



# LANKA RATING UPGRADE ENTITY RATING OF

## LANKA CREDIT AND BUSINESS FINANCE PLC

28-Apr-26

### 01 *Applicable Criteria*

Methodology | Non-Banking Financial Institution Rating | Jul-24

### 02 *Related Research*

Sector Study | Leasing & Finance Companies | Apr-26

### 03 *Analyst*

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# PRESS RELEASE

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Rating Type	Entity	
	Current (28-Apr-26)	Previous (11-Mar-25)
Action	Upgrade	Upgrade
Rating	BB	BB-
Outlook	Positive	Stable
Rating Watch	-	-

Lanka Credit & Business Finance PLC (“LCBF” or “the Company”) is a relatively small player within Sri Lanka’s highly competitive Licensed Finance Company (LFC) Sector. During FY26, there were some changes in the ownership structure at both the Company and its parent, Lanka Credit and Business Limited (LCBL). At the parent level, the exit of a shareholder resulted in a somewhat more dispersed ownership profile. At the Company level, the parent's shareholding decreased from approximately 72% to around 55%.

The rating upgrade reflects LCBF's improved profitability, financial performance and strengthened capital position. This is supported by growth in loan portfolio, in line with sector dynamics. LCBF's loan portfolio grew by ~25.6% to LKR 10.3Bn in 9MFY26 (FY25: LKR ~8.2Bn), while profitability improved to LKR ~264.0Mn during 9MFY26 (FY25: LKR ~205Mn). The gold loan portfolio doubled during this period. Despite the increase in total assets, the Company's growth was broadly in line with the industry, enabling it to maintain its relative market share. LCBF has maintained relatively stable spreads, benefiting from the more frequent downward repricing of its deposit base compared to its relatively longer tenor term loans (~59% of the loan portfolio) and are repriced less frequently. However, top 20 advances concentration remained elevated at ~30.6%. LCBF demonstrated marginal improvement in asset quality, as reflected by the Gross Non-Performing Loans ratio declining to ~9.0% as of 9MFY26 (FY25: ~10.1%). This remained above the industry average of 6.1% (FY25: ~8.6%).

The capitalization of the Company remains robust and well above the regulatory requirement, with a CAR of ~33.5%. This capital buffer is expected to provide adequate headroom for the envisaged portfolio growth, supporting the achievement of its FY26 projected growth. The Company's deposit base grew by ~22.3% to LKR ~5.7Bn during 9MFY26, comprising ~73.0% of the funding mix, although top 20 deposit concentration remained high at 44.6%. The rating remains constrained by the Company's modest market position within the LFC Sector, as reflected by its asset base that constitutes ~0.41% of total industry assets as of 9MFY26, and relatively lower profitability.

LCBF has identified the agriculture and tourism sectors as key growth avenues and intends to expand its branch network to strengthen its presence in rural and semi-urban areas, thereby enhancing its reach to agrarian segments.

The rating is assigned a “Positive Outlook” that reflects the Company's sustained performance indicators. Realization of growth plans and envisaged profitability are important for upward rating movement. Improvement in core income, higher market share and reduction in NPLs will support the rating. Deviation or deterioration in key financial metrics, especially profitability and asset quality will have negative rating connotation.



## About the Entity

Lanka Credit & Business Finance PLC (“LCBF” or “the Company”) is a Public Limited Liability Company incorporated and domiciled in Sri Lanka. Originally established on 3rd March 1962, the Company was subsequently re-registered as a Public Limited Liability Company on 10th March 2008 under the Companies Act No. 07 of 2007. LCBF is listed on the Colombo Stock Exchange (“CSE”) and was registered as a Public Quoted Company on 21st January 2022. LCBF (formerly known as City Finance Corporation Limited) was restructured as a result of an investment made by Lanka Credit and Business Limited, the Company's ultimate parent and controlling shareholder, under the guidance of the CBSL in May 2018.



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