


## UNPACKING OUR STRATEGY




### Deepening our commitment to the SDGs

While the UN has not ranked the SDGs by order of importance, internally LBF has identified primary and secondary SDGs based on their relevance to our business. This approach will guide how we prioritise our resources and commitments in order to maximise our impact to the benefit of each of our key stakeholders






 Further reading

- ▶ How to determine the strategic focus
- ▶ How to determine the strategic priorities

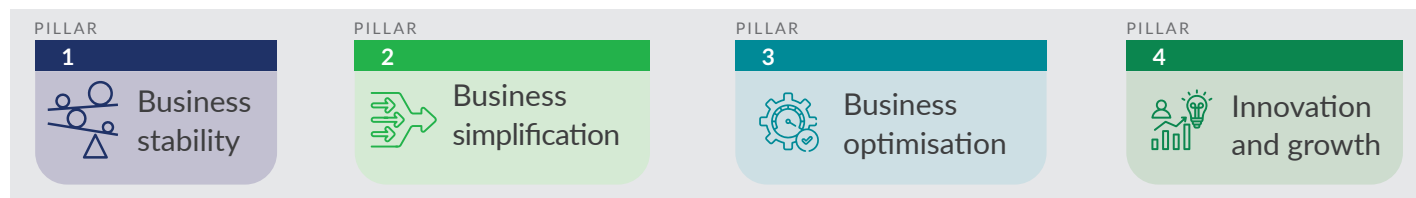
### 3 STRATEGIC ROADMAP FOR AMBITION 2030

We will be more deliberate about strengthening core competencies while pursuing specialisation and create a platform for consistent growth in key markets. This requires that we significantly intensify our focus on the following action plan

Strategic dimension	Our long-term objectives	Our mid-term to short-term objectives	
 Building a brilliant business	<ul style="list-style-type: none"> <li>▶ Focus on customers</li> <li>▶ Put customers at the heart of everything we do to safeguard their best interests</li> </ul>	<ul style="list-style-type: none"> <li>▶ Market-leading growth</li> <li>▶ Create access to sustainable, affordable, quality financial services coupled with specialised advisory services</li> </ul>	<ul style="list-style-type: none"> <li>▶ Value creation for all stakeholders</li> <li>▶ Expand the geographical reach and build a solid presence in the digital space</li> </ul>
 Strengthening our strategic enablers	<ul style="list-style-type: none"> <li>▶ Protect and strengthen our culture</li> <li>▶ Inspire employees to embrace LBF's core purpose as part of their core value system</li> </ul>	<ul style="list-style-type: none"> <li>▶ A talented and diverse team</li> <li>▶ Promote employee engagement diversity, inclusion and transformation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Digitally powered business</li> <li>▶ Improving the experience, efficiency, simplicity and reach of our products and services</li> </ul>
 To create sustainably economic value for our stakeholders	<ul style="list-style-type: none"> <li>▶ Sustainable business operation</li> <li>▶ Lead by example in demonstrating responsible, inclusive and sustainable corporate citizenship</li> </ul>	<ul style="list-style-type: none"> <li>▶ Transform the business model to achieve superior operating excellence through modern, simple service tools</li> <li>▶ Embedding ESG excellence</li> <li>▶ Focus on regulatory compliance and social best practices</li> </ul>	<ul style="list-style-type: none"> <li>▶ Building a values-based culture</li> <li>▶ A strong values-based, ethical organisational culture provides a solid foundation for values-based decision-making and conduct in support of our stakeholders</li> </ul>

