approaches, along with strict follow up and recovery action.
	Exchange Rate Risk	Exchange Rate Risk was well managed. The impact of the Rupee depreciation in early 2022 was minimal as all exposures were fully hedged.
Operational Risk Operational risk is the potential loss LBF would have bear owing to the lack of adequate human resources or a breakdown in internal systems and processes		Operational Risk remained low. <ul style="list-style-type: none"> » LBF adhered to health and safety recommendations, including monitoring COVID infections and other preventive measures, to keep premises safe for employees, customers and suppliers. » Employees continued to be mobilised to work-from-home during lockdown periods » All employees were encouraged to obtain the recommended COVID-19 vaccinations. » LBF's digital infrastructure continued to be enhanced in order to expand the suite of digital financial solutions offered to customers. » A formal Operational Risk Management Policy was implemented setting out operational controls for all key aspects of the business. » A programme of due diligence audits was developed and implemented under the stewardship of the internal audit function to capture operational risks at a functional level on an ongoing basis. » Under the stewardship of the Board, a new focused initiative to develop an anti-fraud culture was also launched. » Existing policies were reviewed by the Board with several including the Whistleblower policy being updated. » A new anti-bribery protocol was also developed and incorporated into the Code of Conduct.
IT Risk IT Risk arises due to vulnerabilities created due to the inability of LBF's IT infrastructure and systems to facilitate day-to-day operations. Information Security Risk is also a key component of IT Risk. The migration to digital platforms exposes LBF data assets to Information Security Risks.		IT Risk was well managed. <ul style="list-style-type: none"> » Scheduled BCP drills were conducted with no reported incidents. » The early adoption of the Finance Business Act Direction no. 1 of 2022 on Technology Risk Management and Resilience, was prioritised. » The ISO 27001 coverage was further extended to include the DFS and the LBF's network of data centers » The scope of the IS (Information Security) Audit programme was expanded specifically to address the risks associated with the work-from-home work arrangements introduced during the pandemic » The IRMC introduced a dedicated risk register to document all matters pertaining to Information Security Risk.



expand our

bandwidth

Section 5

Sustainability

Sustainability at LBF - 268 | Consolidated Set of IR Standards - 277 | Reporting on Anti-corruption programmes - 286
IR Assurance Report - 289 | GRI Assurance Report - 291

SUSTAINABILITY AT LBF

As a purpose-driven organization that generates sustainable long-term value for all stakeholders, our pursuit of financial success goes hand in hand with our efforts to a more socially and environmentally sustainable organization. Our approach to sustainable business is based on integrated ESG practices that cascade throughout our operations. In doing so, we want to create an ecosystem that will secure LBF's reputation as a trusted partner in the key markets where we are present, the local NBF industry in Sri Lanka and as a respected microfinance institution in Myanmar.



Sumith Adhihetty
Managing Director

ESG PROVIDES AN OPPORTUNITY TO FUTURE-PROOF OUR BUSINESS

In striving to attain our objective of transitioning into a sustainable organisation, we want to challenge convention by looking beyond the obvious. We have set ourselves ambitious goals that include decarbonizing our value chain, increasing transparency and strengthening our ESG (Environment, Social and Governance) reporting frameworks. Through these efforts we expect to drive transformative change that will activate broad based business value, build resilience and fuel long term growth.



ENVIRONMENTAL

» We strive to fulfill stakeholder expectations of the greener economy by reducing environmental impacts by minimising resource waste and focusing on more effective use of available resources.

Read more about our environmental stewardship on the pages 212 - 222



SOCIAL

» LBF's strategy, long-term viability and social responsibility initiatives have a definite influence on human lives. Our investments and participation in initiatives outside of our normal business operations are designed to empower communities through improved access to healthcare and education facilities, in turn resulting in reduced social inequalities resulting in long-term benefits for as a whole.

Read more about how we support relevant social imperatives on the pages 184 - 211



GOVERNANCE

» Our corporate governance structures led by LBF's Board of Directors and the respective Board and Management-level committees ensure that ESG matters receive appropriate level of attention and that responsible ESG practices are implemented throughout the organization, both at a strategic and operational level.

Read more about our governance on the pages 225 - 243

WHAT WE DISCUSS HERE



1 PLAN FOR SUSTAINABLE DEVELOPMENT GOALS

We understand that financial value cannot be generated in isolation, which has led us to reinforce our commitment to embed ESG considerations into all areas of our business. In order to deepen our commitment to the UN SDGs, we have identified primary and secondary SDGs based on their relevance to our business. Accordingly, we have earmarked 17 UN SDGs to be the most relevant to LBF's business, within the broader industry and national context. In addition, in the year under review, we revisited our SDG roadmap to introduce clear KPIs to support the achievement of specific targets over the next 3- 5 years.

3 SUSTAINABILITY HOT TOPICS

The world today is experiencing sustainability challenges like never before. Among them is the ever-present and ever-growing concerns regarding environmental degradation and the impact of climate change. In the recent past, we have also seen social inequalities further heightening due to the pandemic-induced economic downturn. In Sri Lanka, these challenges have been further compounded by political instability.

2 SUSTAINABILITY CHALLENGES

As a financial services institution, LBF strives to lead the way in finding solutions to the challenges of these key sustainability by:

- » Developing accessible products and services and driving innovation to promote greater financial inclusion
- » Offering customised financing solutions to address environmental and social challenges
- » Supporting the transition to a more sustainable economy and managing our impacts on the environment
- » Supporting fair and equitable procurement in order to drive economic

growth and job creation

- » Helping people gain access to education as well as skills development through high quality training initiatives
- » Contributing to the stability of the financial services system through sound governance, ethical conduct, fraud and data security and the prevention of money laundering and terrorism financing
- » Providing employment free from discrimination and in compliance accordance with fair labour practices
- » Ensuring the wellbeing of employees
- » Supporting greater inclusivity in the workplace by reduce the gender parity at all levels of the operation

TOPIC 01 SDG Direction **8 9 10 17** Capital Relevance **SC** Strategic Relevance **SB**

Continue to invest in strategic capabilities that drive market headship

Continually investing in the development and advancement of important capabilities through strategic value-adding partnerships that provide access to industry-leading capabilities such as mainstream payments solutions.

