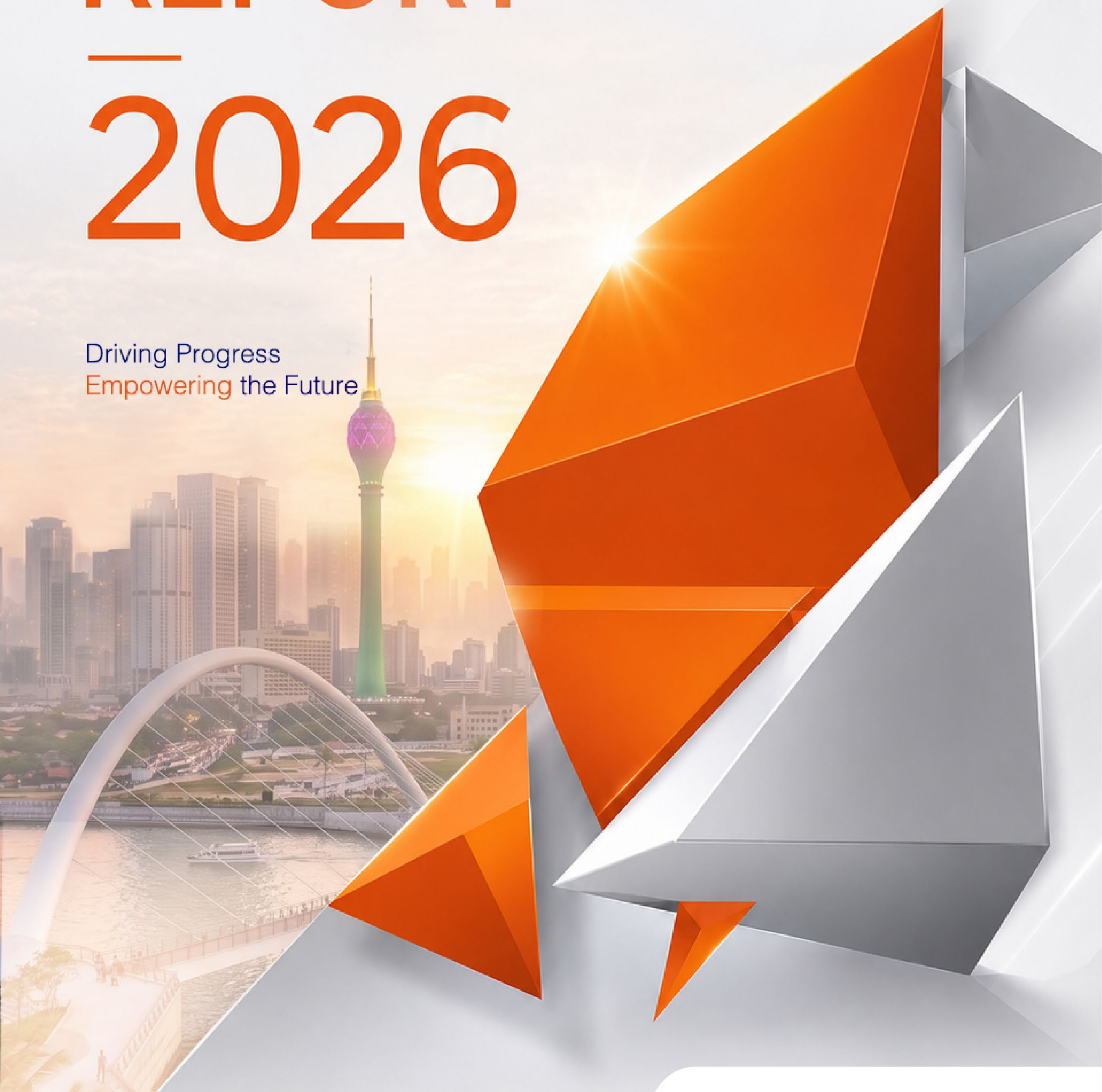
ANNUAL REPORT

2026

Driving Progress
Empowering the Future



UB FINANCE
A UNIONBANK COMPANY

CONTENT

ABOUT OUR INTEGRATED REPORT

ABOUT THIS REPORT

Introduction to Our Second Integrated Annual Report

UB Finance PLC is pleased to present its Integrated Annual Report for the financial year 2025/26. This report provides a comprehensive overview of the Company's financial and non-financial performance, strategic priorities, governance practices and the manner in which we create sustainable value for our stakeholders over the short, medium and long term.

Prepared in line with the principles of integrated thinking, this report demonstrates how our strategy, governance, performance and prospects are interconnected within the context of the external environment. It reflects our commitment to transparency, accountability and responsible business practices while highlighting the resilience of our business model in navigating an evolving economic and regulatory landscape.

Through this report, we aim to provide our stakeholders with meaningful insights into the opportunities and challenges that influence our business, the resources and relationships that underpin our value creation process and our continued focus on sustainable growth, prudent risk management and long-term value creation.

Scope and Boundary

This Integrated Annual Report covers the period from 1st April 2025 to 31st March 2026 and incorporates relevant post balance sheet events and developments up to the date of Board approval on 25th August, 2026. Furthermore, our report intends to update stakeholders, including shareholders, on the progress made in generating value for all throughout this time.

REPORTING FRAMEWORKS	
Financial Reporting	• Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. • Companies Act No. 07 of 2007 (as amended). • Finance Business Act. No. 42 of 2011. • Finance Leasing Act No. 56 of 2000.
Corporate Governance Reporting	• The Code of Best Practice on Corporate Governance (2023), issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and endorsed by Securities and Exchange Commission of Sri Lanka. • Finance Business Act Direction No. 05 of 2021 - Corporate Governance. • Listing rules of the Colombo Stock Exchange. • Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments thereto.
Narrative Reporting	• International Integrated Reporting Council's (IIRC) Integrated Reporting Framework six capitals model.
Assurance	• Sri Lanka Auditing Standards (SLAuSs). • Sri Lanka Standard on Assurance Engagements (SLSAE) 3000: Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka.

Materiality

In compiling the Integrated Report for FY 2025/26, UB Finance PLC meticulously applied the materiality principle to ensure that the content is relevant, clear and meaningful. The report provides a comprehensive overview of the Company's operations, challenges and accomplishments, all presented in a way that represents the objectives and concerns of its stakeholders.

Information Gathering and Report Preparation

The information contained in this report is based on credible information and representations provided by the Company's senior management across the relevant business units.

Forward-Looking Statements

This Integrated Annual Report may contain forward-looking statements, including but not limited to projections, forecasts, objectives, targets and estimates pertaining to the future performance, strategies, or operational outcomes of UB Finance PLC. Such statements are based on management's current expectations, assumptions and information available at the time of publication. However, forward-looking statements are inherently subject to a range of known and unknown risks, uncertainties, and external variables including macroeconomic conditions, regulatory developments, and market dynamics which may cause actual results or performance to differ materially from those expressed or implied.

Accordingly, these statements do not constitute guarantees of future performance, and UB Finance PLC, its Board of Directors and other report preparers expressly disclaim any liability or obligation to update or revise such statements subsequent to publication.

On this basis, UB Finance PLC declares that there are no restatements regarding information presented in previous annual reports published by the Company.

Board Responsibility Statement

The Board of Directors of UB Finance PLC acknowledges its responsibility for ensuring the integrity of this integrated report. In the Board's opinion, this Report addresses all the issues that are material to the Company's ability to create value. The Board is satisfied that the report provides a fair and accurate representation of the Company's financial and non-financial performance for the year ended 31st March 2026.

Feedback

The Board welcomes stakeholder feedback on this integrated annual report and requests readers to direct all such feedback to the undersigned by post or by email on tharangan@ubf.lk

Company Secretary
UB Finance Company PLC
No.10, Daisy Villa Avenue, Colombo 04.
Email: info@ubf.lk

OVERVIEW OF THE COMPANY

ABOUT UB FINANCE

VISION

To be “Sri Lanka’s preferred financial solution provider”

MISSION

- To provide our **DEPOSITORS** with secure and maximized returns
- To provide our **CUSTOMERS** leverage to achieve their aspirations
- To maximize **SHAREHOLDER** value
- To empower our **PEOPLE** to deliver the values of the Company
- To operate within the **REGULATORY** framework
- To be a responsible corporate citizen towards the betterment of **SOCIETY**

BUSINESS PRINCIPLES

- Prudent Lending Policy
- Strict Expense Discipline
- Perfected Policies and Procedures
- Effective and Efficient Operations
- State of the Art Software Solutions
- Strong Capital and Liquidity
- Good Corporate Governance

CORE VALUES

- Best People
- Team Spirit
- Achievement
- Ownership
- Integrity

Corporate Overview

UB Finance PLC is a premier licensed finance company in Sri Lanka, distinguished as the first in the domestic non-bank financial institutions (NBFI) sector to be established through a strategic partnership backed by a private commercial bank. Licensed by the Central Bank of Sri Lanka and listed on the Colombo Stock Exchange, the Company operates on a bedrock of integrity, financial strength, and rigorous corporate governance practices inherited from Union Bank of Colombo PLC, combined with the extensive multinational expertise of CG Corp Global. Through a growing island-wide branch network and multiple customer-dealer touch points, UB Finance focuses on customer empowerment, creating unique experiences, and opening new avenues of economic opportunity across the nation.

Our Milestones & Institutional Strength

Established in 2012, UB Finance pioneered a unique institutional model by combining the local banking strengths of Union Bank of Colombo PLC with an international strategic business partner.
In 2023, the Company’s strategic positioning was significantly fortified when CG Capital Partners Global Pte. Ltd one of Asia's premier business groups became the main stakeholder of the Company following its acquisition of Culture Financial Holdings Ltd, a majority shareholder in Union Bank of Colombo PLC.

Global Parentage: CG Corp Global

The enterprise is backed by the exceptional scale and legacy of CG Corp Global. Established in 1935, CG Corp Global serves as the holding company of CG Capital Partners Global Pte. Ltd and stands proud as a leading transnational conglomerate in Asia. Its corporate footprint highlights:

- Global Scale: An extensive network of over 160 companies and 123 brands active across the global market.
- Human Capital: Powered by the shared strength of more than 15,000 employees globally.
- Diverse Market Presence: A key player across multiple vital sectors, including banking & finance, food & beverage, hospitality, real estate, education, consumer electronics, cement, hydropower, telecommunications and infrastructure.
- Regional Financial Footprint: A dominant force in the South Asian financial services sector, serving as the largest shareholder of Nabil Bank, which is listed as the largest private commercial bank on the Nepalese Stock Exchange.