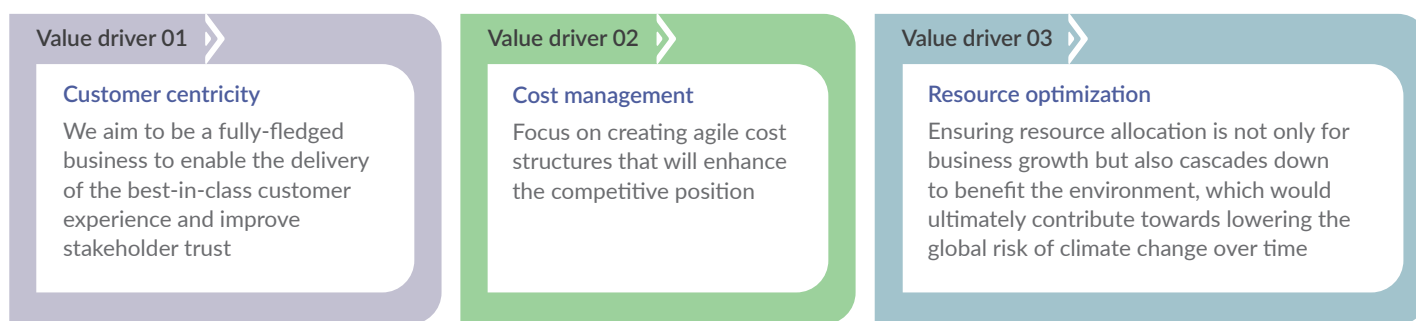
## 4 KEY STRATEGIC PILLARS 2022/2023

LBF key strategic pillars are developed to create and preserve value for our stakeholders in the short, medium, and long term. When formulating our strategic pillars, we consider the availability, quality, and affordability of the six capitals, as well as the impact of our activities on them, and achieve our sustainability ambition in 2030. In this context, we strive to grow LBF's earnings while securing the Company's sustainability across all the capitals by focusing on maximising positive outcomes while avoiding instances of value erosion as much as possible.



### PILLAR 1 Business stability

Our vision, mission, and values guide us as we deliver on our core purpose based on the principle of shared value. We measure the performance of this shared value model against our strategic targets across three dimensions.



#### Value creation activities during the year

- ▶ Focus on digital delivery systems to promote easily accessible and cost-effective financial solutions
- ▶ Strengthening LBF's island-wide reach

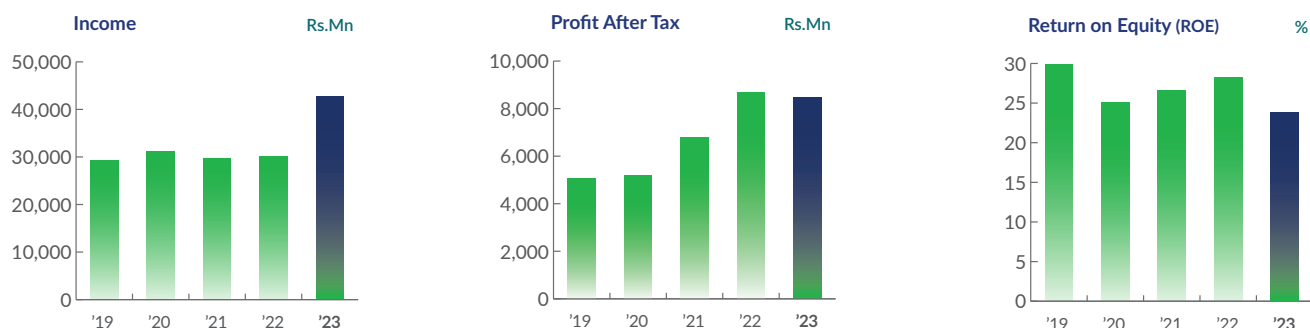
#### Our progress

- ▶ Launch of the CIM business loan and CIM personal loan via the LB CIM mobile wallet application
- ▶ Opened 11 new branches, including 9 in the North and East regions of the country

#### Our KPIs

- ▶ Revenue growth
- ▶ Profit after tax
- ▶ Return on equity
- ▶ Cost-to-income ratio

#### Five year trends



## UNPACKING OUR STRATEGY

Resources allocation	Challenges experienced
<ul style="list-style-type: none"> <li>▶ We have significantly increased the allocation of financial, human and intellectual resources in-line with our objective to grow the business and maintain operating margins</li> </ul>	<ul style="list-style-type: none"> <li>▶ The increasing complexity of regulatory requirements and products and services regulations, requiring additional resources to maintain and upgrade</li> </ul>
<p><b>Future focus</b></p> <ul style="list-style-type: none"> <li>▶ Driving the growth of the core businesses through product innovation and expansion into new markets</li> <li>▶ Pursuing multi-dimensional growth by creating customised hybrid models for different market segments</li> <li>▶ Collaborate with fin-techs to create new products that present a first-mover advantage in the market</li> </ul>	
<p>Related risk - Operational risk, Market risk</p>	<p>Related SDGs <span style="color: red;">8</span> <span style="color: orange;">9</span> <span style="color: gold;">12</span></p>

**PILLAR 2** **Business simplification** We will simplify and streamline the way we work internally and with our customers. This will enhance our focus on delivering agile, integrated, and hyper-efficient business solutions

<p><b>Value driver 04</b> ▶</p> <p><b>Efficient process architecture</b> Streamline our value chain processes to become more agile in our service delivery</p>	<p><b>Value driver 05</b> ▶</p> <p><b>Best-in-class digital customer experience</b> Become the leading digital disruptor in the local NBFi by delivering market-leading customer solutions that assured for the safety</p>	<p><b>Value driver 06</b> ▶</p> <p><b>Data-Driven Insights</b> Increase the use of AI-based platforms to gain deeper insights into customer consumption trends, and spending habits as well as to proactively identify areas for internal process improvement</p>
--	--	---