Importance to LBF

- » Investing in building LBF's strategic capabilities will improve the Company's reach to pave the way for revenue diversification and organic growth.

Critical success factors

- » Fit-for-purpose strategic partnerships to drive transformative operations

TOPIC 02 SDG Direction **8 9 10 11 12 16** Capital Relevance **IC** Strategic Relevance **DB**

Evolve our execution model of technology architecture that powers digital transformation

Expedite the adoption of modern technological infrastructure in order to accelerate digital transformation in a safe and controlled manner.

Importance to LBF

- » Financial institutions in Sri Lanka are increasingly competing on their capacity to address not just the conventional financial requirements of their clients, but also the demands of their customers for various associated services that go beyond traditional lending. Thus the need for integrated solutions becomes more compelling.

Critical success factors

- » Optimise the use of core technology enablers
- » Harnessing the power of cloud computing, artificial intelligence, machine learning and other new technologies
- » Build employee capacity through targeted training interventions

SUSTAINABILITY AT LBF

TOPIC 03

SDG Direction

4 8 9 11 16

Capital Relevance

MC

HC

Strategic Relevance

SB

ET

Empower and nurture an entrepreneurial culture

Entrepreneurship and an opportunity-driven attitude are characterised by a mix of originality and innovation achieved through greater workplace diversity.

Importance to LBF

A company's capacity to adapt quickly and effectively to changing market conditions and new client demands is critical to being relevant and competitive. The entrepreneurial spirit and the desire to innovate will be critical drivers in stakeholder value creation.

Critical success factors

- » Purpose-driven value culture
- » Innovative mindset
- » Leadership engagement and role modeling
- » Established framework to measure entrepreneurial culture transformation

TOPIC 04

SDG Direction

8 9 11 16

Capital Relevance

MC

HC

Strategic Relevance

SB

ET

Create a diverse market force that best light our customer's expectations

Selective expansion of LBF's footprint in both key markets (Sri Lanka and Myanmar). Our immediate objective will continue to be the preservation of capital, with a shift to cautious expansion as economic circumstances improve.

Importance to LBF

- » Expanding our reach serves as a key lever in achieving growth objectives faster. It also allows us to diversify our portfolio by entering new markets, or strategically collaborating to broaden our market reach.

Critical success factors

- » Customer-centricity as the 1st priority
- » Holistically review customer needs and expectations
- » Innovation fuelled by digital data analytics
- » Leveraging artificial intelligence and real-time data access to dynamically address the needs of customers.

4 OUR CONTRIBUTION

4.1 Contribution to gender parity

GLOBAL TREND

Gender parity has a fundamental bearing on whether or not economies and societies thrive. While the representation of women in governance and in leadership roles in the corporate sector has been increasing in recent years, there is still a long way to go in order to achieve equality. Statistics suggest that supporting empowerment as a general rule, corresponds with increased numbers of women in senior roles in the labour market. Furthermore, investing equally to develop both men and women helps to drive economies of scale and improve future readiness of companies.

LBF CONTEXT

LBF's does not discriminate on the basis of gender or any other status protected by law. However, a majority of the Company's field sales force remains largely male-dominated. Taking proactive steps to correct this situation, specific gender parity thresholds have been established for every stage of the employment lifecycle.

More information on page 166 for gender reporting information

4.2 Contributing to the united nations sustainable development goals

GLOBAL TREND

The 17 Sustainable Development Goals (SDGs) launched by the UN in 2015 have provided a clear framework for countries and organisations to realign their economic, social and environmental strategies to meaningfully tackle the most pressing sustainability challenges of our time. The fact that the SDG's have provided clear 2030 targets pushes governments and corporations towards the systematic implementation of projects at a granular level

LBF CONTEXT

LBF contributes to the SDGs both directly and indirectly. Through our core business of providing financial services, we support individuals, directly enabling them to enhance their financial stability and quality of life. By supporting businesses, LBF is indirectly contributing to economic growth and job creation across Sri Lanka.

In addition, by conserving resources and driving diversity, financial inclusion, education, we contribute to the societies and natural environment in which we operate

5 CSR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Through our Corporate Social Responsibility (CSR), we focus on long-term community upliftment programs as we endeavor to provide the necessary support to address the unique needs of disadvantaged communities across Sri Lanka. To maximize the impact, of our efforts we work closely with partners and sponsors.

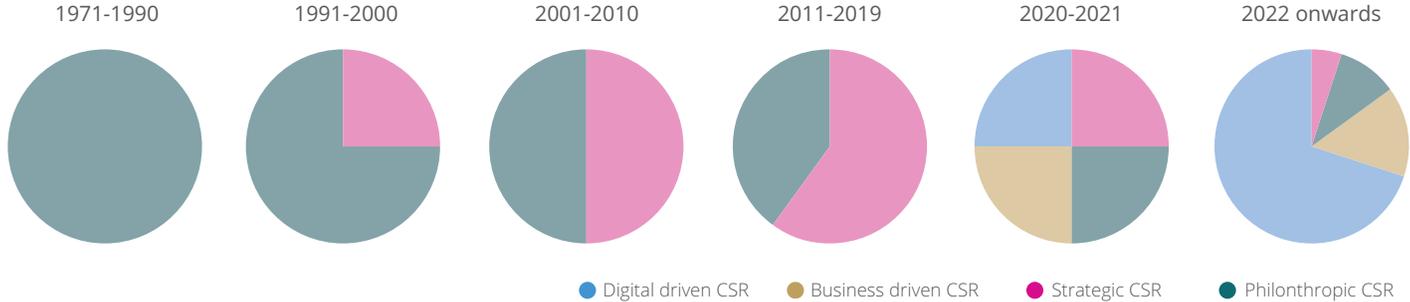
Our attention in particular is directed towards education, sports and business development where we make a concerted effort to ensure that beneficiaries also contribute to the project's long-term sustainability and doing so empower them to take ownership for the success of the endeavor.