Portfolio Matrix & Market Specialization

UB Finance PLC has established a strong market reputation as a specialist in asset-backed financing, specifically configured to satisfy the diverse needs of its expanding clientele. The Company offers a comprehensive suite of financial services structured to foster wealth creation and business scalability: such as Leasing, Business & Personal Loans, Mortgage Financing, Gold Loan Solutions, Easy Drafts, Real Estate Solutions and related financial services and Fixed Deposits, Savings Accounts

Strategic Vision & Value Creation

UB Finance is deeply committed to driving inclusive socioeconomic development. The Company places an acute strategic focus on uplifting the unbanked Retail and SME sectors, recognizing them as the vital catalysts required to spur sustainable economic recovery and long-term national growth.

As a progressive corporate citizen, UB Finance is fully geared to act as a core partner in Sri Lanka’s accelerated economic growth strategy. By blending international institutional proficiency with deep localized insights, the Company continues to deliver distinct economic and social value solidifying its reputation as the finance company that truly understands real emotions and aspirations of Sri Lankans.

HISTORICAL MILESTONES

2012/13

Inception of UB Finance

Capital Infusion by Union Bank & Shore Cap II (USA)

Launch of working Capital Product

2013/14

Infrastructure Development

Core System Implementation

2014/15

Growth

Opening the 8th branch since inception

Introduction of New Products (Easy Draft and save & shop)

2015/16

Expansion

4 New Outstation branches

Dedicated factoring Office

ICRA Rating (BB) Stable

SME sector drive

2016/17

Stability

LKR 10 Bn Total Assets

LKR 6 Bn Fixed Deposits

Strong Channel Development

2017/18

Sustainability

Launch of Easy Lease, Mortage Loan, Build it

Rights issue of LKR 300 mn

2018/19

Broadening the Product Portfolio

Launch of Gold Loans

LKR 11 Bn Total Assets

LKR 7 Bn Fixed Deposit 2018/19

2021/22

Strengthening the capital base

LKR 1.9 Bn Capital Infusion

2023/24

Strengthen the Corporate Brand Identity

Re-brand & Modernize Customer Touch Points with upgraded infrastructure

2024/25

Enhance the Lending base

Increase of Lending Portfolio

Right Issue of LKR 254 Mn

2025/26

Towards Digitalization

New Core banking ERP

Co-hosted full fledge Data centre

New DPL system Setting up IS department

OUR PRODUCT PORTFOLIO

LENDING PRODUCTS

UBF Offers a Wide range of asset backed financing options to meet customer needs while ensuring service excellence

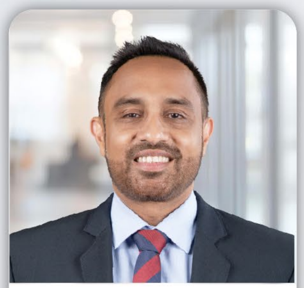
EASY LEASE	Short term vehicle backed credit facility, with flexible settlement options
LEASING	The flagship product of UBF providing financing for commercial and personal vehicles
EASY DRAFT	Assets backed credit facility that caters short term working capital requirements with flexible settlement options
ත්‍රිවිල් LEASING	Financing for brand new and registered three-wheelers
බයික් LEASING	Financing for brand new and registered motor bikes
LOAN	Loan against gold articles to fulfill urgent cash requirements
RENT FACTORING	Facilities provided against rent receivables, for short term working capital requirements
MORTGAGE LOAN	A loan granted against an immovable property as a security under a mortgage agreement
SPECIAL LOANS	Term loans backed by an asset

INVESTMENT PRODUCTS

UBF has built a loyal deposit base offering versatile investment options on the pillars of strong corporate brand backed by a premier commercial bank

FIXED DEPOSITS	A product that offers competitive interest rates for fixed term deposits
SAVINGS	A product that allows customers to save excess money with interest
flexit FIXED DEPOSIT	A product that offers flexible terms for cash deposits
BUILD-IT FIXED DEPOSITS	An investment product that allows a periodic cash build - up
SAVE n Shop FIXED DEPOSITS	An investment product with upfront interest payout

BOARD OF DIRECTORS



Mr. Ransith Karunaratne
Chief Executive Officer /
Executive Director

Mr. Sabry Ghouse
Chairman - Independent
Non Executive Director

Mr. Moahan Balendra
Independent
Non Executive Director

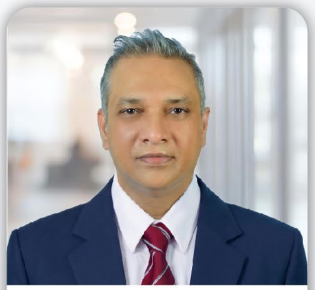
Mr. Jayendra Setukavalar
Independent
Non Executive Director

Mr. Sanjay Pokhrel
Non Independent
Non Executive Director

Mr. Mohan J Ratnayake
Independent
Non Executive Director

Prof. Ajantha Dharmasiri
Independent
Non Executive Director

Mr. Dilshan Rodrigo
Non Independent
Non Executive Director



Mr. Shankananda Yapa Abeywardene
Non Independent
Non Executive Director

Mr. Sampath Weerasinghe
Non Independent
Non Executive Director

Company Secretary : Ms. Tharanga Nandasena

MR. SABRY GHOUSE
Chairman
Independent Non-Executive Director

Mr. Sabry Ghouse was appointed to the Board of UB Finance PLC on 17 November 2021. He is a seasoned banking professional with over 28 years of experience in the financial services industry, including more than 11 years of international banking experience across Asia and the Middle East.

Throughout his distinguished career, Mr. Ghouse has held senior leadership positions with American Express Bank, Standard Chartered Bank, and Al Rajhi Banking and Investment Corporation, Saudi Arabia, where he played a pivotal role in establishing retail banking operations, formulating business strategy, and developing high-performing banking franchises. His expertise encompasses retail banking, strategic planning, business transformation, operations, customer experience, and leadership.

In 2006, Mr. Ghouse was appointed Director – Retail Banking, Al Rajhi Bank Malaysia, by its parent company, Al Rajhi Banking and Investment Corporation, Saudi Arabia, to spearhead the development of the Bank's retail banking model and establish its operations following its entry into the Malaysian market. This landmark assignment underscored his proven ability to successfully launch and scale banking operations in new markets.

Mr. Ghouse has also made significant contributions to Sri Lanka's financial services sector through his service as a former Director of the Credit Information Bureau (CRIB) of Sri Lanka. Prior to his appointment to the Board of UB Finance PLC, he served as the Deputy Chairman of Union Bank of Colombo PLC until August 2021, where he provided strategic leadership and governance oversight during a period of business growth and transformation.

In recognition of his exceptional leadership, dedication, and contribution to creating long-term shareholder value, Mr. Ghouse was selected to participate in several prestigious international executive leadership programs. He attended "Creating the Future" at the London Business School, United Kingdom, a program focused on strategic thinking, innovation, and future-ready leadership. He was subsequently selected for "Engaging People" in New York, USA, an exclusive leadership program designed for a select group of high-performing senior executives within Standard Chartered Bank. He later participated in a global leadership development program at Templeton College, Oxford, United Kingdom, which brought together high-potential leaders from across the Standard Chartered Group to strengthen strategic leadership capabilities and drive organisational excellence.

Mr. Ghouse holds a Master of Business Administration (MBA) from the University of Western Sydney, Australia. His extensive local and international banking experience, strategic acumen, and commitment to sound corporate governance continue to provide valuable guidance to the Board of UB Finance PLC as the Company pursues sustainable growth and long-term value creation for its stakeholders.

MR. RANSITH KARUNARATNE
Chief Executive Officer /
Executive / Non-Independent Director

Mr. Ransith Karunaratne was appointed as the Chief Executive Officer of UB Finance PLC in November 2012 and joined the Board in March 2014. With nearly three decades of experience in financial services, he brings deep expertise in credit portfolio management, corporate lending, risk management and business transformation.

Under his leadership, UB Finance PLC underwent major restructuring and rebranding, strengthened its governance and operational resilience, and achieved a landmark listing on the Colombo Stock Exchange in 2023. In the year ended 31 March 2026, Company sustained its growth momentum, surpassing Rs.17 billion in total assets, growing shareholders' equity to over Rs. 3 billion, and returning to enhanced profitability while maintaining strong capital adequacy.

Prior to UB Finance, he held senior management roles at LB Finance PLC, Commercial Leasing and Finance PLC, and Mercantile Leasing Ltd., building a strong track record in credit portfolio growth and business development.

He serves on the Board of Logos College and has previously served on the Board of LEADS, supporting various community and humanitarian initiatives. A former captain of S. Thomas' College's Senior Basketball Team, he later represented Sri Lanka's Masters Basketball Team at the Pan Pacific Masters Games in Gold Coast, Australia.

Mr. Karunaratne holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is a Fellow Member of CIMA (UK). He was named among Sri Lanka's Top 50 CIMA Icons & Trailblazers in 2021.

Guided by a philosophy of innovation, disciplined execution and people development, he continues to steer UB Finance PLC toward sustainable, stakeholder-focused growth.

MR. MOAHAN BALENDRA
Independent Non-Executive Director

Mr. Mohan Balendra is a distinguished Attorney-at-Law and a Partner of Sinnadurai Sundaralingam & Balendra, one of Sri Lanka's leading law firms with a legacy spanning over six decades. He has built an eminent legal career specialising in corporate and commercial law, public-private partnerships, property and construction law, and constitutional litigation.

With extensive experience in both advisory and contentious practice, Mr. Balendra has represented clients in a number of landmark legal matters involving inward investment, corporate structuring, complex property disputes and constitutional issues. He is widely recognised for his expertise in property law, particularly matters relating to Thesawalamai law and legislative restrictions on land ownership by non-citizens, having successfully handled several cases of national significance.

A respected thought leader in the legal profession, Mr. Balendra regularly contributes to legal discourse through professional forums and public engagements. His presentations on property law and land rights, including invited lectures at the Jaffna Club, have provided valuable insights into complex legal and policy issues while fostering informed dialogue among legal practitioners, professionals and the wider community.

Having received his legal education and professional training in both Sri Lanka and the United Kingdom, and gained international professional experience before returning to Sri Lanka, Mr. Balendra brings a global perspective to legal practice and corporate governance.

Mr. Balendra was appointed to the Board of UB Finance PLC in 2021 as an Independent Non-Executive Director. He also serves on the Boards of SB Corporates (Private) Limited, SB Realtors (Private) Limited and Migrategi (Private) Limited. His dual professional qualifications as an Attorney-at-Law and Fellow of the Association of Chartered Certified Accountants (FCCA) enable him to provide valuable legal, financial and governance expertise to the Board.

