

LB Finance's Growth Momentum: Performance, Innovation, and Strategic Foresight



LB Finance Corporate Office.

LB Finance delivered a standout performance in 2024/25, reaffirming its position as Sri Lanka's second-largest Non-Bank Financial Institution. The Company has sustained this momentum through the first nine months of 2025/26, reflecting consistent execution and clarity in strategic direction. In conversation with Business Today, Managing Director Niroshan Udage attributes this success to a forward-

looking approach built on prudent risk management, an innovation-driven business model, reliance on digital transformation, and a strong focus on nurturing a skilled and empowered workforce. Looking ahead, he outlines the Company's strategic priorities and shares his confidence in LB Finance's ability to deliver sustainable growth while strengthening its competitive edge in an evolving financial landscape.

Words: Jennifer Paldano Goonewardane.

LB Finance delivered a record performance in 2024/25 and has sustained strong growth momentum in the first nine months of 2025/26, despite operating within a gradually stabilizing economic environment. What were the key strategic inflection points that enabled the Company to translate macroeconomic recovery into consistent and superior financial results?

The 2024/25 performance was not merely the result of economic recovery; it reflected deliberate strategic positioning undertaken during the more challenging phases of the cycle. Our diversified product portfolio enabled us to respond swiftly to evolving customer needs, particularly within SME and retail segments. We have been investing in digital transformation and in expanding our branch network.

Strengthening our digital platforms improved credit assessment, turnaround times, and operational efficiency, while selective branch expansion enhanced customer accessibility and market reach. These initiatives significantly enhanced operational scalability as volumes accelerated. Funding optimization was another critical focus. By diversifying our funding base and prudently managing our cost of funds, we strengthened our funding resilience while remaining competitive in a declining rate environment.

This strategic approach has translated into continued momentum in 2025/26. For the first nine months, our Profit After Tax reached 8.9 billion rupees, reflecting a strong 24 percent year-on-year growth, while our asset base expanded to 349 billion rupees. The lifting of vehicle import restrictions further created renewed lending opportunities, particularly in asset-backed segments. Having already strengthened our risk frameworks and operational capacity, we were well-positioned to capitalize on this demand responsibly.

Profitability and asset quality have improved simultaneously at LB

Finance, a combination not easily achieved in competitive credit markets. What governance and risk disciplines underpin this balance?

Achieving healthy profitability alongside high asset quality requires a well-structured, integrated approach to governance and risk management. At LB Finance, we have built robust frameworks that guide decision-making across all levels of the organization.

Our credit governance is anchored in clear underwriting standards and multi-layered approval processes. Every lending decision is assessed not only for immediate returns but also for a sustainable business partnership. We continuously monitor early warning indicators and portfolio performance to identify potential stress points before they escalate.

Further, risk management is embedded into our operations. Our dynamic risk appetite framework ensures growth opportunities are balanced with prudent exposure limits. Regular scenario analysis, stress testing, and portfolio reviews allow us to respond proactively to changing market conditions.

Technology also plays a pivotal role. We have integrated AI-driven credit evaluation tools that speed up credit assessments and help identify potential risks early. Finally, a strong governance culture and accountability across the organization ensure that risk awareness is integral to every business decision. This combination of structured oversight, proactive monitoring, and technology-enabled evaluation enables LB Finance to grow profitably while maintaining high asset quality, even in competitive, evolving credit markets.

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Capital strength and liquidity management remain central to investor confidence. How is LB Finance positioning its balance sheet to navigate interest rate shifts and funding diversification challenges?

At LB Finance, we take a proactive approach to both capital strength and liquidity

management. Our balance sheet strategy emphasizes maintaining capital and liquidity ratios well above regulatory requirements, ensuring resilience under varying market conditions.

Securing foreign borrowing indicated the strong foreign investor confidence in our business model and governance. This, combined with diversified funding across deposits, domestic borrowings, and wholesale channels, positions us to navigate market volatility. This enables us to support growth, safeguard financial stability, and maintain trust among investors and stakeholders.

Technology advancement is redefining financial intermediation globally. Beyond efficiency gains, how is digital transformation reshaping your business model and competitive advantage?

New technologies, including AI, are transforming financial services worldwide, and at LB Finance, we have embraced this shift to strengthen both our operations and customer experience. Digital transformation for us is about reshaping our business model to enable faster decision-making, improved risk assessment, and enhanced customer engagement.