SUSTAINABILITY AT LBF

5.1 Our CSR journey

CSR journey more focus on digital (According to digitalization strategy we conduct several CSR programmes in the social media platform)



5.2 CSR Performance summary – Describe process towards the goals and any changes made to boost

Project	Description	Investment	Engagement type	Voluntary hours	Contribution	
					Company	SDGs
1. Awareness programmes in celebration of International Days	World health day, Diabetes day, Hand wash day, Slandered day, Postal day, teachers’ day, Animals day, Children day and Elders day, Translation day, Heart day, Tourism day, Suicide prevention day, literacy day, Friendship day, Mother day, Population day, Earth day. Ocean day, Father day, Water day, Oral health day, Global recycle day, Women day, Scout day, Radio day, Safer internet day, Wetland day, Mountain day, Human rights day, Soil day, disability day, Computer literacy day, AIDS day, Computer security day, Violence against women, slandered day, Mental health day, Teachers’ day, Non- violence day, Translation day, Heart day, Photography day and Friendship day	None	Pro Bono	228	Cover all CSR pillars	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17
2. “Digital New Year Dawn with LB” - Cultural awareness	Protecting Sri Lanka’s traditional customs relating to the Sinhala and Tamil new year festival and tamil customs related to Thaipongal	None	Pro Bono	63	Heritage 1st	10

Project	Description	Investment	Engagement type	Voluntary hours	Contribution	
					Company	SDGs
3. Online Awareness building	<p>Tips for time management - educate on effective time management</p> <p>Stress Management</p> <p>Tips to spend the day in a productive way</p> <p>Personality Building</p> <p>Saving habits</p> <p>Protect human rights</p> <p>HIV Awareness</p> <p>Awareness on Cancer – Create cancer free world</p> <p>Save your kids - Attention your children education</p> <p>Managing your money</p> <p>How to successfully start your own business - little ideas worth making your own business dream a reality</p> <p>Social media usage in a responsible manner and Share responsible and accurate news via social media.</p> <p>Save fuel for a better future</p> <p>Health and safety -Awareness campaign to follow the safety habits to protect yourself and others</p> <p>Develop your personality</p> <p>How to spend a day productively</p> <p>Breaking the cycle of being lazy</p> <p>Awareness on debit and credit card</p> <p>Road safety and safety tips</p> <p>How to take your financial freedom</p> <p>Enhance finance literacy</p>	None	Pro Bono	623	Education 1st	
4. October declared as Cyber security month - Awareness campaign	<p>Not everyone who seems friendly are real F.R.I.E.N.D.S.</p> <p>Know the difference</p> <p>Beware of fraudulent emails</p> <p>Be cautious of the portable devices before using the</p> <p>Do not share sensitive and personal information in social media</p>	None	Pro Bono	88	Education 1st	
5. Save our seas	<p>90% of the big fish in the ocean are gone, 50% of the coral reefs are gone</p> <p>Let us come together to save the ocean</p>	None	Pro Bono	22	Environment 1st	
6. Entrepreneurship development	Utilise your hidden skills to earn an income	None	Pro Bono	18	Education 1st	

SUSTAINABILITY AT LBF

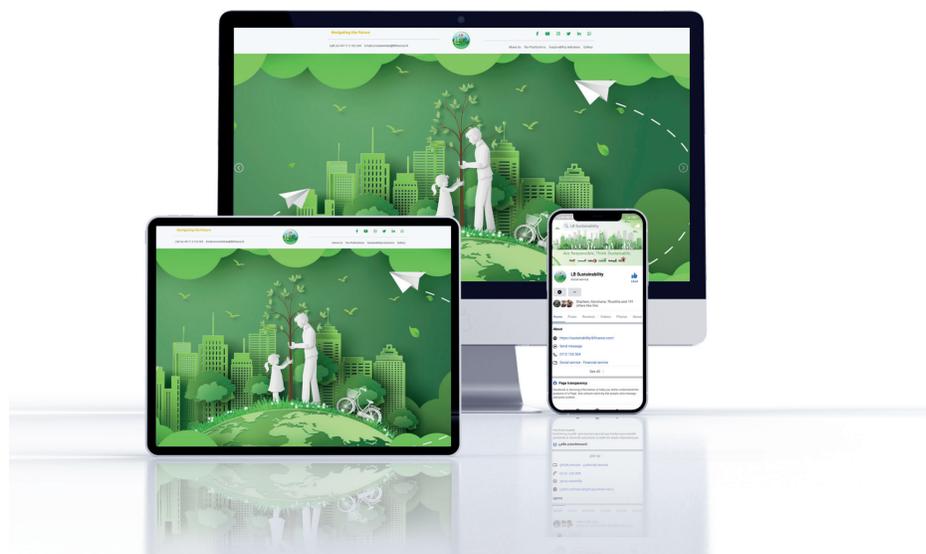
Project	Description	Investment	Engagement type	Voluntary hours	Contribution	
					Company	SDGs
7. Digital education	Facilitating digital education through Digital Schools Awareness on how to use a social media in a responsible way Webinar for identify your audience in social media Global trends in Digital Media	None	Pro Bono	337	Education 1st	11 12
8. LB Coding Champs	Online computer coding education programme for children based on three age categories	None	Pro Bono	294	Education 1st	3 11 12
9. LB "Supiri Veera Man"	Children's day art competition Children's day video competition	None	Pro Bono, In-kind	321	Education 1st	4
10. Care for your vehicle	Awareness on your vehicle safety - steps to ensure that your vehicle lasts longer	None	Pro Bono	24	Safety 1st	9
11. LB auto review	Awareness building on vehicle trends and vehicle usage	Rs. 83,000	Pro Bono	63	Safety 1st	9
12. LB career support	"LB Pragathi Virtual Career Fair" series in partnership with the NIBM Institute of Higher Education, Institute of Information Technology (SLIIT and SLTC Institute of Higher Education to promote higher education in the face of the global epidemic	None	Pro Bono	127	Education 1st	8 9
13. "LB Sara Siththam"	Protecting our ethics and values – short movies	Rs. 1,450,000	Pro Bono	319	Help 1st, Heritage 1st	8 9
14. Encouraging home gardening	Community engagement - by sharing your garden	None	Pro Bono	13	Environment 1st	13
15. Save electricity	Responsibility to consume energy wisely to overcome the prevailing energy crisis. Minimize energy consumption. Switch off unnecessary lights and name boards. Let's join hands together to support our country.	None	Pro Bono	17	Education 1st	12 13
16. SYNDICATE Business Case Study Competition	Partnered with AIESEC Sri Lanka and the University of Sri Jayewardenepura to conduct #SYNDICATE Business Case Study Competition to harness the professional potential of youth by making them challenge their own perspective	Rs. 120,000	In-kind	72	Education 1st	17
17. Distribution of dry ration for needy families	The unfolding COVID-19 crisis is challenging people, households and employees in unprecedented ways. As employees too get affected by the pandemic, LB Finance PLC initiated a support system to safeguard their wellbeing by sending out Covid Relief packet. Provided packs of daily essentials to the DIG Office of Colombo	Rs. 140,000	In-kind	122	Help 1st	3