Throughout his distinguished career, Mr. Balendra has demonstrated a strong commitment to professional excellence, ethical leadership and sound corporate governance, making him a highly respected figure in Sri Lanka's legal and corporate sectors.

MR. JAYENDRA SETUKAVALAR

Independent Non-Executive Director

Mr. Jayendra Arulraj Setukavalar is an accomplished finance and corporate governance professional with over 48 years of extensive experience in auditing, accounting, finance and corporate management. He was appointed as an Independent Non-Executive Director of UB Finance PLC in 2022 and currently serves as the Chairman of the Board Audit Committee, providing independent oversight of the Company's financial reporting, internal controls, risk management and governance framework.

Mr. Setukavalar is a Fellow of the Institute of Chartered Accountants of Sri Lanka (FCA), the Chartered Institute of Management Accountants (UK) (FCMA), the Institute of Certified Management Accountants of Sri Lanka (FCMA), and the Institute of Certified Professional Managers of Sri Lanka (FCPM). He also holds the globally recognised Certified Global Management Accountant (CGMA) designation, reflecting his broad expertise in financial management and strategic leadership.

His distinguished career includes senior leadership roles in finance, compliance and corporate governance across diverse sectors. He previously served as Executive Director – Finance, Compliance and Company Secretary at A. Baur & Co. (Pvt) Ltd. and has held directorships in several companies within the Baur Group. Earlier in his career, he gained valuable international experience as an Assistant Audit Manager with PricewaterhouseCoopers in Dubai and also served as Senior Investment Controller with Al Yousef Investments.

Mr. Setukavalar has extensive boardroom experience, having previously served as an Independent Non-Executive Director of Singer Finance PLC and Ceylinco Life Insurance (Private) Limited. Beyond the corporate sector, he contributes to educational governance as a member of the Board of CMS Schools in Sri Lanka and as Chairman of its Finance Committee.

Drawing on his extensive professional expertise and strong commitment to integrity, accountability and sound governance, Mr. Setukavalar makes a significant contribution to the Board of UB Finance PLC. As Chairman of the Board Audit Committee, he plays a pivotal role in strengthening the Company's governance practices, enhancing financial stewardship and supporting sustainable long-term value creation for shareholders and other stakeholders.

MR. SANJAY POKHREL

Non-Independent Non-Executive Director

Mr. Sanjay Pokhrel is a distinguished investment and finance executive with extensive experience in mergers and acquisitions, investment management, fund raising, and corporate finance. His continued presence on the Board reflects his strategic expertise and the strong partnership between the Company and CG Capital Partners Global, a key investor in the Company's parent.

Mr. Pokhrel serves as the Head of Mergers & Acquisitions at CG Corp Global, based in Dubai, where he leads the Group's global investment and acquisition initiatives. In this role, he oversees mergers and acquisitions, co-leads fundraising activities, manages asset portfolios, directs venture capital investments, and supervises secondary market investment strategies across multiple jurisdictions.

A qualified Chartered Financial Analyst (CFA) and Chartered Accountant (CA), Mr. Pokhrel possesses a strong foundation in financial analysis, corporate finance, and investment strategy. Throughout his career, he has held several leadership positions within the financial services and investment sectors, demonstrating a consistent track record of creating long-term value through disciplined investment and capital allocation.

Prior to joining CG Corp Global, Mr. Pokhrel served as an Investment Officer at One to Watch Nepal Ltd., an impact investment firm focused on supporting high-potential early-stage enterprises in Nepal. He also served as a Director of Nabil Investment Banking, the investment banking arm of the Nabil Bank Group, one of Nepal's leading financial institutions.

Over the years, Mr. Pokhrel has played a pivotal role in driving strategic investments and business growth across several notable ventures, including Nepal Social Business, CG Pay, and CG Corp Global's fibre-to-the-home (FTTX) business. His expertise spans investment management, mergers and acquisitions, portfolio management, asset management, venture capital, and corporate strategy, making him a respected leader within the regional investment community.

As a member of the Board, Mr. Pokhrel contributes valuable strategic insight, sound governance, and extensive financial expertise. His leadership supports the

Company's long-term growth objectives while fostering stronger collaboration with CG Corp Global's broader financial services platform and regional investment network.

Mr. Pokhrel continues to be recognized as a highly accomplished finance professional whose expertise in investment strategy, corporate finance, and governance contributes significantly to the Company's sustainable growth and value creation for its stakeholders."

MR. MOHAN J RATNAYAKE
Independent Non-Executive Director

Mr. Mohan J. Ratnayake was appointed to the Board of UB Finance PLC as an Independent Non-Executive Director in July 2024 and currently serves as the Chairman of the Board Integrated Risk Management Committee, providing independent oversight of the Company's enterprise-wide risk management framework and supporting the Board in ensuring that key strategic, financial, operational, regulatory, and emerging risks are effectively identified, assessed, monitored, and managed.

Mr. Ratnayake is a distinguished corporate leader and finance professional with over three decades of senior leadership experience across the financial services, manufacturing, telecommunications, motor, real estate, plantation, and export sectors. He is the Managing Director of Colonial Motors (Ceylon) Ltd. and serves on the Boards of several listed and unlisted companies, contributing extensive expertise in strategic leadership, corporate governance, finance, and risk management.

A Fellow Member of the Chartered Institute of Management Accountants (CIMA), UK, Mr. Ratnayake holds a Master of Business Administration (MBA). Throughout his career, he has held numerous Board and Board Committee leadership positions, including chairing Audit and Integrated Risk Management Committees, demonstrating strong expertise in financial stewardship, governance, internal controls, risk oversight, and regulatory compliance.

His previous appointments include serving as Chairman of Lanka Realty Investments PLC, Deputy Chairman of a listed finance company regulated by the Central Bank of Sri Lanka, and as a Board member of a State-owned enterprise in the export sector. He also possesses extensive experience in the tea, telecommunications, motor, and financial services sectors.

Mr. Ratnayake's broad commercial acumen, financial expertise, and extensive experience in governance and enterprise risk management enable him to provide valuable independent judgment and strategic guidance to the Board while promoting a strong risk culture and sustainable value creation for all stakeholders.

SENIOR PROFESSOR AJANTHA S. DHARMASIRI
Independent Non-Executive Director

Senior Professor Ajantha Dharmasiri serves as an Independent Non-Executive Director of UB Finance PLC. He also chairs the Board Nomination and Governance Committee and the Board Human Resources and Remuneration Committee, providing strategic leadership in strengthening the Company's governance framework, board effectiveness, leadership succession, and human capital practices.

Senior Professor Dharmasiri is one of Sri Lanka's foremost thought leaders in Human Resource Management, Organizational Development, Leadership, and Corporate Governance. Widely recognized as a leading "pracademic," he combines extensive industry experience with international academic exposure. His distinguished professional credentials include being a Chartered Manager, Chartered HR Professional, and Chartered Electrical Engineer, reflecting his unique multidisciplinary expertise. He is an acclaimed conference speaker, corporate trainer, strategy consultant, and scholarly author who has made significant contributions to the advancement of management practice in Sri Lanka and internationally.

He is the first home-grown Senior Professor in Management at the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, where he has also served as Director and Chairman of the Board of Management. He is currently an Adjunct Professor at the Price College of Business, University of Oklahoma, USA. Throughout his distinguished academic career, he has held several senior leadership positions in higher education while making lasting contributions to research, executive education, and management development.

Senior Professor Dharmasiri has over three decades of private and public sector experience, including leadership roles at Unilever and Nestlé, complemented by consulting engagements across Asia, Africa, and the Middle East. He has advised numerous leading public and private sector organizations on leadership development, talent management, succession planning, organizational transformation, and governance, helping build high-performing organizations through effective people strategies and sound governance practices.

An accomplished author and researcher, Professor Dharmasiri has written ten books and published extensively on leadership, people management, organizational excellence, and corporate governance. He formerly served as Editor of the Sri Lanka Journal of Management (SLJM), the country's longest-publishing management journal. His scholarly contributions have earned several prestigious recognitions, including Gold Medals for Best Papers at international management conferences, the Emerald Best Paper Award (2014), the Platinum Award from the Postgraduate Institute of Management Alumni (PIMA) for Outstanding Academic Contribution (2010), and the IPM Lifetime Gold Award (2014), the highest honour bestowed on an HR professional in Sri Lanka.

His commitment to professional excellence extends to leadership within key professional bodies. He is the Immediate Past President of the Chartered Management Institute (CMI) – Sri Lanka Chapter and a Past President of the Chartered Institute of Personnel Management (CIPM), becoming the first Sri Lankan to lead both institutions. He also served as Vice President of the Asia Pacific Federation of Human Resource Management (APFHRM). In addition, he is an Independent Non-Executive Director on several corporate boards and serves on the governing councils of leading institutions.

Senior Professor Dharmasiri is a Commonwealth AMDISA Doctoral Fellow, Fulbright Postdoctoral Fellow, and Commonwealth Postdoctoral Fellow. He holds a Ph.D. and an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and a B.Sc. in Electrical Engineering from the University of Moratuwa.

His expertise in board governance, leadership development, talent management, succession planning, and organizational transformation adds significant value to the Board of UB Finance PLC. As Chair of the Board Nomination and Governance Committee and the Board Human Resources and Remuneration Committee, he plays a pivotal role in promoting best governance practices, strengthening board composition and effectiveness, and ensuring that the Company's human capital and remuneration frameworks remain aligned with its long-term strategic objectives.

Senior Professor Dharmasiri's extensive academic credentials, professional experience, and unwavering commitment to ethical leadership continue to enhance the Board's oversight and strategic direction, supporting UB Finance PLC's commitment to sustainable value creation and responsible corporate governance. Aptly reflecting his professional journey, he describes himself as having transitioned from being an "Engineer of Electrical" to an "Engineer of Hearts and Minds."

MR. DILSHAN RODRIGO

Non-Independent Non-Executive Director

Mr. Dilshan Rodrigo is a banking and finance professional with over two decades of leadership experience spanning banking, insurance, investment banking, and financial services. He has built an outstanding reputation for strategic leadership, business transformation, corporate governance, and risk management, having held several senior executive and board positions within Sri Lanka's financial sector.

He currently serves as the Chief Executive Officer and Executive Director of Union Bank of Colombo PLC and is also a Non-Independent Non-Executive Director of the Credit Information Bureau of Sri Lanka (CRIB). He is also a member of the Board of Directors of Lanka Pay Private Limited. Prior to these appointments, Mr. Rodrigo served as Chief Operating Officer and Executive Director of Hatton National Bank PLC and held directorships at HNB Finance PLC and HNB Assurance PLC, among other leadership roles.

