

INVESTING



OUR STRATEGY

Our strategy is based on offering customers the best in-class deposit and savings solutions that will allow them to make optimal use of market opportunities to enhance their financial capacity. Focuses on building long-term relationships with customers and involves providing personalized service, promptly addressing our customer inquiries or concerns, and offering additional benefits or incentives to retain customer loyalty.

MANAGEMENT APPROACH

Our main goal is to teach customers how to choose reliable financial institutions. This was the selling proposition get new depositors at lower rates. Our Company is mostly funded through deposit products. Our primary source of funds comes from savings and fixed deposits. Expansion and development are impossible without first establishing and then sustaining a solid

foundation of deposits. Due to our renowned brand and the trust our customers have in us, we have one of the biggest deposit bases among LFCs in Sri Lanka. The stability of our corporate brand and the variety of our branch locations are two of the main reasons why our customers have trust in our business. We also made the strategic choice to shift away from relying only on fixed

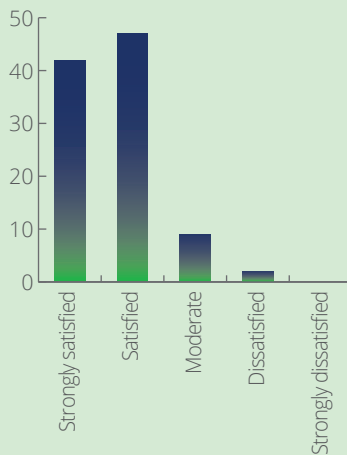
deposits in order to increase our savings base. Taking into consideration the rising market interest rates, LBF made a concerted efforts to enable customers to access a wide range of options that satisfy their financial objectives, be it short term gain or long term resilience.

Survey Insights by

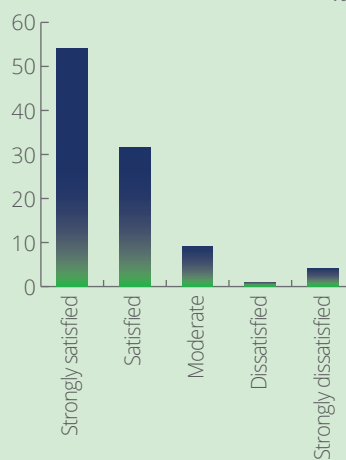


Marketing Department of
University of Sri Jayewardenepura

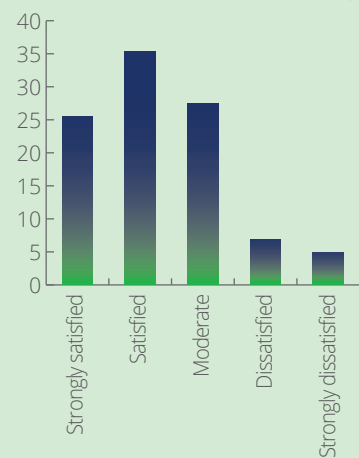
Trustworthiness of Company



Friendliness in Service



Attractiveness of Interest Rate



BUSINESS REVIEW

INVESTING

CORE COMPETENCIES

- ▶ A diverse range of highly customer-centric innovative products
- ▶ Convenient process for deposit account opening at any branch
- ▶ Account opening and operating through CIM

STAKEHOLDER EXPECTATIONS

- ▶ Highest security
- ▶ Best return on 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

Product offerings



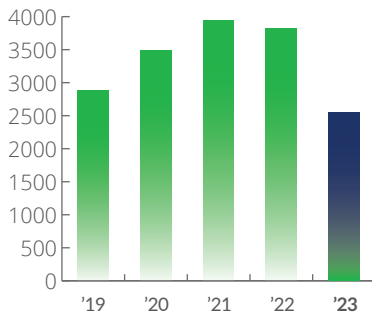
FIXED DEPOSIT



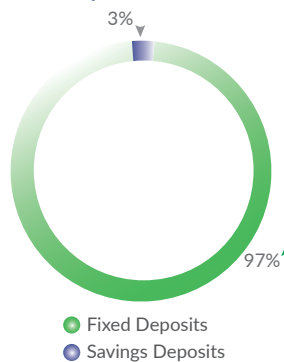
DEPOSITS

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 to serves all main segments of the market.

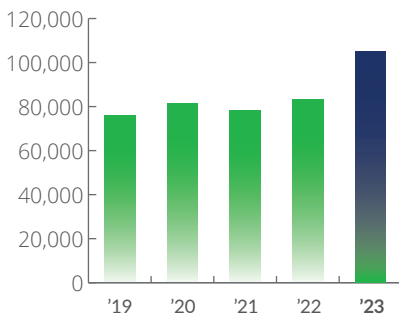
Savings Deposits Base Rs.Mn



Deposit Base Mix



Fixed Deposit Base Rs.Mn



Strategy and performance

The financial year started with CBSL announcing the first upward revision in interest rates, which was followed by progressive rate hikes throughout the course of the year. Given the instinctive reaction of customers to shop for the best possible rates, LBF was compelled to reprice its deposit portfolio several times to remain competitive and retain its customer base. As part of the overall customer retention strategy, several new tenure options (50, 150, 330 days as well as 5 and 8 months) were also introduced. A combination of these efforts saw LBF recording a 79% FD retention ratio on average basis in the financial year 2022/23, a commendable achievement amidst the highly competitive environment that prevailed in the current year.