Project	Description	Investment	Engagement type	Voluntary hours	Contribution	
					Company	SDGs
18. Elastic Cut Campaign	Used face masks are killing wildlife with animals and birds found tangled in the straps of masks. One simple step can prevent this. Cut the elastic before disposing of the masks.	None	Pro Bono	23	Safety 1st	12 15
19. Helping hand for the needy	LB Finance PLC made a donation of Wheelchairs to the Seva Vanitha Unit of the Sri Lanka Air force	None	Pro Bono	53	Help 1st	3
20. Entrepreneurship development	How to build and develop your business on social media	None	Pro Bono	31	Education 1st	8 9
21. Helping hands to children home	Donation to early childhood development center	Rs. 94,668	In-kind	108	Help 1st	3 11
22. LB Internship programme	Develop soft skills of the fresh graduates	Rs. 6,388,501	In-kind	10,600	Education 1st	8
23. Informative boards	Awareness through installation of building information	Rs. 3,350,000	In-kind	412	Environment 1st	13 15
24. LB tree planting programme	Planting trees to the mother nation celebration of 50th anniversary	Rs. 160,000	In-kind	271	Environment 1st	13 15

6 ENGAGE WITH OUR SUSTAINABILITY INITIATIVE

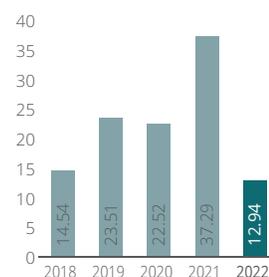
In recent times, we have begun leveraging digital technology and social media to raise awareness and garner more support for our CSR efforts. This past year saw LBF taking the first steps to articulate its CSR vision through the launch of a dedicated sustainability website and a special social media handle under the theme “LB Sustainability”

Throughout the past five decades, LBF has contributed to the nation’s progress by impacting the lives of countless Sri Lankans, both directly and indirectly. Our impact makes positive changes to the environment and people by addressing the triple bottom line. The following table is the snapshot of LBF contribution in the recent three years



	2017/18	2018/19	2019/20	2020/21	2021/22
CSR expense (Rs. million)	23.51	26.95	22.52	37.29	12.94
Volunteer employees	609	548	1,701	370	150
No. of volunteer hours	9,079	14,195	20,131	5,764	15,250

CSR EXPENSE Rs.Mn



SUSTAINABILITY AT LBF

6.1 Our capital reporting practices and relevance to SDGs

Inputs	Outcomes	Page references	Related SDGs
FC Monetary investment	Monetary gains/savings	120 - 147	8 12
HC Management hours	Employee benefits & living standards	158 - 171	5 10
MC Physical infrastructure & materials	Sustainability & longevity of infrastructure	148 - 157	9 11
IC Knowledge investment	Knowledge enhancement	172 - 183	9 4
SC Partnerships	Community inclusion and well-being	184 - 211	1 2 3 4
NC Natural resources	Protection/optimization of resources	212 - 222	13 15

7 OUR SUSTAINABLE RESOURCE ALLOCATION PRACTICES AND RELEVANCE TO SDGS

Project	G1	G2	G3	G4	G5	G6	G7	G8	G9	G10	G11	G12	G13	G14	G15	G16	G17
Special attention for women empowerment					✓					✓							✓
Community initiatives	✓	✓	✓	✓	✓							✓		✓			
Capacity development				✓	✓			✓									
Skill development				✓	✓			✓									
Green lending practices								✓					✓		✓		
Green initiative													✓		✓		
Sustainable business expansion								✓	✓			✓					
Digital literacy				✓				✓	✓		✓						

G - United Nations Sustainable Development Goals

8 OUR 2030 SUSTAINABILITY AMBITIONS

We have defined a new set of ambitions to reflect our 2030 vision to build a better world and help to alleviate some of the biggest challenges that communities are facing today.

Focus area	KPIs	2015 Where we were	2021 Where we are	2025 Where we will be	Link to the SDGs
Wealth generation	Economic value generation	●	●	●	8 9
Customer centricity	Smarter business solutions	●	●	●	9 11
Workforce utilization	Outlet per employee	●	●	●	5 10
Climate changes	Reduction of carbon footprint of the company	●	●	●	13 15
Brand visibility	Brand value	●	●	●	9
Gender parity	Men : Women ratio	●	●	●	5 10

H High **M** Medium **L** Low

Focus area	KPIs	2015 Where we were	2021 Where we are	2025 Where we will be	Link to the SDGs
Community engagement	Community engagement for the CSR activities				1 2 3 4
Supplier management	Supplier screen assessment				8 17
Up hold governance and compliance	Governance and compliance training programmes				8 16
ICT involvement	Invest for ICT				9 11