Mr. Rodrigo holds a Master of Business Administration (MBA) from Cranfield University, United Kingdom, and is a Fellow of the Chartered Institute of Management Accountants (FCMA) and the Association of Chartered Certified Accountants (FCCA), United Kingdom.

He joined the Board of UB Finance PLC as a Non-Independent Non-Executive Director in 2024. He also serves as the Chairman of the Board Strategic Planning Committee, where he provides strategic oversight and guidance in formulating the Company's long-term growth agenda, strengthening business resilience, and supporting sustainable value creation. His extensive executive experience, strategic insight, and strong governance expertise contribute significantly to the Board's deliberations and the Company's continued transformation and growth.

MR. SHANKANANDA YAPA ABEYWARDENE

Non-Independent Non-Executive Director

Mr. Shankananda Yapa Abeywardene served as a Non-Executive Non-Independent Director of UB Finance PLC during the financial year ended 31 March 2026. He was appointed to the Board with effect from 25 July 2025 following the receipt of the requisite regulatory approval from the Central Bank of Sri Lanka.

During his tenure on the Board, Mr. Abeywardene contributed to the Board's deliberations by providing strategic guidance and commercial insight on matters relating to corporate governance, business strategy, risk management and sustainable value creation. His experience in corporate leadership and financial management supported the Board in overseeing the Company's strategic objectives and long-term growth initiatives.

Mr. Abeywardene served as a Non-Executive Non-Independent Director throughout the financial year under review and resigned from the Board with effect from 30 April 2026.

MR. L. SAMPATH WEERASINGHE

Non-Independent Non-Executive Director

Mr. L. Sampath Weerasinghe is a banking and risk management professional with over 30 years of experience across corporate, SME and retail banking, branch operations, credit risk, and enterprise risk management.
He currently serves as Chief Risk Officer at Union Bank of Colombo PLC, a role he has held since August 2024. Previously, he was Head of Credit Risk and Integrated Risk Management (Deputizing CRO) at Hatton National Bank PLC, and Senior Manager – Risk at Bank Dhofar SAOG, Oman.

His expertise includes enterprise and credit risk management, regulatory compliance, corporate and SME banking, credit restructuring, IFRS implementation, business revival, policy development, and risk governance. He has a strong track record of leading teams, managing complex credit portfolios, and strengthening organizational risk frameworks.

Mr. Weerasinghe holds an MBA specializing in Finance and several professional qualifications, including memberships with IBSL, the Chartered Institute of Bankers (UK), and SLIM, as well as qualifications in credit management and credit skills. His extensive practical experience and professional credentials reflect strong expertise in banking, risk management, governance, and strategic leadership.

CORPORATE MANAGEMENT

Ms. Himali Perera
General Manager
Credit and Operations

Mr. Chaminda Weerasinghe
Deputy General Manager
Recoveries

Mr. Piyal Weerakoon
Head of Legal /
Assistant General Manager

Mr. Asanka Galbadaarachchi
Assistant General Manager
Finance

Ms. Samanthi Seneviratne
Chief Manager
Operations

Mr. Deshal Weerage
Chief Manager
Channels

Mr. Sandun Anurada
Chief Manager
Information Technology

Mr. Joy Fernando
Chief Manager
Credit

SENIOR MANAGEMENT

Mr. Chinthaka Gamage
Senior Manager
Marketing Communication

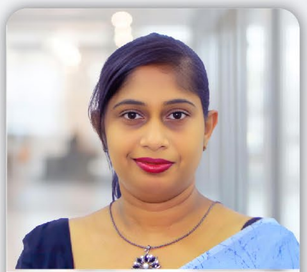
Ms. Dilini Paiva
Senior Manager
Executive PA - CEO's Office

Mr. Shadwell Weerasinghe
Senior Manager
Investments

Mr. Sugath Kumara
Senior Regional Manager
Central & North Eastern

Mr. Ruwan Fernando
Senior Manager
Legal Recovery

Mr. Indika Wettasinghe
Head of Compliance



Ms. Shamilka Fernando
Senior Manager
Internal Audit

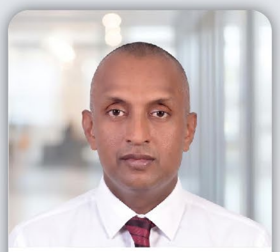
Mr. Dinesh Solankey
Senior Manager
Recoveries

Mr. Buddhika Rathnayaka
Senior Manager
Digital Transformation

Mr. Nuwan Ediriweera
Senior Manager
Finance

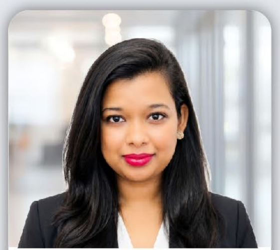
Mr. Lasantha Perera
Senior Regional Manager
Western & Metro

EXECUTIVE MANAGEMENT

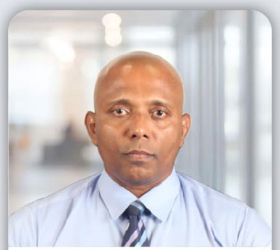


Mr. Supun Gunathilake
Senior Area Manager
Southern

Ms. Lakmali Gurusinghe
Manager
Gold Loan Operations

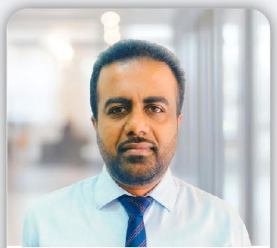


Ms. Kanika Deeshani
Manager
Human Resources



Mr. Prabash Kalupahana
Manager
Administration

Mr. Tiron Aravinda
Chief Information Security Officer



Mr. Harsha Nuganayaka
Area Manager
Central

Mr. Susantha Jayathissa
Area Manager
North Eastern

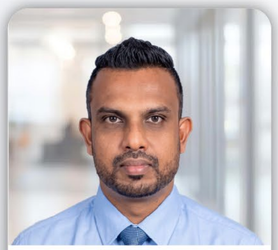
Mr. Saliya Gunasinghe
Area Manager
Metro

Ms. Nishara Jayawardena
Manager Finance
Operations

Mr. Ruwan Kumara
Manager
Financial Reporting

Mr. Rohan Yaligapaksha
Senior Branch Manager

Mr. Chamika Boldsing
Senior Branch Manager



Mr. Suren Sikera
Manager
Recoveries

Mr. Harsha Kumara
Manager
Recoveries

Mr. Raveen Nirmal
Manager
Recoveries

Mr. Prasanna Suresh
Manager
Operations

Mr. Kasun Perera
Manager
Investments

PERFORMANCE REVIEW

PERFORMANCE HIGHLIGHTS

	2025/2026	2024/2025	Change %
Financial Performance (Rs.)			
Gross Income (Total Revenue)	2,784,321,433	2,239,464,962	24.3%
Interest Income	2,554,562,369	2,026,092,229	26.1%
Net Interest Income	1,308,462,870	912,109,279	43.5%
Total Operating Income	1,531,166,773	1,094,776,722	39.9%
Profit beforeTaxes	423,788,737	181,692,924	133.2%
Total Taxation	(311,990,923)	(141,698,850)	120.2%
Profit after Taxes	111,797,814	39,994,074	179.5%
Financial Position (Rs.)			
Total Assets	17,330,479,730	12,076,223,992	43.5%
Lending Portfolio (Gross)	15,887,135,729	10,449,577,561	52.0%
Total Deposit Base	7,785,618,231	7,160,617,321	8.7%
Borrowings	5,581,281,631	1,252,202,664	345.7%
Shareholder's Funds	3,218,918,793	3,099,980,144	3.8%
Investor Information (Rs.)			
Earnings Per Share (EPS) - Basic	0.035	0.013	170.2%
Net Assets Value per Share	1.01	0.98	3.8%
Market Price Per Share	2.70	0.70	285.7%
Market Capitalization	8,581,910,491	2,224,939,757	285.7%
Price Earning Ratio (P/E) (Times)	76.76	53.78	42.7%
Key Ratios			
Return on Average Equity (PAT)	3.5%	1.4%	161.2%
Return on Average Assets (PAT)	0.8%	0.3%	119.0%
Cost to Income	65.4%	74.0%	-11.7%
Gross Stage 3 Loans Ratio	9.6%	15.1%	-36.1%
Net Stage 3 Loans Ratio	4.8%	7.3%	-34.1%
Debt-to-Equity Ratio	4.2	2.7	53.0%
Growth in Total Assets	43.5%	10.1%	330.3%
Statutory Ratio			
Core Capital to Risk Weighted Assets Ratio (Tier I) (Minimum 8.5%)	22.0%	28.7%	-23.6%
Total Risk Weighted Capital Ratio (Tier I & II) (Minimum 12.5%)	22.0%	28.7%	-23.6%
Capital Funds to Deposit Liabilities Ratio (Minimum 10.0%)	40.0%	39.6%	0.9%
Liquidity Ratio	14.3%	16.1%	-11.5%

PARTNERSHIPS & CHANNEL DEVELOPMENT

UB Finance PLC continued to strengthen its strategic business partnerships during the year, recognising the importance of collaboration in driving operational transformation, expanding market reach, and creating sustainable business growth. These partnerships have supported the Company's strategic priorities while enhancing its ability to deliver innovative and customer-focused financial solutions.

1. Technological Infrastructure Upgrade – Scienter Partnership

A key milestone during the year was the strategic partnership with **Scienter** for the implementation of a new Core Banking and ERP platform. This initiative represents a significant investment in strengthening the Company's technological infrastructure and building a more agile and scalable operating platform.

The new technology environment is expected to enhance operational efficiency, strengthen process integration, improve data management and reporting capabilities, and support faster, more informed decision-making. Importantly, the partnership provides a strong technological foundation for future digitalisation initiatives and enables UB Finance to respond more effectively to evolving customer expectations and regulatory requirements.

2. Channel Development Partnerships – Expanding the Auto Finance Business

UB Finance also expanded its channel development partnerships within the automotive financing sector, supporting the Company's strategy to diversify its portfolio and strengthen its presence in the rapidly evolving mobility market.

The partnership with **JKCG Auto**, representing the **BYD** brand, provides an important platform to facilitate financing solutions for the emerging **new energy mobility segment**. As consumer interest in electric and other new energy vehicles continues to grow, this collaboration positions UB Finance to participate in a high-potential market while providing customers with accessible and convenient financing solutions.

In parallel, partnerships with Colonial Motors for **Mazda** and Sathosa Motors for **Isuzu brands** have further strengthened UB Finance's ability to provide tailored vehicle financing solutions to **retail and SME customers**. These relationships broaden the Company's customer access and distribution channels while strengthening its position within established automotive segments.