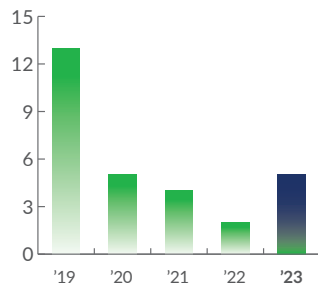
**Value creation activities during the year**

- ▶ Significantly increased the use of robotic process automation to streamline internal processes
- ▶ Recruited, trained and mobilised additional human resources to strengthen the IT based solution
- ▶ Strengthened due diligence and information security risk management

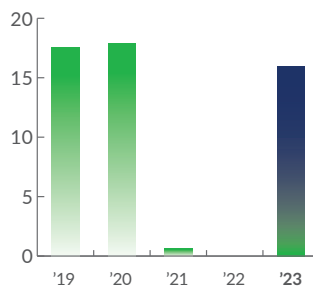
Our progress	Our KPIs
<ul style="list-style-type: none"> <li>▶ Integration with CRIB backend</li> <li>▶ Seamless verification of customer credit profiles in real time has greatly simplified the credit evaluation process while improving overall cost efficiencies</li> <li>▶ Implemented a new customer rating dashboard to assess customer satisfaction with spot resolutions provided by call centre agents</li> </ul>	<ul style="list-style-type: none"> <li>▶ Investment on IT hardware</li> <li>▶ Investment on IT software</li> <li>▶ CIM merchant acquisition</li> <li>▶ Branch relocations</li> </ul>

Five year trends

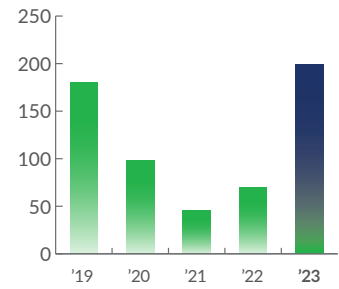
Branch Re-location



Investment on IT Software Rs. Mn



Investment on IT Hardware Rs.Mn



Resources allocation

Challenges experienced

- ▶ Deliver appropriate technology solutions to new and existing customers resulting in the improvement in socio-economic standards
- ▶ Evolving technology trends and the high cost of keeping up-to-date with the latest technology.
- ▶ Increased security threats due to the heavy use of digital technology is also another key challenge

Future focus

- ▶ Enhancing LBF's position as the category leader in shared-value financial services
- ▶ Improve the efficiency of the system audit process using AI technology
- ▶ Complete the migration to the new ISO 27001 - 2022 standard
- ▶ Strengthen the efficacy of the IAD's audit plan through external assurance

Related risk - Operational Risk, IT risk, Market risk

Related SDGs

**3** Business optimisation

To stay ahead of our peers amidst this fluid environment, we seek to continuously improve our value propositions. This involves providing a range of immediate and medium-term measures to mitigate the detrimental impacts of the present economic crisis. Our strategy to capitalise on opportunities is by creating distinctly different value propositions that stand out from peer offerings.

Value driver 07

Operation excellence

Reinforce the commitment to compliance, ethical conduct, and high standards of business integrity

Value driver 08

Build a winning team

Be an employer of choice that has the ability to attract and retain the best-in-class talent in the local NBFi sector

Value driver 09

Positive impacts

Manage climate change and biodiversity risks and opportunities by contributing meaningfully to the environment

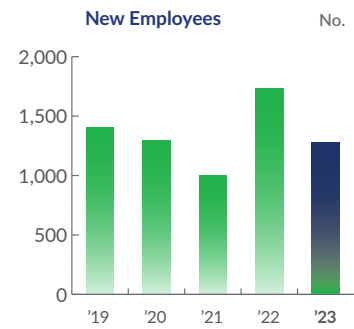
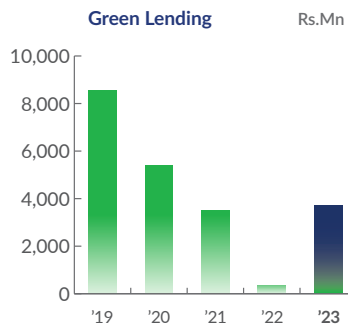
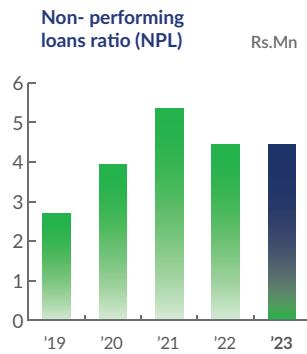
Value creation activities during the year