High Medium Low

CONSOLIDATED SET OF IR STANDARDS

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1	ELEMENTS OF AN INTEGRATED REPORT		
1.1	Organisational overview and external environment		
1.1.1	An integrated report should disclose the main activities of the organization and the environment in which it operates	6 - 8, 64 - 67, 18, 52 - 65, 262 - 266	About the report, Business model, Our operation context, Product portfolio, Risk management
1.1.2	An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters The organization's:	16 - 18	Vision, Mission, Values and Goals statements
1.1.3	» Culture, ethics and values	16 - 18	Organisational values, Organisational hierarchy
1.1.4	» Ownership and operating structure including size of the organisation land location of its operations	16 - 17	About us, Organisational structure
1.1.5	» Principal activities and markets	64 - 67, 18	Business model, Product portfolio
1.1.6	» Competitive landscape and market positioning	62	Company SWOT
1.1.7	» Position within the value chain and its process	197 - 198	Social and relationship capital- business partners
1.1.8	» Key quantitative information (Employees/Operating results /Highlights)	64 - 67	Business model
1.1.9	» Significant factors affecting the external environment and the organization's response	28 - 31, 16 - 17	Financial and non-financial highlights, About us
1.1.10	» The legitimate needs and interests of key stakeholders	52 - 65, 36 - 39	Our operation context, Managing director's review
1.1.11	» Macro and micro economic conditions, such as economic stability, globalization, and sustainability / industry trends	68 - 81	Integrated stakeholder engagement
1.1.12	» Market forces, such as the relative strengths and weaknesses of competitors and customer demand	32 - 34, 52 - 65	Chairperson's statement, Our operation context
1.1.13	» Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	172 - 183	Intellectual capital
1.1.14	» The legislative and regulatory environment in which the organization operates	184 - 211	Social and relationship capital

SUSTAINABILITY AT LBF

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.2 Governance			
1.2.1	An integrated report should show how the organization's governance structure supports its ability to create value in the short, medium and long term	64 - 67, 92 - 101, 226 - 243	Business model, Strategic road map, Corporate governance
1.2.2	An integrated report needs to provide an insight about its ability to create value	64 - 67, 92 - 101	Business model, Strategic road map
1.2.3	» The organization's leadership structure, including the skills and diversity	42 - 45, 224 - 243	Profile of the Board of directors, Statement of corporate governance
1.2.4	» Mandatory and voluntary code of corporate governance adopted by the Company		Corporate governance tables https://sustainability.lbfinance.com/
1.2.5	» Code of ethical conduct adopted by the Company in relation to ethical business	224 - 243	Statement of corporate governance - Ethics and Compliance
1.2.6	» Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	257 - 259	Integrated risk management committee report
1.2.7	» Governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	257 - 259	Integrated risk management committee report
1.2.8	» How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	224 - 243	Corporate governance
1.2.9	» Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	120 - 222	Capital reports
1.2.10	» The responsibility those charged with governance take for promoting and enabling innovation	226 - 243	Corporate governance
1.2.11	» How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals	-	Not reported
1.3 Stakeholder Identification/relationships			
1.3.1	An integrated report should identify its key stakeholders and provide insight into the nature and quality of the organization's relationships with its key stakeholders,	68 - 81	Integrated stakeholder engagement
	» At what extent the organization understands	68 - 81	Integrated stakeholder engagement
	» Takes into account and responds to their legitimate needs and interest	68 - 81	Integrated stakeholder engagement
1.3.2	Disclose the following in their integrated reports in respect of stakeholder relationships:	68 - 81	Integrated stakeholder engagement
	» How the company has identified its stakeholders	68 - 81	Integrated stakeholder engagement
	» Stakeholder engagement methodology	68 - 81	Integrated stakeholder engagement
	» Identification of material matters of stakeholders	82 - 91, 68 - 81	Our material matters in action, Integrated stakeholder engagement
	» How the Company has applied such matters	82 - 91, 68 - 81	Our material matters in action, Integrated stakeholder engagement
	» How the stakeholders are engaged in assessing impacts, implications and outlook in respect of Company's business model	82 - 91, 68 - 81	Our material matters in action, Integrated stakeholder engagement

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.3.3	Capitals		
	An integrated report needs to provide insight about the resources and the relationships used and affected by the organization	120 - 222, 92 - 101	Capital reports, Strategic roadmap
	How the organization interacts with the capitals to create value over the short, medium and long term	120 - 222, 64 - 67	Capital reports, Business model
	An integrated report need to identify the various forms of capitals which are essential for the success of its business operations	120 - 222, 64 - 67	Capital reports, Business model
1.3.3.1	» Financial Capital -The pool of funds that is available to the organization for use in the production of goods or provision of services	120 - 147	Financial capital
1.3.3.2	» Manufacturing Capital - Manufactured physical objects that are available to the organization for use in the production of goods and provision of services	148 - 157	Manufactured capital
1.3.3.3	» Intellectual Capital - Organizational Knowledge based intangibles	172 - 183	Intellectual capital
1.3.3.4	» Human Capital - People's competencies, capabilities and experience, and their motivations to innovate	158 - 171	Human capital
1.3.3.5	» Social & Relationship Capital - The institutions and the relationships within and between communities, groups of stakeholders and other networks and collective wellbeing	184 - 211	Social and relationship capital
1.3.3.6	» Natural Capital - All renewable and non-renewable environmental resources and processes that provide goods and services that support the past, current and future prosperity of the organization	212 - 222	Natural capital
1.4	Business model		
	An integrated report should describe the organization's business model		
1.4.1	An integrated report need to describe the business model, including key: » Inputs » Business activities » Outputs » Outcomes	64 - 67	Value creation process, Business model
1.4.2	Features that can enhance the effectiveness and readability of the description of the business model include: » Explicit identification of the key elements of the business model » A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization	64 - 67	Business model
1.4.3	» Narrative flow that is logical given the particular circumstances of the organization	64 - 67	Business model
1.4.4	» Identification of critical stakeholder and other dependencies and important factors affecting the external environment	68 - 81	Integrated stakeholder engagement