Collectively, these partnerships enable UB Finance to deepen relationships with key automotive stakeholders, expand its customer base, improve market reach and enhance its competitive positioning. By combining strong industry partnerships with customer-focused financing solutions, the Company is well positioned to capture emerging opportunities and **increase its market share in the auto finance segment.**

Going forward, UB Finance will continue to leverage strategic partnerships as an important enabler of growth, innovation and operational excellence, while building a more resilient, technology-enabled and customer-centric financial services organization.

CHAIRMAN'S MESSAGE

Dear Shareholders,

It is with great honour and humility that I address you for the first time as Chairman of UB Finance PLC (the Company) and present the Annual Report for the financial year ended 31 March 2026.

This year marks an important milestone in the evolution of the Company. As I assumed the role of Chairman, I did so with a deep appreciation of the Company's resilient history, its unwavering commitment to stakeholders and its significant potential to emerge as one of Sri Lanka's most respected financial institutions. Together with my fellow Board members and the Management team, I remain committed to strengthening this institution through disciplined governance, prudent growth and a culture that embraces innovation, resilience and sustainable value creation.

The year under review unfolded against the backdrop of a gradually recovering Sri Lankan economy. Following one of the most challenging periods in recent history, macroeconomic conditions improved considerably with inflation declining sharply, monetary policy easing, foreign reserves strengthening and business confidence gradually returning. While economic activity remained uneven across sectors, these developments created a more stable operating environment for licensed finance companies and restored confidence within the financial system.

Against this backdrop, the Company demonstrated remarkable resilience and continued its growth trajectory through disciplined execution of strategy, prudent risk management and an unwavering commitment to customer service. The Board remained focused on creating sustainable shareholder value while ensuring that the Company maintained the financial strength, governance standards and operational agility required to capitalise on emerging opportunities.

A Year of Strong Financial Performance

I am pleased to report that FY2025/26 was a year of significant progress for the Company, demonstrating the strength of our business model, the resilience of our people and the successful execution of our strategic priorities.

The Company recorded Gross Income of Rs. 2.78 billion, representing a healthy growth of 24.3% over the previous year. Interest Income increased by 26.1% to Rs. 2.55 billion, reflecting the expansion of our earning asset base and our ability to capitalise on improving market conditions. More importantly, Net Interest Income increased by an impressive 43.5% to Rs. 1.31 billion, driven by disciplined balance sheet management, improved asset yields and effective funding strategies.

These results translated into Total Operating Income of Rs. 1.53 billion, an increase of 39.9% compared with the previous financial year. Through disciplined cost management and continued operational improvements, the Company recorded a Profit Before Taxes on Financial Services of Rs. 423.8 million, more than doubling the previous year's performance with an impressive 133.2% increase.

Despite a significantly higher tax charge of Rs. 312.0 million, reflecting improved profitability and prevailing taxation policies applicable to the financial sector, Profit After Tax increased by 179.5% to Rs. 111.8 million, underscoring the Company's ability to deliver sustainable earnings growth even within a demanding regulatory and tax environment.

Return on Average Equity increased to 3.5% from 1.4%, while Return on Average Assets improved to 0.8% from 0.3%, demonstrating more efficient utilisation of both shareholder capital and the Company's asset base.

These achievements were realised while maintaining disciplined expense management. Our Cost-to-Income Ratio improved significantly to 65.4% from 74.0%, highlighting Management's continued focus on operational efficiency, productivity enhancement and sustainable profitability.

Strengthening Our Balance Sheet

One of the defining achievements during the year was the significant strengthening of the Company's balance sheet.

Total Assets expanded by 43.5% to Rs. 17.33 billion, comfortably surpassing the Rs. 17 billion milestone for the first time in the Company's history. This growth reflects the confidence placed in our establishment by our customers and business partners and demonstrates our ability to expand responsibly while maintaining financial stability.

Our lending portfolio continued to be the principal driver of growth. The Gross Lending Portfolio increased by 52.0% to Rs. 15.89 billion, representing one of the strongest annual expansions recorded by the Company in recent years. This growth was achieved through disciplined credit underwriting, careful portfolio diversification and a continued focus on serving productive sectors of the economy.

Customer confidence remained strong throughout the year, enabling the Company to increase its Deposit Base to Rs. 7.79 billion, an increase of 8.7% over the previous year. In addition, the Company strategically diversified its funding sources, resulting in Borrowings increasing to Rs. 5.58 billion, supporting accelerated lending growth while preserving adequate liquidity and funding flexibility.

Delivering Quality Growth Through Disciplined Risk Management

While growth remained a strategic priority, the Board remained equally focused on preserving the quality of the Company's assets.

I am particularly encouraged by the significant improvements achieved in our credit quality during the year. Despite expanding the lending portfolio by more than fifty per cent, the Gross Stage 3 Loan Ratio improved markedly from 15.1% to 9.6%, while the Net Stage 3 Loan Ratio declined from 7.3% to 4.8%. These improvements reflect strengthened underwriting standards, enhanced recovery strategies and rigorous portfolio monitoring undertaken by Management throughout the year.

The Board firmly believes that sustainable growth must always be accompanied by prudent risk management. The significant reduction in impaired assets while simultaneously expanding the loan portfolio is a clear demonstration of the Company's disciplined approach towards balancing growth with asset quality.

Our capital position continued to remain well above the regulatory minimum requirements prescribed by the Central Bank of Sri Lanka. As at 31 March 2026, the Core Capital Ratio (Tier I) and the Total Risk Weighted Capital Ratio both stood at 22.0%, significantly exceeding the minimum regulatory requirement of 8.5% and 12.5% respectively. Likewise, the Capital Funds to Deposit Liabilities Ratio improved to 40.0%, comfortably above the statutory minimum of 10.0%, reflecting the Company's strong capital resilience.

Although the Liquidity Ratio moderated to 14.3% from 16.1%, it remained above the statutory requirement and reflects the Company's strategic deployment of funds to support accelerated lending activities whilst maintaining adequate liquidity buffers.

Creating Long-Term Shareholder Value

The financial progress achieved during FY2025/26 was reflected positively in shareholder value.

Basic Earnings Per Share increased by over 170% to Rs. 0.035, while Net Asset Value per Share improved to Rs. 1.01. Investor confidence in the Company's future prospects was evident in the remarkable appreciation of the Company's market valuation during the year.

The market price of the Company's shares increased from Rs. 0.70 to Rs. 2.70, resulting in market capitalisation increasing by approximately 286% to Rs. 8.58 billion. This exceptional appreciation reflects growing investor confidence in long-term strategy, governance framework and future growth potential of the Company.

While the Company's Price Earnings Ratio increased to 76.8 times, the Board views this as a reflection of improving market expectations and investor confidence in the Company's long-term earnings potential rather than simply a valuation metric.

These achievements reaffirm the confidence that shareholders have placed in the Company and reinforce our commitment to delivering sustainable long-term value through disciplined execution, prudent governance and responsible growth.

Investing in Our People

At UB Finance PLC, we believe that our employees are our greatest strength and the foundation of our long-term success. In an increasingly dynamic and competitive financial services industry, we recognise that developing a competent, knowledgeable and adaptable workforce is essential to delivering sustainable value to our customers and stakeholders.

We firmly believe that continuous learning and professional development equip our employees with the skills, confidence and agility required to respond effectively to evolving industry challenges, regulatory changes and customer expectations. By investing in their growth, we empower our people to enhance their performance, embrace innovation and contribute meaningfully to the achievement of the Company's strategic objectives.

Guided by this philosophy, UB Finance PLC continued to invest significantly in comprehensive training and development programmes throughout the financial year under review. These initiatives were designed to strengthen technical competencies, leadership capabilities, customer service excellence and regulatory knowledge, while fostering a culture of continuous improvement and lifelong learning across the organisation.

The progress achieved during the year would not have been possible without the commitment, professionalism and resilience demonstrated by every member of the UB Finance PLC family. Their dedication, adaptability and customer-centric approach continue to distinguish our organisation within an increasingly competitive marketplace.
The Board remains committed to fostering an inclusive, high-performance culture where talent is nurtured, leadership is developed and employees are empowered to realise their full potential while supporting the Company's sustainable growth and long-term success.

Governance as the Foundation of Sustainable Growth

At UB Finance PLC, good governance is not merely a regulatory obligation—it is the cornerstone upon which sustainable institutions are built.

The Board remains firmly committed to the principles of integrity, transparency, accountability and ethical leadership. Throughout the year, we continued strengthening Board oversight, enterprise risk management and internal control systems to ensure that the Company remains resilient in an increasingly dynamic operating environment.

The Board worked closely with Management to enhance strategic oversight while ensuring compliance with the regulatory framework issued by the Central Bank of Sri Lanka and other applicable authorities.

Sustainability as a Driver of Long-Term Growth

Sustainability remains an integral part of our long-term strategy and is increasingly embedded across our business operations. At UB Finance PLC, we recognise that creating enduring value extends beyond financial performance and requires responsible decision-making that balances economic growth with environmental stewardship, social responsibility and sound governance.

As we continue to grow our business, we are strengthening our sustainability framework by integrating ESG considerations into our governance, risk management and business practices. We remain committed to responsible lending, enhancing operational efficiency, embracing digitalisation to reduce our environmental footprint, supporting the well-being and development of our employees, and maintaining the highest standards of corporate governance. By aligning sustainability with our strategic priorities, we are building a resilient, future-ready institution that creates lasting value for our customers, shareholders, employees and the wider communities we serve.

Looking Ahead

While the operating environment continues to present challenges, I remain optimistic about the future of both Sri Lanka and UB Finance.

Economic fundamentals continue to improve, investor confidence is gradually returning and credit demand is expected to strengthen over the medium term. These developments provide a favourable platform for the next phase of our growth.

Our strategic priorities for the coming year will focus on:

- Accelerating quality loan growth while preserving asset quality.
- Strengthening our deposit franchise and funding diversity.
- Enhancing digital capabilities and customer experience.
- Improving operational productivity and profitability.
- Maintaining strong capital and liquidity positions.
- Embedding sustainability and ESG principles across the organisation.
- Delivering superior long-term shareholder returns.

As we embark upon this next chapter, the Board remains confident that the Company is well positioned to capitalise on emerging opportunities while continuing to create sustainable value for all stakeholders.

Acknowledgements

On behalf of the Board of Directors, I extend my sincere gratitude to our valued customers for the confidence they continue to place in the Company. I also thank the Central Bank of Sri Lanka, the Colombo Stock Exchange and all other regulatory authorities for their prudent scrutiny, continued guidance and stewardship.

