UB FINANCE PLC

PUBLICATION OF FINANCIAL STATEMENTS AS PER SECTION 29(2) OF THE FINANCE BUSINESS ACT NO.42 OF 2011

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UB Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2026, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2026, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowances for Expected Credit losses - loans and advances and finance lease receivable

Refer to note 2.3.6.1 (Accounting policies) and Note 15 to these Financial Statements.

Risk Description	Our response
As at 31 March 2026, 86% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 14.9Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 902 Mn as at the reporting date. Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR). SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. Management exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon. The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	Our audit procedures included; ● Understanding and assessing the design and implementation and operating effectiveness of management key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment. ● Assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default exposure at default, discount rate, adjustments for forward looking information and other management adjustments and assessing the reasonableness of key management judgement. ● Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions, particularly in light of extreme volatility in economic scenarios caused by the current economic uncertainty and government responses. ● Recalculating the amount of credit loss allowance for loans and advances and finance lease receivables to verify the calculation accuracy of the credit loss allowance. ● We have involved our FRM specialist to: - Assess the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions used in the ECL model. - Assess the logic and compilation of the overdue information of loans and advances, finance lease receivables and hire purchase receivables. ● Assessing the adequacy and the appropriateness of related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
27 June 2026

Income Statement

Year ended 31 March (Audited) In Rupees	2026	2025
Income	2,784,321,433	2,239,464,962
Interest Income	2,554,562,369	2,026,092,229
Interest Expenses	(1,246,099,499)	(1,113,982,950)
Net Interest Income	**1,308,462,870**	**912,109,279**
Fee and Commission Income	150,687,854	91,525,363
Fee and Commission Expenses	(7,055,161)	(30,705,290)
Net Fee and Commission Income	**143,632,693**	**60,820,073**
Other Operating Income (Net)	79,071,210	121,847,370
Total Operating Income	**1,531,166,773**	**1,094,776,722**
Impairment Charges on Loans and Advances	(87,700,289)	(85,885,638)
Impairment Charge on Non Financial Assets	(19,031,563)	(16,666,000)
Net Operating Income	**1,424,434,921**	**992,225,084**
Staff Costs	(438,561,679)	(348,756,757)
Depreciation of Property, Plant and Equipment	(58,486,317)	(41,940,366)
Amotization of Right of Use Assets	(38,206,922)	(35,894,133)
Amortisation of Intangible Assets	(2,960,960)	(1,502,017)
Other Expenses	(462,430,306)	(382,438,887)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	**423,788,737**	**181,692,924**
Value Added Tax on Financial Services (VAT on FS)	(146,383,291)	(90,165,483)
Social Security Contribution Levy (SSCL)	(21,163,453)	(12,522,984)
Profit/(Loss) Before Taxation	**256,241,993**	**79,004,457**
Tax Expense	(144,444,179)	(39,010,383)
Profit/(Loss) for the Year	**111,797,814**	**39,994,074**
Earnings per Share: Basic	0.035	0.013

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March (Audited) In Rupees	2026	2025
Profit for the Year	111,797,814	39,994,074
Other Comprehensive Income not to be reclassified to Income Statement		
Fair value changes on financial assets measured at FVOCI	13,738,933	4,786,903
Deferred Tax Charge on Fair value changes on financial assets measured at FVOCI	(4,121,680)	(1,436,071)
Actuarial gains /(losses) on Post Employment Liability	(3,537,740)	(3,293,503)
Deferred Tax (Charge) /Reversal impact on above	1,061,322	988,051
Other Comprehensive Income for the Year, net of taxes	7,140,835	1,045,380
Total Comprehensive Income for the Year	**118,938,649**	**41,039,454**

Selected Key Performance Indicators

Item	As at 31 / 03 / 2026		As at 31 / 03 / 2025	
Regulatory Capital Adequacy (%)	**Actual**	**Required**	**Actual**	**Required**
Tier 1 Capital Adequacy Ratio	22.0%	8.5%	28.7%	8.5%
Total Capital Adequacy Ratio	22.0%	12.5%	28.7%	12.5%
Capital Funds to Deposit Liabilities Ratio	40.0%	10.0%	39.6%	10.0%
Quality of Loan Portfolio (%)				
Gross Stage 3 Loans Ratio	9.6%		15.1%	
Net Stage 3 Loans Ratio	4.8%		7.3%	
Net Stage 3 Loans to Core Capital Ratio	24.2%		27.1%	
Stage 3 Impairment Coverage Ratio	50.1%		51.9%	
Total Impairment Coverage Ratio	5.7%		10.0%	
Profitability (%)				
Net Interest Margin	7.6%		8.1%	
Return on Assets (PBT)	1.5%		1.5%	
Return on Equity (PAT)	3.5%		1.3%	
Cost to Income Ratio	65.4%		74.7%	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	142.4%		161.3%	
Liquid Assets to External Funds	8.7%		13.7%	
Memorandum information				
Number of Branches	17		17	
External Credit Rating	Fitch: "BB(lka)" Outlook Negative		Fitch: "BB(lka)" Outlook Negative	

The Company does not have any regulatory penalties or regulatory restrictions on deposits, borrowings and lending during the period ended 31 March 2026 and 2025.

Statement of Financial Position

As at 31 March (Audited) In Rupees	2026	2025
Assets		
Cash in Hand and Balances with Banks	485,880,047	286,462,350
Financial Investments at Amortised Cost	697,333,023	877,702,548
Financial Investments at Fair Value through Profit or Loss	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	14,984,836,224	9,518,137,145
Financial Assets measured at Fair Value through Other Comprehensive Income	50,038,551	36,299,617
Investment in Real Estate	17,972,789	39,270,759
Other Assets	238,496,047	221,156,023
Intangible Assets	40,338,287	8,412,690
Property, Plant and Equipment	550,869,756	337,292,100
Right of Use Asset	264,715,006	222,485,950
Deferred Tax Assets	-	23,905,430
Total Assets	**17,330,479,730**	**12,076,223,992**
Liabilities		
Financial Liabilities at amortized cost		
Due to Banks	3,158,324,393	235,150,655
Due to Other Customers	7,785,618,231	7,160,617,321
Other Borrowed Funds	2,422,957,237	1,017,052,009
Financial Liabilities	191,837,997	210,457,745
Lease Liabilities	301,870,904	254,857,493
Other Non Financial Liabilities	97,404,234	58,703,474
Current Tax Liabilities	99,977,567	-
Post Employment Liability	48,558,068	39,405,151
Deferred Tax Liabilities	5,012,306	-
Total Liabilities	**14,111,560,937**	**8,976,243,848**
Equity		
Stated Capital	3,325,761,076	3,325,761,076
Statutory Reserve Fund	79,650,957	74,061,066
Fair Value Reserves	36,178,310	26,561,057
Revaluation Reserves	95,689,476	95,689,476
Regulatory Loss Allowance Reserves	-	142,438,631
Accumulated Loss	(318,361,026)	(564,531,162)
Total Shareholders' Equity	**3,218,918,793**	**3,099,980,144**
Total Equity and Liabilities	**17,330,479,730**	**12,076,223,992**

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Asanka Galbadaarachchi
Assistant General Manager - Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board;

Ransith Karunaratne
Director/Chief Executive Officer

Sabry Ghouse
Chairman

27 June 2026
Colombo