SUSTAINABILITY AT LBF

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.4.5	» Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance	64 - 67, 92 - 101	Business model, Strategic roadmap
	Inputs		
1.4.6	An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization	64 - 67	Business model
1.4.7	Business activities		
1.4.8	An integrated report describes key business activities. This can include: How the organization differentiates itself in the market place	64 - 67, 102 - 114	Business model, Business line review
1.4.9	How the organization approaches the need to innovate	64 - 67, 102 - 114	Business model, Business line review
1.4.10	How the business model has been designed to adapt to change	92 - 101	Strategic roadmap
1.4.11	Outputs		
	An integrated report identifies an organization's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality	102 - 114	Business line review
1.4.12	Outcomes		
	Both internal outcomes and external outcomes Both internal outcomes and negative outcomes	64 - 67	Business model
1.5	Performance		
1.5.1	An integrated report needs to explain the extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals? An integrated report should contain qualitative and quantitative information such as:	30 - 31	Non-financial highlights
1.5.2	» Quantitative indicators with respect to targets and risks and opportunities, » Explaining their significance, their implications, and the methods and » Assumptions used in compiling them	30 - 31	Non-financial highlights
1.5.3	» The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	82 - 91	Our material matters in action

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.5.4	» The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	184 - 211	Social and relationship capital
1.5.5	» The linkages between past and current performance, and between current performance and the organization's outlook.	184 - 211, 28 - 31, 36 - 39	Social and relationship capital, Financial and non-financial highlights, Managing director's review
1.5.6	Include instances where regulations have a significant effect on performance or the organisation's non-compliance with laws or regulations may significantly affect its operations	257 - 259	Integrated risk management committee report
1.6	Risks, opportunities and internal controls		
	An integrated report should explain what are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term	262	
	And effectiveness of the system of internal controls.		
	» The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	262	
	» The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	262	
	» The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs	262	Online information available- Integrated risk management report https://sustainability.lbfinance.com/
	» Risk Management Report (Which includes details about risk, root cause, potential impact, response to risk, risk rating)	262	
	» Response on the effectiveness of the internal controls and the board's responsibility for the disclosures on internal controls to safeguard stakeholder interest.	262	
1.7	Strategy & Resource Allocation		
1.7.1	An integrated report should describe its strategic direction (Where does the organization want to go and how does it intend to get there)	64 - 67	Business model
1.7.2	An integrated report needs to identify: The organization's short, medium and long term strategic objectives	92 - 101	Strategic roadmap
1.7.3	The strategies it has in place, or intends to implement, to achieve those strategic objectives	102 - 114	Business line review
1.7.3.1	» How the entity has positioned in the wider market	102 - 114	Business line review
1.7.3.2	» How the long term strategies relate to current business model	64 - 67	Business model
1.7.3.3	» The resource allocation plans it has to implement its strategy	92 - 101	Strategic roadmap
1.7.3.4	» How it will measure achievements and target outcomes for the short, medium and long term	92 - 101	Strategic roadmap

SUSTAINABILITY AT LBF

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.7.4	<p>The linkage between the organization's Strategy & Resource Allocation and the information covered by other Content Elements, including</p> <ul style="list-style-type: none"> » Relationship with the organization's business model » What changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change » Respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals 	92 - 101, 64 - 67	Strategic roadmap, Business model,
1.7.5	<p>What differentiates the organization to give it competitive advantage and enable it to create value, such as:</p> <ul style="list-style-type: none"> » The role of innovation » How the organization develops and exploits intellectual capital » The extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage » Key features and findings of stakeholder engagement that were used in formulating its Strategy & Resource Allocation plans. 	172 - 183, 92 - 101	Intellectual capital, Strategic roadmap
1.8	Outlook		
1.8.1	<p>An integrated report should explain what challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for future performance?</p>	120 - 222, 36 - 39	Capital reports, Managing director's review-Going forward
1.8.2	<p>An integrated report should highlight anticipated changes over time and provides information on:</p> <ul style="list-style-type: none"> » The organization's expectations about the external environment the organization is likely to face in the short, medium and long term » How that will affect the organization » How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise. 	52 - 65, 92 -101	Our operation context, Strategic roadmap
1.8.3	<p>The discussion of the potential implications, including implications for future financial performance may include:</p> <p>The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives</p>	52 - 65	Our operation context

Ref. no	Particulars	Page Reference	Chapter/Section Reference
1.8.4	An integrated report may also provide lead indicators and sensitivity analyses. If forecasts or projections are included in reporting the organization's Outlook Summary of related assumptions is useful Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook	120 - 222, 64 - 67	Capital reports, Business model, Online information available - Integrated risk management report
1.8.5	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject	6 - 8	About the report
1.9 Basis of preparation and presentation			
1.9.1	An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated,	82 - 91	Our material matters in action
1.9.2	An integrated report describes its basis of preparation and presentation, including:		
	» A summary of the organization's materiality determination process	82 - 91	Our material matters in action
	» Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters	82 - 91	Our material matters in action
	» Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.	82 - 91	Our material matters in action
	» A description of the reporting boundary and how it has been determined Eg: Include process used for identifying the reporting boundary, geographic scope, the entities represented in the report and the nature of the information provided for each entity	6 - 8	About the report- scope and boundaries
	» A summary of the significant frameworks and methods used to quantify or evaluate material matters (e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry based framework for evaluating risks).	82 - 91	Our material matters in action
2 RESPONSIBILITY FOR AN INTEGRATED REPORT			
2.1	An integrated report should include a statement from those charged with governance that includes:	224	Corporate governance- Chairperson's message
	» An acknowledgement of their responsibility to ensure the integrity of the integrated report	224	
	» An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report	224	
	» Their opinion or conclusion about whether the integrated report is presented in accordance with the Framework	224	