I wish to acknowledge my fellow Directors for their wisdom, professionalism and unwavering commitment to the Company. My sincere appreciation is also extended to Mr. Ransith Karunaratne, Director/Chief Executive Officer, the Senior Management team and every employee whose dedication has been instrumental in delivering another year of strong performance.

Finally, I thank our shareholders for their continued trust and confidence. Your support remains the foundation upon which we continue to build a stronger, more resilient and a future-ready financial institution.

Together, we look forward with confidence, determination and optimism as we continue our journey of sustainable growth and long-term value creation.

Sabry Ghouse
Chairman

DIRECTOR / CHIEF EXECUTIVE OFFICER'S REVIEW

MACROECONOMIC OVERVIEW

The financial year 2025/26 marked a further stage in Sri Lanka's transition from economic stabilisation to recovery. Real GDP expanded by 5.0% in 2025, supported by growth in industry, services and agriculture of 7.8%, 3.3% and 1.4% respectively. Improving confidence, recovering domestic demand and renewed private-sector activity broadened the base of growth, although the benefits of the recovery were not uniform across all segments of the economy.

Macroeconomic conditions remained broadly supportive. Annual average headline inflation moderated to 2.1% in 2025, and the Central Bank maintained an accommodative monetary policy stance, reducing the Overnight Policy Rate to 7.75% by May 2025. Market lending rates generally remained below the preceding year's levels, supporting a strong recovery in private-sector credit. While the Sri Lankan Rupee remained broadly stable, household disposable incomes and business operating costs continued to face pressure, requiring financial institutions to balance growth opportunities with prudent credit selection.

The external sector also recorded encouraging progress. Tourism earnings reached approximately USD 3.2Bn, workers' remittances increased by 22.7% to a historic high of approximately USD 8.1Bn, and gross official reserves stood at approximately USD 6.8Bn by the end of December 2025. Continued reforms under the IMF-supported programme, improved fiscal performance and progress in public-debt restructuring strengthened policy credibility. Nevertheless, geopolitical tensions, global trade uncertainty, commodity-price volatility and climate related disruptions remained material risks. Overall, the improved macroeconomic platform created a more conducive environment for investment, credit expansion and sustainable economic activity.

FINANCIAL SERVICES SECTOR

Sri Lanka's financial services sector commenced 2025/26 from a position of improved resilience, stronger liquidity and renewed demand for financing. As economic activity and credit conditions normalised, financial institutions increasingly shifted from balance-sheet consolidation towards carefully managed growth. Within the non-bank financial institution sector, assets expanded by 44.0% to LKR 2.77Tn, while the loans and advances portfolio grew by 56.0% to LKR 2.2Tn during 2025. Competition consequently intensified across deposits, vehicle financing, SME credit, gold-backed lending and digital financial solutions, increasing the importance of pricing discipline, service quality, operational responsiveness and efficient capital deployment. The restoration of vehicle imports and recovery in mobility-related activity created significant opportunities for licensed finance companies. Finance leases and vehicle loans represented 64.1% of the sector's lending portfolio, while gold-backed loans accounted for a further 20.9%. Portfolio growth was also supported by renewed demand from SMEs, microenterprises and individual borrowers. Changes in funding costs and market interest rates required institutions to maintain diversified funding sources, manage balance-sheet mismatches carefully and undertake timely repricing. The sector continued to bridge financing gaps for underserved individuals and smaller businesses, particularly outside the country's principal commercial centres.

Improving borrower cash flows, stronger credit assessment and focused collection strategies contributed to a marked improvement in sector-wide asset quality during the year, while the sector's total capital adequacy ratio remained sound at 18.7%. Regulatory supervision continued to focus on capital strength, responsible lending, customer protection, AML/CFT compliance, cybersecurity, technology resilience, data governance and sustainability reporting. Collectively, these requirements are shaping a sector that is increasingly accountable, digitally enabled and attentive to emerging risks.

THE COMPANY

Against this improving backdrop, UB Finance PLC (UBF) delivered a strong and well-balanced performance in 2025/26. Profit before tax increased by 133% to LKR 423.8Mn, while profit after tax rose by 180% to LKR 111.8 Mn. Total assets expanded by 44% to LKR 17.3Bn and the gross lending portfolio grew by 52% to LKR 15.9Bn. This performance reflected disciplined execution across business lines, improved operating leverage and the resilience of the Company's franchise. Importantly, growth was achieved while maintaining a total capital adequacy ratio of 22%, comfortably above the regulatory minimum of 12.5%.

Net interest income improved during the year, supported by disciplined asset and liability management, optimised funding costs and close monitoring of maturities, pricing and liquidity requirements amid the changing interest-rate cycle. The resulting growth in core earnings strengthened profitability and enabled the Company to invest further in technology, distribution, people and control infrastructure, while continuing to build capital through retained earnings.

The gross lending portfolio achieved its strongest performance, expanding by 52% year on year, driven by vehicle leases and loans together with a 76% increase in gold-backed lending. The phased relaxation of vehicle import restrictions renewed demand for mobility finance, while improving business confidence supported borrowing among retail and SME customers. UBF pursued balanced portfolio expansion by combining secured, short-to-mid-tenor facilities with selectively identified higher-yield opportunities, strengthening revenue diversification while maintaining prudent risk management. The Company's deposit portfolio remained stable at LKR 7.8Bn, reflecting sustained depositor confidence and providing a reliable foundation for future growth.

Portfolio quality remained a key management priority as lending expanded. Coordinated action by the Recovery, Legal Recovery and Legal teams – including early customer engagement, appropriate restructuring, focused rehabilitation, intensified collections and litigation – delivered a significant improvement in portfolio quality during the year. Credit appraisal, insurance coverage, portfolio monitoring and early-warning mechanisms were further strengthened to safeguard the quality of new lending and mitigate potential losses. The Company maintained prudent Expected Credit Loss provisioning under SLFRS 9, with Stage 3 impairment coverage remaining above industry levels, reflecting a conservative and forward-looking approach to credit risk management. These results reflect improving customer repayment capacity and the sustained, client-focused efforts of the teams responsible for recovery and rehabilitation.

Sri Lanka's financial services sector continued to advance digitally, shaped by changing customer expectations, regulatory developments and the need for greater operational agility. As technology increasingly underpins the delivery of secure, efficient and customer-focused financial solutions, institutions have accelerated the modernisation of core systems and investment in automation, data analytics and resilient digital infrastructure. Against this backdrop, UBF's digital transformation progressed beyond investment in core infrastructure towards the gradual redesign of its operating model. During the year, the Company advanced implementation of the Scienter core banking platform, supported by upgraded data-centre infrastructure, ancillary systems and increased process automation to improve turnaround times, data accuracy, customer convenience, cybersecurity resilience and management visibility. The Company also commenced preliminary evaluations and engaged with relevant service providers exploring the integration of mobile and internet banking, customer portals, digital onboarding, loan origination and enhanced management information capabilities as extensions to the existing core banking platform. Technology governance was further strengthened through Management and Board level IT and Information Security Committees, alongside the continued development of the Security Operations Centre (SOC), Identity and Access Management (IAM), Data-Loss Prevention (DLP), Privilege Access Management (PAM) and incident-response capabilities. These investments are fundamental to creating a secure, scalable and data-driven financial institution.

Our people remained central to the Company's performance and transformation during the year. Despite the continuing challenge of attracting and retaining skilled professionals within the financial services sector, UBF strengthened its people-focused approach by investing in structured learning, mentoring, leadership development, professional education and knowledge sharing across frontline and support functions. Performance-based financial and non-financial recognition, together with employee engagement and recreational initiatives, supported motivation, wellbeing and work-life balance. As the business expanded, the Company increased its workforce to 387 employees and enhanced capacity across priority functions and branches. By linking performance, career progression and employee wellbeing with strategic priorities, UBF is developing an accountable, agile and customer-focused workforce capable of sustaining future growth. The UBF branch network was also refreshed with contemporary interiors and stronger brand visibility, reinforcing UBF's footprint across the country while creating a more welcoming customer experience and improved working environment for employees.

Governance, risk management and sustainability remained firmly embedded in the Company's decision making, supporting institutional resilience and long-term stakeholder value. During the year, UBF enhanced oversight across strategic planning, credit, treasury, liquidity, capital, operational risk, compliance, information security and business continuity through strengthened policies, committee structure and management information. Particular emphasis was placed on AML/CFT compliance, customer protection, cybersecurity, technology risk and regulatory reporting in line with evolving CBSL requirements. The Company also commenced preparations for SLFRS S1 and SLFRS S2, progressively incorporating sustainability-related risks and opportunities into its governance, strategy and disclosures. These measures reflect UBF's continued commitment to responsible finance, regulatory compliance and sustainable value creation.

THE WAY FORWARD

Sri Lanka enters the coming year on a firmer economic footing, supported by improved macroeconomic stability and a gradual restoration of business and consumer confidence. Growth is expected to benefit from recovering consumption and private-sector investment, stronger tourism and remittance inflows, renewed infrastructure activity and increased availability of imported vehicles despite prevailing restrictions. Strengthened institutional accountability and continued anti-corruption efforts should further support public and investor confidence, creating broader opportunities for credit expansion across mobility finance, SME lending and other secured retail products. Nevertheless, the recovery remains vulnerable to global geopolitical and trade-related headwinds as well as domestic structural constraints, including elevated public debt and limited fiscal flexibility. Continued fiscal discipline and consistent policy implementation will therefore be essential to sustain investor confidence, and financial institutions must remain vigilant to movements in interest and exchange rates, funding costs and borrower affordability while maintaining adequate capital, liquidity and portfolio quality.

UBF is well positioned to participate in Sri Lanka's next phase of economic growth, supported by a strengthened capital base, improving profitability, a more resilient operating platform and the continued confidence of its stakeholders. Guided by the "Reimagine UBF 2030" strategic plan, the Company will pursue measured and sustainable expansion towards an asset base of LKR 50Bn and profit after tax of LKR 1Bn by 2030. Strategic priorities will include broadening and modernising the branch network, strengthening UBF's presence across key regional markets, increasing its share in selected lending segments and developing a wider and more diversified deposit base. Greater emphasis will also be placed on enhancing customer service, improving productivity and building organisational capabilities to support the next stage of growth. Expansion will remain firmly aligned with risk-adjusted returns, portfolio quality, capital efficiency, funding stability and liquidity resilience, ensuring that growth does not compromise the strength of the balance sheet.

