

LB Finance Awarded ‘A+’ Rating for Stability and Asset Quality



Ravindra Yatwara, Executive Director, LB Finance (center left) receiving the award.

LB Finance, one of Sri Lanka’s largest Licensed Finance Companies, has been awarded an ‘A+’ credit rating with a Stable outlook by Lanka Rating Agency (LRA), underscoring the company’s strong credit fundamentals, superior asset quality, and robust capital position. The rating places LB Finance among the top-tier non-banking financial institutions in the country. The ‘A+’ rating is based on the company’s financial performance and position as at end-September 2025, reflecting its solid market standing, resilient profitability, and disciplined risk management framework.

As of September 2025, LB Finance accounted for 12.3 percent of total sector assets and 12.4 percent of sector deposits, highlighting its scale and systemic relevance within the licensed finance company sector. For the six months ended September 2025, LB Finance recorded a Profit After Tax of 5.8 billion rupees, representing a 23.7 percent year-on-year increase. Net Interest Income for the six-month period amounted to 14.2 billion rupees, supported by timely repricing of assets and effective balance sheet management. The Company delivered a full-year FY25 Profit After Tax of 10.8 billion rupees, with Return on Equity of 22.8 percent in FY25 and 21.9 percent for the first half of FY26, demonstrating sustained earnings strength. A key driver underpinning the rating is LB Finance’s exceptional asset quality, which remains significantly stronger than industry peers. As of September 2025, the company reported a Gross Non-Performing Loan ratio of 1.55 percent and a Net NPL ratio of -1.36 percent, supported by a provision coverage ratio of 187.7 percent, reflecting conservative provisioning practices and prudent credit risk management.

The company’s capital strength as at September 2025 was also a major rating positive. LB Finance reported a Total Capital Adequacy Ratio of 23.66 percent and a Tier 1 Capital Ratio of 22.74 percent, comfortably exceeding the regulatory minimum requirements of 14 percent and 10 percent, respectively. Dr. Kenneth De Zilwa, CEO, Lanka Rating Agency, stated: “The ‘A+’ rating is anchored on LB Finance’s superior asset quality metrics, strong capitalization profile, and demonstrated ability to generate stable earnings across operating cycles. The company’s provisioning buffers, liquidity management, and disciplined credit underwriting provide a high degree of balance sheet protection, which is critical in the current macroeconomic environment. Our assessment recognizes LB Finance as a structurally resilient institution with the governance depth and financial flexibility required to sustain growth without compromising credit fundamentals.” Subsequent to the September 2025 rating reference period, LB Finance sustained its strong

performance through the nine months ended 31 December 2025. The Group recorded a Profit after Tax of nine billion rupees, reflecting a 26 percent year-on-year growth, supported by continued income expansion and disciplined cost management.

Net Interest Income for the nine-month period increased to 22.3 billion rupees, while Total Operating Income grew by 26 percent to 27.9 billion rupees. The balance sheet expanded further, with total assets reaching 369 billion rupees as at end-December 2025, while shareholders' equity strengthened to 59.5 billion rupees, reinforcing the Group's financial resilience and capacity to support future growth. In November 2025, LB Finance acquired a controlling stake of over 73 percent in Associated Motor Finance (AMF), strengthening its footprint in vehicle financing and positioning the Group to unlock operational and strategic synergies. The merger is expected to be completed by March 31, 2027, subject to regulatory approvals.

Niroshan Udage, Managing Director, LB Finance, stated: "This 'A+' rating is a strong validation of our disciplined approach to risk management and operational excellence. As we expand our capabilities, we remain committed to delivering sustainable value to our customers, shareholders, and the Sri Lankan economy." The Stable outlook reflects LRA's confidence in LB Finance's ability to sustain its strong credit profile, supported by its established market leadership, experienced management team, sound governance framework, and continued focus on sustainable growth.