SUSTAINABILITY AT LBF

Ref. no	Particulars	Page Reference	Chapter/Section Reference
3	OTHER QUALITATIVE CHARACTERISTICS OF AN INTEGRATED REPORT		
3.1	Conciseness		
	An integrated report should be concise.		
	An integrated report need to include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information	82 - 91	Our material matters in action
	Follows logical structure and includes internal cross-reference as appropriate to limit repetition.	82 - 91	Our material matters in action
	Express concepts clearly and in as few words.	82 - 91	Our material matters in action
	Favours plain language over the use of jargon or highly technical terminology.		
	Avoids highly generic disclosures.		
3.2	Reliability and completeness		
	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error	92 - 101, 226 - 243	Strategic roadmap, Corporate governance
	The organization achieves the reliability and completeness through,		
	» Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of integrated report.	82 - 91	Our material matters in action
	» Giving equal conservation to both increases and decreases in the capitals, both strengths and weaknesses of the organization, both positive and negative performance etc.	68 - 118	Management discussion and analysis
	When information includes estimates, this is clearly communicated and the nature of limitations of the estimation process are explained.	289	Independent auditor's report
3.3	Consistency and comparability		
	The information in an integrated report should be presented:		
	» On a basis that is consistent over time	28 - 29	Financial statements highlights for the year
	» In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time	120 - 144	Decade at a glance, Financial capital
	» Presenting information in the form of ratios		
	» Reporting quantitative indicators commonly used by other organizations with similar activities, particularly when standardized definitions are stipulated by an independent organization		
	» Reporting policies are followed consistently from one period to other unless a change is needed to improve the quality of information reported.	120 - 144	Financial capital, Financial statements
	» Reporting the same KPIs if they continue to be material across reporting period.		

Ref. no	Particulars	Page Reference	Chapter/Section Reference
3.4	Connectivity of information		
	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.	64 - 67	Business model
	» Capitals	64 - 67	Business model
	» Content elements		
	» Past, Present & Future	120 - 222, 36 - 39	Capital reports, Managing director's review
	» Finance and other information	120 - 147	Finance capital
3.5	Materiality		
	An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term	82 - 91	Materiality determination
3.6	Assurance on the Report		
	» The policy and practice relating to seeking assurance on the report	297, 298 - 299, 225	Independent auditors report on financial statements, Directors' responsibility for internal control, Financial reporting and corporate governance
	» The nature and scope of assurance provided for this particular report		

REPORTING ON ANTI-CORRUPTION PROGRAMMES

TRANSPARENCY IN CORPORATE REPORTING ASSESSMENT, ISSUED BY TRANSPARENCY INTERNATIONAL SRI LANKA

No.	Questions	Page reference
1	<p>Does the company have a publicly stated commitment to anti-corruption?</p> <p>Commitment to anti-corruption with Anti-bribery and corruption policy</p> <p>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. The LBF Board of Directors set the tone from the top to promote a culture of ethics and transparent behaviour across the Group. 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;</p> <ul style="list-style-type: none"> » 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. <p>Frequently we communicate these policies to our employees and also continuously reiterate the importance of legal and regulatory compliance.</p>	
2	Does the company publicly commit to be in compliance with all relevant laws including anti-corruption laws?	7, 197, 226, 228
3	Does the company leadership (senior membership or board) demonstrate support for anti-corruption?	197
4	Does the company code of conduct/anti-corruption policy explicitly apply to all employees and directors?	193, 224, 240, 241
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)?	197
6	Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?	197
7	Does the company have in place an anti-corruption training programme for its employees and directors?	169
8	<p>Does the company have a policy on gifts, hospitality and expenses?</p> <p>These guiding principles are supported by a company ABC policy and code of conduct dealing with anti-bribery and corruption, including conflicts of interests, gifts and hospitality, facilitation payments, hosting of customer events, marketing sponsorships, and due diligence of third party service providers. In addition, receiving or giving 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.</p>	
9	Is there a policy that explicitly prohibits facilitation payments?	Refer point 8

No.	Questions	Page reference
10	<p>Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?</p> <p>Commitment through whistleblowing policy</p> <p>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 Committee is satisfied with the present corporate governance framework of the organisation which ensures a balance of power and authority.</p> <p>The Committee ensures the Whistleblowing Policy of the Company is a current, active set of measures to which all employees/ incidents have recourse. There were no complaints by whistle-blowers during the year. Company is enable their 1 employees and others to raise concerns and report violations without risk of reprisal. All employees are encouraged to practice whistleblowing if they suspect any wrongdoing. Senior Management, from time to time conducts awareness programs to encourage staff to raise genuine concerns. The Compliance Officer reports on the whistleblowing incidents to the Committee each quarter end. The Committee remains committed to follow-up on any future complaints/incidents, should they occur. There no employee would suffer demotion, penalty or other reprisals for raising concerns or reporting violation.</p>	
11	<p>Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting (whistle-blowing)?</p> <p>Our employees are provided mainly an open door of channel to raise concerns regarding ethical behaviour including the Company's whistle-blower policy for reporting of fraud or financial irregularities or breaches of anti-corruption policies or misappropriations. 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. Quarterly awareness programmes are 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</p>	
12	<p>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?</p> <p>Assessing Bribery and Corruption Risk (BC Risk)</p> <p>a) 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.</p> <p>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.</p> <p>b) 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.</p> <p>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 as specified consequent to the above process monitored by Compliance department to escalate actual or potential Bribery and Corruption risks identified during the quarter under review.</p> <p>c) 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 will be included to assess the adequacy of the controls established within the entity in addressing the risks which include BC risks where applicable</p>	
13	<p>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?</p>	61

REPORTING ON ANTI-CORRUPTION PROGRAMMES

Organisational Transparency

No.	Questions	Page reference	Description
14		17, 366, 367	
15	Which of the following information does the	percentages owned in each of them	17, 367
16	company disclose for all of its fully consolidated subsidiaries?	country of incorporation (for each entity)	17, 244, 366, 367
17		country of operations (for each entity)	17, 244, 366, 367
18	Which of the following information does the	full list with names	N/A
19	company disclose for all of its non fully consolidated	percentages owned in each of them	N/A
20	holdings, such as associates,	country of incorporation (for each entity)	N/A
21	joint-ventures?	country of operations (for each entity)	N/A