At the heart of our digital evolution is the LB CIM mobile app, which has become the core of our transformation journey and the primary touchpoint for our customers' digital engagement. For us at LB Finance, this shift isn't just about adopting the latest technology; it's about fundamentally reimagining how we serve our community. By launching Sri Lanka's first fully integrated online loan service, we replaced tedious paperwork with AI-driven credit models that can approve and disburse funds almost instantly. We are moving beyond the traditional role of a lender to become a comprehensive lifestyle partner, using data science and analytics to anticipate needs rather than just reacting to them. As we advance this transformation, I am fully aware that with great technology innovation comes a greater responsibility toward information security. That is why we invest as heavily in technology risk resilience and data privacy, ensuring that as we grow faster and more accessible, we remain a trusted partner in an increasingly digital world.

In the increasingly competitive NBFIs landscape, our differentiation lies in the unique synergy between 50-plus years of trust and an aggressive tech-first strategic execution. We don't see ourselves as just a financial company; we are a customer-centric organization that uses technology to

honor our promises faster and more reliably than anyone else.

With increasing competition in the NBFIs space, what differentiates LB Finance in terms of brand trust, customer experience, and strategic execution?

In the increasingly competitive NBFIs landscape, our differentiation lies in the unique synergy between 50-plus years of trust and an aggressive tech-first strategic execution. We don't see ourselves as just a financial company; we are a customer-centric organization that uses technology to honor our promises faster and more reliably than anyone else. Our brand trust is built not only on decades of stability and industry leadership, but also on recognition by independent third-party institutions such as credit rating agencies. The strong credit ratings we have secured, including A- (Ika) from Fitch Ratings and A+ from Lanka Rating Agency, reinforce our financial strength, enhance our credibility with investors and customers, and signal that LB Finance is a reliable and resilient financial partner. This recognition further strengthens our brand equity and deepens stakeholder confidence in our ability to consistently deliver on our commitments, even in a competitive, dynamic market environment.

We remain agile, executing a strategy that balances over 220 physical branches with a sophisticated digital ecosystem. This strategic precision has evidenced our expansion into new market segments. Ultimately, our competitive advantage lies in our ability to scale with the efficiency of a fintech firm while maintaining the deep-rooted personal reliability that has made us a household name in Sri Lanka.

Microfinance and SME financing are often viewed as high-impact yet high-risk segments. How does LB Finance approach these areas to ensure both financial inclusion and sustainable returns?

A key initiative driving our approach to microfinance and SME lending is the "LB SANMITHA" business loan program, which provides unsecured financing specifically tailored to micro and small entrepreneurs. The program serves as an entry point, enabling early-stage business owners to access capital and build their ventures. Importantly, lending decisions under this scheme are based on forward-looking credit assessments that evaluate both the business's potential and the entrepreneur's capabilities, rather than relying solely on collateral.

By engaging with customers at the beginning of their entrepreneurial journey, LB Finance supports their growth toward larger and more sophisticated financing needs over time. While unsecured micro and small business lending carries inherently higher credit risk, we adopt a long-term, relationship-driven approach. This includes proactive monitoring, financial education, and structured repayment support, allowing us to manage risk effectively while building loyal, sustainable customer relationships. These initiatives are treated as strategic investments that contribute not only to portfolio growth but also to financial inclusion, aligning closely with national priorities to promote entrepreneurship and SME development.

Beyond financial access, the “LB SANMITHA” program has empowered youth and women, enabling young entrepreneurs and female-led businesses to access funding that might otherwise be difficult to obtain. By supporting these underserved groups, we help strengthen livelihoods, foster self-employment, and promote inclusive economic participation, all while ensuring sustainable returns for LB Finance and our stakeholders.

ESG integration is becoming increasingly important across the financial services industry. How is LBF embedding sustainability principles into its lending, operations, and stakeholder engagement?

LB Finance drives sustainability through a dedicated Sustainability Department, supported by strong governance structures including the Board Sustainability Committee and the Sustainability Management Committee.

The Company operates under a clearly defined ESG Policy and ESG Roadmap, ensuring structured implementation aligned with internationally recognized sustainability standards and evolving stakeholder expectations. As a carbon-conscious organization since 2012, LB Finance conducts comprehensive carbon footprint assessments covering Scope 1, Scope 2, and Scope 3 emissions, including financed emissions. The Company became the first finance company in Sri Lanka to obtain independent assurance for its carbon footprint.

Further strengthening its net-zero journey, LB Finance partners with global initiatives such as PCAF and SBTi to align climate commitments with science-based methodologies. From a lending perspective, sustainability considerations are increasingly integrated into financing decisions to promote responsible economic development.

Operationally, LB Finance continues to enhance environmentally responsible practices, strengthen governance frameworks, and improve transparency across business processes. On the social front, the Company actively promotes financial literacy and community development.

As an official partner of national financial literacy initiatives led by the Central Bank of Sri Lanka, LB Finance contributes to enhancing financial awareness, encouraging responsible borrowing practices, and strengthening financial inclusion across communities. The organization also supports national sustainability initiatives, such as Clean Sri Lanka, contributing to ESG advancement across the country. The Company remains strongly committed to women's empowerment and skills development platforms, alongside programmes focused on capacity building for individuals and small businesses.