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

Refer Risk Management Report
on page 370

Meanwhile, ever mindful of the need to regulate the asset and liability mismatch, LBF's deposit mobilisation activities focused largely on attracting shorter tenure deposits. The strategy was tremendously successful as evidenced by the robust growth in the 50 / 100 /150 days and the 5 / 8-month schemes. Moreover, in a bid to diversify the portfolio risk as much as possible, it was decided to shed high-cost large deposits and drive growth through smaller ticket deposits. Aggressive promotional activities by branch teams to mobilise smaller ticket deposits saw LBF's deposit customer base as well as the number of deposit accounts showing a twofold increase compared to the previous year.

In yet another significant achievement the number of deposits made via the LB CIM app hit a record high following the rollout of the fully functional FD platform on the app.

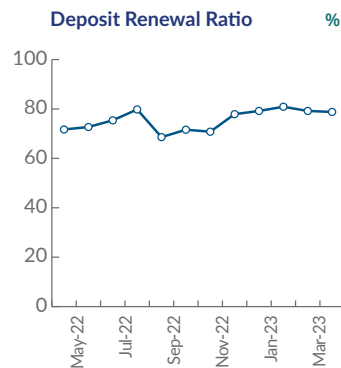
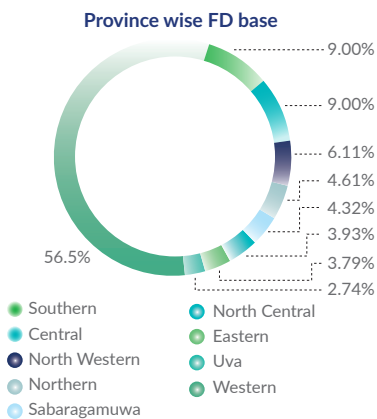
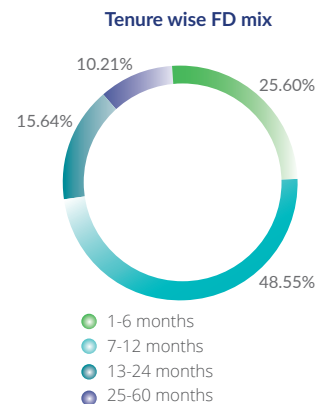
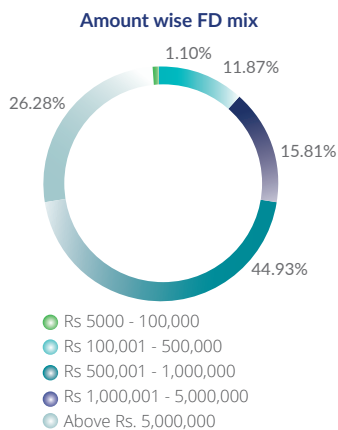
Although deposit flows slowed noticeably from December 2022 onwards following the enactment of the CBSL Directive on WHT and advance income tax on interest-bearing deposits, the steady inflow in deposits earlier in the year resulted in LBF recording the highest-ever deposit volumes in the current financial year. Furthermore, bolstered by strong growth in the first three quarters, LBF's fixed deposit portfolio crossed the historic Rs. 100 billion landmark in October 2022. The fixed deposit portfolio by the end of March 2023 was Rs. 111.46 billion, a remarkable 31% above the Rs. 85.31 billion was recorded at the end of the previous financial year.

FUTURE PROSPECTS

Following the unexpected growth spurt experienced in the financial year 2022/23, the demand for fixed deposits will likely slow down considerably in the year ahead as interest rates gradually stabilise. LBF for its part will remain vigilant of these developments and take appropriate actions to consolidate its fixed deposit portfolio to balance the maturity mismatch while achieving optimal cost of funds.

Key Macro-Economic challenges

- ▶ Rising interest rates
- ▶ Intense competition
- ▶ Time to time fiscal policy changes



SAVINGS



BEST THINGS | AT THE RIGHT PLACE | WITH SAFETY

Strategy and performance

Several factors were responsible for the weak demand for Savings in the current financial year, key among them was the high-rate environment which prompted investors to seek out more lucrative alternatives. The deterioration in disposable incomes owing to high inflation and the new tax regime also harmed the proclivity to build up the Savings portfolio.

Challenged by such circumstances beyond its control, LBF worked on multiple fronts to retain existing Savings customers. Traditional mechanisms such as the daily cash collection process were further strengthened in a bid to boost savings volumes. The LB CIM app was also used to encourage customers to maintain minimum balances in their Savings

accounts in return for concessionary rates and access to value-added services. The strategy has proven to be the most cost-effective way to mobilise savings, especially given the minimum staff deployment.

The new customer acquisition was spearheaded by the cross-selling strategy to offer end-to-end financial solutions.

Despite these efforts, however, LBF's overall Savings portfolio witnessed a marked decline compared to the previous year. The split between Savings and Term deposits also changed, with Savings accounting for only 3% of the total deposit base.

FUTURE PROSPECTS

Having experienced some notable success in mobilising Savings through the LB CIM app, the focus going forward would be to look for ways to further expand the use of this channel to increase the Savings customer base.

BUSINESS REVIEW

INVESTING

Customer awareness

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BUILDING FOR FUTURE

Objectives and Goals	Short term	Medium term	Long term
	Digitalisation of deposit products under the LB CIM digital wallet	Explore alternative channels to on-board customers	Interactive digital platform to facilitate real time customer engagement
Related strategic focus	BSF IG	BO IG	BS IG
Related material drivers	ITS CBI	HPT CEC	ITS LRC
Related stakeholders	C SH E	C SH S/C	C SH
SDGs impact	8 12	9 11	9 12