Domestic Financial Reporting

No.	Questions	Page reference	Description
22	Does the company disclose its revenue/sales in Sri Lanka?	305, 306, 430, 421	
23	Does the company disclose its capital expenditure in Sri Lanka?	305, 306, 430, 421	
24	Does the company disclose its pre-tax income in Sri Lanka?	127, 305, 306, 430, 329, 330	
25	Does the company disclose its income tax in Country Sri Lanka?	127, 305, 306, 430, 329, 330	
26	Does the Company disclose its community contribution in Country Sri Lanka?	201, 219, 272	
27	Does the Company have a publicly stated policy against sexual harassment?	166	
28	Does the Company adopt a gender inclusive/equal opportunity recruitment policy?	166, 167	
29	Does the Company adopt a gender inclusive/equal opportunity promotion policy?	167	
30	Does the Company have a publicly stated commitment to non-discrimination based on gender?	166	

IR ASSURANCE REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC IN THE INTEGRATED ANNUAL REPORT- 2021/22

Scope

We have been engaged by the management of LB Finance PLC (“the Company”) to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the following elements of its Integrated Annual Report for the year ended 31 March 2022 (the “Integrated Report”).

- » Reasonable assurance engagement on the information on financial capital management as specified on pages 120 - 147 of the Integrated Report.
- » Limited assurance engagement on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment and outlook presented in the Integrated Report.

Criteria applied by LB Finance PLC

The Integrated Report is prepared based on the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) (the “criteria”) publicly available at IIRC's website at “www.integratedreporting.org”

LB Finance PLC's responsibilities

LB Finance PLC's management is responsible for selecting the criteria, and for presenting the Integrated Report in accordance with the said criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate

records and making estimates that are relevant to the preparation of the Integrated Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Integrated Report in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements

SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with LB Finance PLC in the engagement letter dated 27 February 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Integrated Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide reasonable and limited assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance indicators within the Integrated Report

IR ASSURANCE REPORT

and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Integrated Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- » Perform a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).
- » Perusing the Integrated Annual Report – Financial Capital element information to understand whether the information contained are properly derived from the audited financial statements.

- » Interviewing the selected key management personnel and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report.
- » Obtaining an understanding of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the stakeholders, how the Company creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- » Obtaining an understanding of the description of the Company's strategy and how the Company creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- » Perusing the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- » Perusing the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- » Perusing the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Report.

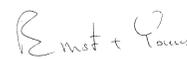
Restricted use

This report is intended solely for the information and use of LB Finance PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- » The information on financial capital management as specified on pages 120 - 147 of the Integrated Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2022.
- » Nothing has come to our attention that causes us to believe that other information presented in the Integrated Report are not fairly presented, in all material respects, in accordance with the Guiding Principles and Content Elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).



Chartered Accountant

Colombo
18 May 2022

EY2022051113510

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GRI ASSURANCE REPORT



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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT-2021/22

Scope

We have been engaged by the management of LB Finance PLC (“the Company”) to perform an independent assurance engagement, as defined by the Sri Lankan Standard on Assurance Engagements, on the sustainability reporting criteria presented in the Integrated Annual Report for the year ended 31 March 2022 (the “Report”).

- » Reasonable assurance on the information on financial performance as specified on page 08 of the Report.
- » Limited assurance on other information presented in the Report, prepared in accordance with the GRI Standards: Comprehensive option.

Criteria applied by LB Finance PLC

The sustainability reporting criteria presented in the Report has been prepared in accordance with The Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines, publicly available at GRI’s global website www.globalreporting.org.

This Report has been prepared in accordance with the GRI Standards: Comprehensive option (the “criteria”).

LB Finance PLC’s responsibilities

LB Finance PLC’s management is responsible for selecting the criteria, and for presenting the Report in accordance with the said criteria, in all material respects. This responsibility includes

establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to support the sustainability reporting process of the Report, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young’s responsibilities

Our responsibility is to express a conclusion on the presentation of the Report in accordance with the GRI Standards: Comprehensive option based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard on Assurance Engagements

SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka and the terms of reference for this engagement as agreed with LB Finance PLC in the engagement letter dated 27 February 2022.

The standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Report in order for it to be in accordance with the criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our independent assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies Sri Lanka Standard on Quality Control (SLSQC 1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We performed our procedures to provide an independent assurance engagement in accordance with SLSAE 3000.

Procedures performed in the reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the reasonable assurance Indicators in order to design the assurance procedures that are appropriate in the circumstances. Our procedures also included assessing the appropriateness of the reasonable assurance indicators, the suitability of the criteria in preparing and presenting the reasonable assurance

GRI ASSURANCE REPORT

indicators within the Report and obtaining an understanding of the compilation of the financial information to the sources from which it was obtained.

Procedures performed in the limited assurance engagement consisted of making inquiries, primarily of persons responsible for preparing the Report and related information and applying analytical and other appropriate procedures. These procedures vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

We also performed the below procedures as we considered necessary in the circumstances:

- » Perform a comparison of the content of the Report against the Global Reporting Initiative (GRI) - GRI Standards guideline.
- » Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- » Review and validation of the information contained in the Report.

- » Check the calculations performed by the organization on a sample basis through recalculation.
- » Advice, make recommendations and suggestions on the Sustainability Reporting indicators to improve the presentation standard.
- » Independently review the content of the Report and request changes if required.
- » Express an independent assurance conclusion on the performance indicators presented in the Sustainability Reporting criteria.

Emphasis of matter

Social, natural and intellectual capital management data/information are subjected to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Restricted use

This report is intended solely for the information and use of LB Finance PLC and is not intended to be and should not be used by anyone other than the specified party.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- » The information on financial performance as specified on page 08 of the Report is properly derived from the audited financial statements of the Company for the year ended 31 March 2022.

- » Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from the GRI Standards: Comprehensive option.



Chartered Accountant

Colombo
18 May 2022

EY2022051113510

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