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How is LBF nurturing talent, innovation, and adaptability within the organization to support future growth?

LB Finance recognizes that sustainable success depends on a capable, engaged, and future-ready workforce. The Company's over 4,500-strong team remains central to delivering both personalized, relationship-driven service and innovative, technology-enabled solutions.

Employees are developed through structured training, a clearly defined career pathway, and a performance-based culture reinforced by recognition and rewards. These practices support both talent retention and internal mobility, with many senior executives advancing from within, reflecting the organization's focus on merit and capability.

Diversity, equity, and inclusion are integral to our strategy. Women now represent over 45 percent of the workforce and are actively encouraged to assume senior leadership positions and branch management roles, promoting gender balance and

equity across all functions.

At the same time, LB Finance continues to accelerate digital transformation, with technology acting as an enabler rather than a replacement. This allows staff to focus on higher-value activities, improving operational efficiency, agility, and responsiveness. The Company also emphasizes occupational health and safety, employee well-being, and a competitive benefits structure, including strategic recruitment close to branch locations to support work-life balance, productivity, and workforce stability.

Overall, LB Finance's talent strategy is grounded in professional development, inclusivity, equity, and career security, positioning the Company to maintain a motivated, adaptable workforce capable of driving long-term growth and strategic objectives.

As a leading Non-Bank Financial Institution in Sri Lanka, how does LB Finance contribute to the country's economic growth and support national development objectives?

As a systemically important Non-Bank Financial Institution, LB Finance plays a significant role in supporting Sri Lanka's economic growth and maintaining financial stability. By providing responsible credit and financial services across diverse sectors, we help ensure liquidity, facilitate investment, and support the broader functioning of the economy.

Our operations contribute to job creation across both our direct workforce and the businesses we finance. As the largest taxpayer in the NBFIs sector, we also make a meaningful contribution to national revenue, reinforcing our role in the country's economic development. Through initiatives like SME and microfinance lending, we actively support entrepreneurship, bringing new business owners into the formal economy and enabling them to scale sustainably. At the same time, we are expanding financial access for previously unbanked populations, promoting financial inclusion, and empowering communities.

At LB Finance, we are committed to creating value responsibly, generating sustainable returns while ensuring that value is fairly distributed among stakeholders, including employees, customers, shareholders, and society at large. We also integrate climate change adaptation and mitigation strategies into our operations and product design, ensuring that our growth is environmentally

responsible and resilient. In essence, our strategy combines financial stewardship, social responsibility, and sustainable growth, positioning LB Finance as a key contributor to both national economic development and the well-being of the communities we serve.

As LB Finance continues its evolution into a technology-driven financial institution, our top strategic priorities over the next three to five years are sustainable growth, innovation, and expansion of our regional footprint. We are actively pursuing expansion beyond Sri Lanka.

As LBF continues to evolve into a technology- driven financial institution, what are the Company’s top strategic priorities over the next three to five years? Are there plans to diversify into new financial verticals, product offerings, or strategic partnerships to strengthen long-term competitiveness?

As LB Finance continues its evolution into a technology-driven financial institution, our top strategic priorities over the next three to five years are sustainable growth, innovation, and expansion of our regional footprint. We are actively pursuing expansion beyond Sri Lanka.

In addition to our established microfinance operations in Myanmar, we are advancing the proposed operation in the Philippines, which will enable us to extend our expertise in inclusive finance, SME lending, and customer-centric solutions to new markets. These regional initiatives reflect our confidence in scaling a proven business model across emerging economies. Further strengthening our industry footprint, LB Finance acquired a controlling stake in Associated Motor Finance Company in 2025, one of the country’s oldest finance companies, with plans for future consolidation. These strategic moves aim to accelerate asset growth, expand the customer base, and diversify product offerings.

At the same time, we continue to strengthen our domestic presence, particularly in underserved and underbanked locations, ensuring that our physical network complements our digital strategy. Digital transformation remains central to our roadmap. We continue investing in AI-driven decision-making and advanced analytics to enhance credit evaluation, risk management, and operational efficiency.

Alongside this, we are introducing sustainable financial products that address both customer needs and broader ESG priorities. In select urban locations, we are transforming branches into digital-first hubs, providing a seamless, technology-enabled customer experience, while maintaining traditional branches where personal, relationship-driven service remains critical.

Overall, our strategy balances innovation with accessibility, domestic consolidation with regional growth, and technology with human engagement, ensuring LB Finance remains competitive, resilient, and capable of delivering long-term value to customers and stakeholders.