The Company will continue to develop its product portfolio in response to the changing financial needs of retail customers, SMEs and underserved communities. Vehicle and mobility finance, gold-backed lending and other secured facilities will be complemented by new and repositioned products, more flexible delivery channels and deeper customer engagement. Digital transformation will remain central to this strategy, with the next phase focused on completing deployment of the core banking system, redesigning end-to-end customer journeys, increasing process automation and improving the quality and timeliness of management information. Reliable data and analytics will be used more extensively to support customer insights, credit decisions, portfolio monitoring and operational efficiency. Alongside these developments, UBF will continue to invest in cybersecurity, data governance, internal controls and operational resilience, enabling the Company to expand securely while preserving customer trust.

Through disciplined execution, UBF remains committed to translating the opportunities arising from the economic recovery into sustainable stakeholder value, progressing steadily towards its vision of becoming Sri Lanka's Preferred Financial Services Provider.

APPRECIATION

I extend my sincere appreciation to the Management team for its leadership, discipline and commitment throughout a demanding year of growth and transformation. I also thank every member of the UBF team whose professionalism, resilience and collective effort made the Company's performance possible. Your willingness to embrace change, serve our customers and deliver on increasingly ambitious objectives remains the driving force behind our progress.

My heartfelt gratitude goes to our Chairman, Mr. Sabry Ghouse, and my colleagues on the Board for their guidance, foresight and rigorous oversight. Their support has been invaluable in steering the Company through a period of significant change. As Mr. Shankanada Yapa Abeywardene concludes his tenure with the Company, I wish to place on record my sincere appreciation for the extensive financial knowledge, valued counsel and significant contribution he brought to the Board. I also extend my appreciation to our parent company, Union Bank of Colombo PLC, for its continued support through strategic guidance, shared expertise, governance standards and institutional strength.

I also extend my appreciation to the Central Bank of Sri Lanka and our other regulators, including the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka, for their guidance and engagement. My thanks also go to our external auditors, M/s. KPMG, our rating agencies, bankers, professional advisers and business partners for the expertise and support extended to the Company during the year.

Finally, I express my profound appreciation to our customers and depositors for the trust and loyalty they continue to place in UB Finance PLC. Your confidence is both a privilege and a responsibility. Together with our employees, the Board, our parent company and business partners, we will continue building a stronger, more innovative and inclusive institution capable of creating enduring value and contributing meaningfully to Sri Lanka's economic progress.

Ransith Karunaratne
Director / Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

Sri Lanka's operating environment during 2025/26 reflected continued economic stabilisation and a gradual recovery, underpinned by macroeconomic reforms, easing inflationary pressures, and improving business confidence. Financial institutions operated within an evolving regulatory landscape while responding to changing customer expectations and measured credit demand. Against this backdrop, Licensed Finance Companies, including UB Finance PLC, remained focused on strengthening resilience, enhancing operational efficiency, and supporting sustainable economic growth.

Macroeconomic Conditions

Sri Lanka's economy continued its recovery throughout 2025/26, supported by fiscal consolidation, macroeconomic reforms, and the ongoing IMF-supported programme. Inflation remained broadly contained, while improvements in external sector performance and foreign reserve levels contributed to greater economic stability. Although declining interest rates created a more favourable operating environment, credit expansion remained moderate as borrowing appetite continued to be influenced by cautious market sentiment and global economic uncertainties.

Regulatory and Policy Developments

The Central Bank of Sri Lanka continued to strengthen the regulatory framework governing the financial sector, with increased emphasis on financial stability, corporate governance, risk management, and institutional resilience. Ongoing regulatory reforms, including financial sector restructuring initiatives, reinforced market confidence while encouraging stronger governance standards. Continued focus on digitalisation, customer protection, anti-money laundering and countering the financing of terrorism (AML/CFT), and environmental, social and governance (ESG) practices continued to shape the operating environment for Licensed Finance Companies.

Financial Services Sector Trends

The financial services sector remained highly competitive throughout the year, with moderate credit growth driven primarily by the SME sector, trade, and essential economic activities. Customer demand for convenient, technology-driven financial solutions continued to accelerate digital transformation, product innovation, and service enhancements across the industry.

Within this evolving environment, UB Finance PLC remained focused on prudent business growth, digital innovation, and customer-centric solutions, enabling the Company to capitalise on emerging opportunities while delivering sustainable value to all stakeholders.

Key Strategic Initiatives:

a) Capital Strengthening

The Company maintained a robust capital position supported by adequate regulatory capital buffers, providing a strong foundation for sustainable growth and future expansion.

b) Asset Quality and Liquidity Management

Prudent credit underwriting, disciplined risk management practices, and proactive portfolio monitoring enabled the Company to preserve asset quality while maintaining healthy liquidity levels.

c) SME Growth and Financial Inclusion

The Company continued to expand its presence within the retail and SME sectors, supporting underserved customer segments and contributing to broader financial inclusion and economic development.

d) Strengthening Stakeholder Confidence

Strong governance practices, sound financial management, and a customer-centric operating model continued to reinforce stakeholder confidence while supporting the Company's long-term strategic objectives.

Performance Overview

The financial year 2025/26 marked a significant turning point for UB Finance PLC. During the year, the Company achieved several key milestones that reinforced its strategic direction and strengthened its position in the financial services sector. These achievements, together with enhanced governance practices and growing investor confidence, have established a strong foundation for sustainable growth and long-term value creation.

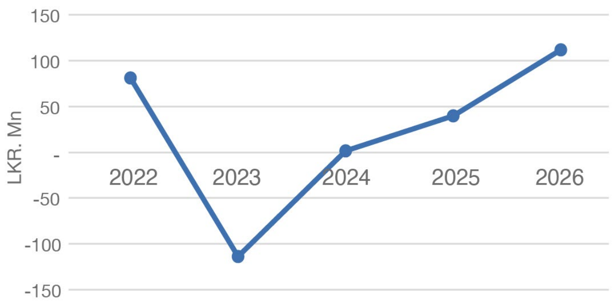
The gradual stabilisation of Sri Lanka's macroeconomic environment during the year provided a more supportive backdrop for business recovery. As economic conditions continued to improve, we witnessed positive momentum across our operations, with key financial and operational indicators demonstrating steady progress. These encouraging developments reflect the effectiveness of the strategic initiatives undertaken to strengthen our business and enhance operational performance.

The financial year marked a period of strategic transformation and operational strengthening. Our priorities centered on enhancing operational efficiency, strengthening governance and risk management practices, and reinforcing the trust and confidence of our customers, business partners, investors, and other stakeholders. These initiatives have contributed to a more resilient organization, better positioned to respond to evolving market opportunities and challenges.

Although the operating environment continues to present uncertainties, the progress achieved during the year provides a solid platform for the future. With a stronger operational foundation, disciplined execution, and a clear strategic direction, we enter the new financial year with confidence. Our focus remains on delivering sustainable growth, creating long-term value for our shareholders, and continuing to support the financial aspirations of our customers while contributing to the broader economic development of Sri Lanka.

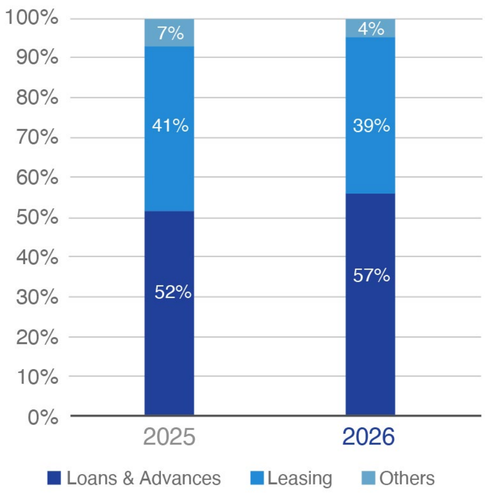
The Company recorded a notable increase in Profit After Tax (PAT), which rose from LKR 39.9 Mn in FY 2024/25 to LKR 111.8 Mn in FY 2025/26, reflecting a year-on-year growth of 180%. This significant improvement demonstrates the Company's strengthened financial position and successful operational performance during the financial year.

Profit After Tax (PAT)



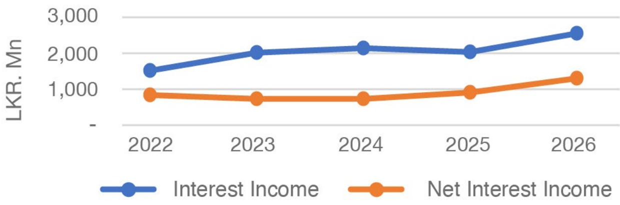
Return on Assets (ROA), based on Profit After Tax (PAT), increased from 0.3% in FY 2024/25 to 0.8% in FY 2025/26, reflecting a significant improvement in the Company's ability to generate earnings from its asset base. Return on Equity (ROE), based on Profit After Tax (PAT), increased from 1.4% in FY 2024/25 to 3.5% in FY 2025/26, demonstrating a substantial enhancement in shareholder returns and reflecting stronger profitability during the year.

Composition of Interest Income



The Company successfully strengthened its Net Interest Income (NII), recording a significant year-on-year increase of 43.5%. Gross Income generated from Net Fee and Commission Income also grew substantially, rising from LKR 60.8 Mn to LKR 143.6 Mn, representing an increase of 136.2%. This growth was primarily driven by the strategic expansion of the Company's portfolio, reflecting UB Finance's proactive and adaptive approach to optimising its income streams in response to evolving market conditions.

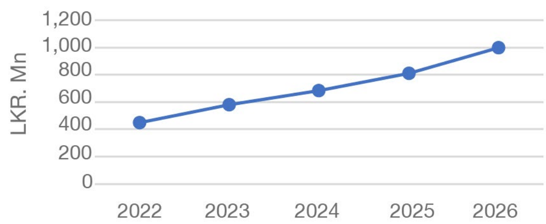
Interest Income & Net Interest Income (NII)



UB Finance's Net Interest Margin (NIM) declined marginally from 8.1% to 7.6%, mainly due to the increase in borrowing costs. A further moderation in NIM is anticipated in the near term; however, the gradual repricing of the fixed deposit portfolio in line with the declining funding yield curve is expected to mitigate this impact over time. Other Operating Income decreased from LKR 121.8 Mn in FY 2024/25 to LKR 79.1 Mn in FY 2025/26, a year-on-year decline of 35.1%. Despite this reduction, the Company continued to benefit from strong recoveries on written-off portfolios while further diversifying its income streams, supporting overall earnings resilience.