- ▶ Continued integrating our core purpose and values into our people practices across the full employee life cycle
- ▶ Reinforcing the Zero tolerance approach for non-compliance
- ▶ Flexible recruitment strategies to attract special skills
- ▶ Redesigned and launched an onboarding experience for new hires, leveraging digital and mobile capabilities
- ▶ Emphasis on talent development
- ▶ Capacity building of front-line teams
- ▶ Focus on ESG learning services
- ▶ Measuring employee satisfaction

## UNPACKING OUR STRATEGY

Our progress	Our KPIs
<ul style="list-style-type: none"> <li>▶ Improve our asset quality</li> <li>▶ Hosted a special open day to attract IT professionals</li> <li>▶ Launch of a new orientation program for recruits under the theme “Golden 360”</li> <li>▶ Introduction of the best starter initiative to reward recruits (frontline employees)</li> <li>▶ Train-the-trainer program on compliance mapping</li> <li>▶ Leadership competency training for middle managers</li> <li>▶ Credit coaching and capacity building for relationship managers</li> </ul>	<ul style="list-style-type: none"> <li>▶ NPL ratio</li> <li>▶ Green lending</li> <li>▶ New employee recruitment</li> <li>▶ Investment on trainings</li> </ul>

### Five year trends



Resources allocation	Challenges experienced
<ul style="list-style-type: none"> <li>▶ The focus is to build a strong, capable, and committed workforce that shares LBF's core purpose</li> </ul>	<ul style="list-style-type: none"> <li>▶ Skill out-migration due to the economic crisis</li> <li>▶ Limited access to funding</li> </ul>

### Future focus

- ▶ Leveraging data and analytics to enhance the environment for continuous learning
- ▶ Incorporating core values into the performance-based reward mechanism
- ▶ Create a robust platform to systematically promote more females in leadership roles
- ▶ Amplifying our employer brand, by encouraging employees to share their experiences regarding Life at LB

Related risk - Operational risk, IT risk, Market risk

Related SDGs 7 8 9 12

## PILLAR 4 Innovation and growth

LBF's innovation growth strategy centres on the use of best-in-class and emerging technologies to provide customers with innovative solutions to satisfy their immediate needs, as well as to empower them to grow and thrive over the long term.

### Value driver 10

#### Transformative business models

Explore opportunities for re-engineering infrastructure and processes to complement traditional operating models

### Value driver 11

#### Enterprise automation

Prioritising investment in digital and data initiatives as core enablers to improve the future readiness of the business

### Value creation activities during the year

- ▶ Increased focus on promoting gold loans
- ▶ Significantly increased the use of RPA to streamline internal processes
- ▶ Improved the overall functionality of the LB CIM wallet including as a lending tool
- ▶ Refined LBF's public relations strategy, social media policies, and communication protocols to protect our brand equity

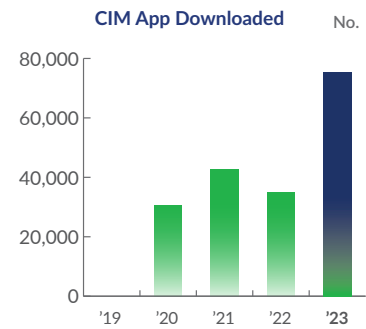
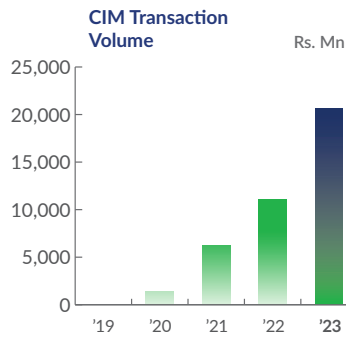
### Our progress

- ▶ Introduction of the dynamic credit scoring mechanism to determine the credibility of gold loan customers
- ▶ Use of social media to drive a positive customer mindset in challenging times
- ▶ Special content to increase viewership of the LB sustainability - facebook page
- ▶ Updated the corporate website with the inclusion of AI-based digital imagery for a more visually engaging user experience

### Our KPIs

- ▶ CIM loan portfolio growth
- ▶ CIM transaction volume growth
- ▶ No. of CIM app downloaded
- ▶ CIM digital loan granted

### Five year trends



### Resources allocation

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

### Challenges experienced

- ▶ A rapid change in customer priorities during times of economic uncertainty undermines our ability to develop timely solutions for customer needs

### Future focus

- ▶ Increasing awareness and customer loyalty to drive scale
- ▶ Implementing a comprehensive brand measurement tool to obtain a 360-degree view of LBF's brand performance, year on year
- ▶ Using innovative solutions including technology to enhance customer experience

Related risk - Credit risk, Liquidity risk, Operational risk

Related SDGs