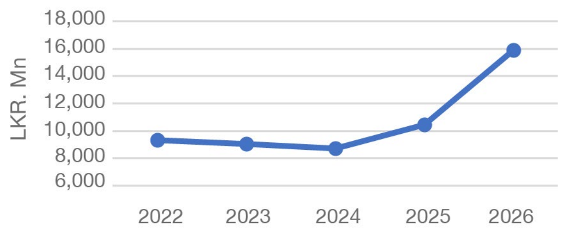
The Cost-to-Income Ratio improved significantly, declining from 74.0% to 65.4%, demonstrating enhanced operational efficiency and effective cost management. Meanwhile, the Impairment Charge increased marginally from LKR 102.6 Mn to LKR 106.7 Mn, reflecting the Company's prudent provisioning policy and continued focus on maintaining a strong risk management framework.

Operating Expenses

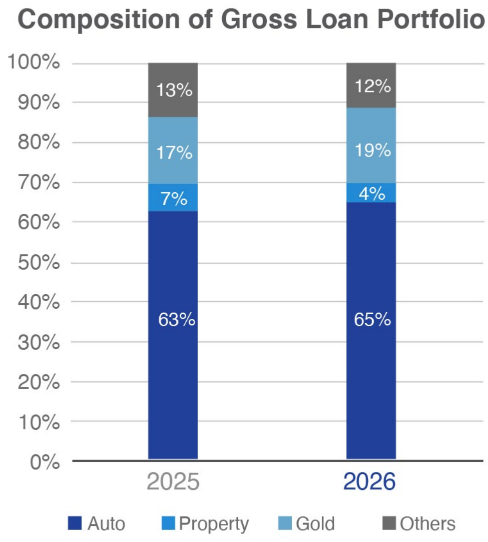


The Gross Loan Portfolio expanded from LKR 10,449.6 Mn in FY 2024/25 to LKR 15,887.1 Mn in FY 2025/26, representing an impressive year-on-year growth of approximately 52.0%.

Lending Portfolio (Gross)



The Lease and Loan portfolio reached LKR 12,814.0 Mn in FY 2025/26, recording a remarkable growth of 182.4%, while the Gold Loan portfolio increased by 76.4%, rising from LKR 1,742.2 Mn to LKR 3,073.1 Mn. These results demonstrate the Company's disciplined portfolio management strategy, its ability to adapt to changing market conditions, and its continued focus on sustainable and diversified business growth.



UB Finance recorded a robust 43.5% increase in total assets during the financial year 2025/26, driven by the strategic expansion of its lending portfolio while maintaining a strong focus on credit quality. This balanced growth strategy strengthened the Company's asset base, enhanced financial resilience, and reinforced its capacity to support sustainable long-term growth. The disciplined execution of its lending strategy reflects UBF's commitment to prudent financial management and value creation.

The Company's capital position remained well above regulatory requirements throughout the year, underscoring its strong financial foundation. Both the Tier 1 Capital Adequacy Ratio and the Total Risk-Weighted Capital Ratio stood at 22.0%, significantly exceeding the minimum regulatory thresholds of 8.5% and 12.5%, respectively. Unimpaired Core Capital increased to LKR 3,087.1 Mn from LKR 2,835.3 Mn in the previous financial year, further strengthening the Company's capital base and providing a solid platform to support future business growth while maintaining resilience against potential economic uncertainties.

UB Finance's strategic focus on disciplined risk management, customer-centric solutions, and operational excellence continues to position the Company to capitalize on improving economic conditions. The Credit Department remains instrumental in driving quality asset growth by focusing on creditworthy customer segments, refining lending strategies in response to evolving market dynamics, and leveraging an advanced credit assessment framework to enhance underwriting standards.

Operational efficiency continued to improve through the Credit Operations Department's ongoing digital transformation initiatives. The implementation of technology-enabled processes streamlined loan origination and approval workflows, significantly reducing turnaround times while enhancing service delivery and the overall customer experience.

The Risk Department maintained a robust enterprise risk management framework, proactively monitoring credit, market, liquidity, and operational risks to ensure that exposures remained within the Board-approved risk appetite. This disciplined approach, supported by continuous professional development and regular enhancement of risk management practices, strengthened the Company's ability to navigate an evolving operating environment while safeguarding financial stability.

The Marketing Communications Division continued to strengthen the Company's market presence through targeted customer engagement initiatives, enhanced brand visibility, and cost-effective in-house marketing strategies. Its continued emphasis on customer acquisition, relationship management, and retention contributed to the sustained growth of the Company's business franchise.

Portfolio quality remained a key strategic priority throughout the year. The Recovery Department adopted a proactive and integrated recovery framework, combining intensive field-level engagement with timely legal interventions to maximize recoveries, minimize credit losses, and preserve asset quality. These focused initiatives resulted in a significant improvement in the Company's asset quality, with the Gross Non-Performing Loan (NPL) Ratio declining to 9.6% in FY 2025/26 from 15.1% in FY 2024/25.

The Legal Department continued to play a critical governance role by overseeing litigation, reviewing security documentation, supporting the credit approval process, and working closely with the Recovery Department to protect the Company's legal and financial interests while ensuring compliance with applicable regulatory and contractual requirements.

Technology transformation remained a strategic priority during the year. UB Finance continued the implementation of a major core banking system upgrade in partnership with Scienter Technologies, aimed at enhancing operational efficiency, strengthening data governance, improving system capabilities, and delivering a superior customer experience. The initiative is further supported by targeted investments in IT infrastructure and hardware modernization to improve operational resilience and scalability.

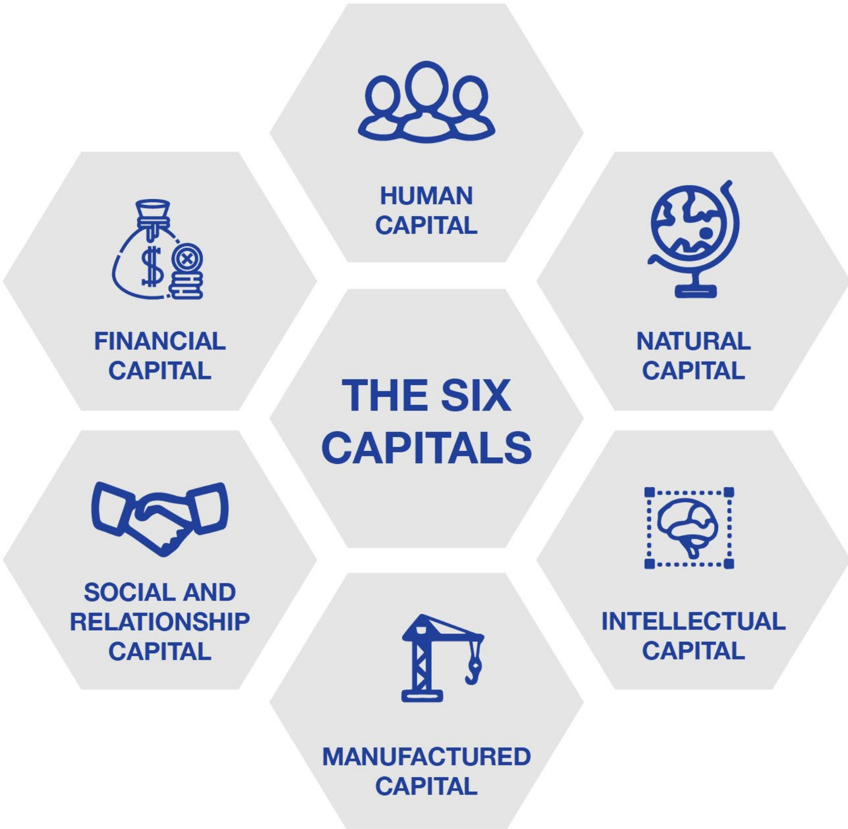
Business resilience remained a key focus, supported by a well-established Business Continuity Management framework that enabled uninterrupted operations despite internal and external challenges. A dedicated Crisis Management Team ensured timely decision-making and effective incident response, reinforcing the Company's operational resilience. Concurrently, the Compliance function continued to strengthen the governance framework by promoting adherence to regulatory requirements, internal policies, and ethical business practices, thereby fostering transparency, accountability, and stakeholder confidence.

Recognizing that its people remain a critical competitive advantage, UB Finance continued to invest in developing a high-performing and adaptable workforce. Through structured learning and development programmes, employee engagement initiatives, leadership development, and talent retention strategies, the Company strengthened organizational capability while fostering an inclusive and performance-driven culture. This continued investment in human capital positions UB Finance to sustain its growth trajectory and respond effectively to the evolving demands of the financial services industry.

FINANCIAL CAPITAL

Six Capitals Fundamental to Our Value Creation Approach

Our approach to value creation is guided by the Six Capitals framework, which provides a structured foundation for managing the resources and relationships that underpin the Company's long-term sustainability and performance. By integrating these capitals into our strategic decision-making and day-to-day operations, we strengthen our ability to create enduring value for all stakeholders while remaining aligned with our core values of responsibility, innovation, and integrity.



Financial Capital

Management Approach

UB Finance's approach to managing financial capital is founded on four key principles: maintaining prudent capital adequacy, optimizing the risk-return balance, ensuring sufficient liquidity to support operational requirements, and adhering to regulatory and governance standards.

The Company demonstrates sound financial stewardship by maintaining a diversified lending portfolio with a strategic focus on secured lending products, including gold-backed loans and leasing facilities. It actively manages liquidity and interest rate risks to mitigate the impact of macroeconomic uncertainties while ensuring adequate funding to support business operations and growth. Capital adequacy is continuously monitored in accordance with the guidelines issued by the Central Bank of Sri Lanka, supported by robust contingency planning to ensure ongoing regulatory compliance and financial resilience

Key Highlights for the Year 2025/26

The Company recorded a significant turnaround in financial performance, achieving a profit of LKR 111.8 million during the year.

Net Interest Income (NII) increased by 43%, driven by the improved performance and optimal utilization of interest-earning assets.

The gross lending portfolio expanded by 52% to LKR 15.9 billion, supported by a focused portfolio diversification strategy and strengthened credit delivery channels.

NET INTEREST INCOME
LKR 1,308.5 Mn
43% ↑

NET OPERATING INCOME
LKR 1,424.4 Mn
44% ↑

PROFIT AFTER TAX
LKR 111.8 Mn
180% ↑

TOTAL NET LENDING PORTFOLIO
LKR 15 Bn
57% ↑

TOTAL ASSETS
LKR 17.3 Bn
44% ↑

TOTAL EQUITY
LKR 3.2 Bn
4% ↑

Overview

Building on the positive momentum from the previous year, UB Finance PLC delivered a strong financial performance in 2025/26, recording a substantial increase in profitability despite a challenging operating environment. The Company's results reflect the effectiveness of its strategic repositioning, prudent financial management, and disciplined execution of business priorities. Strengthened asset quality, improved operational efficiency, and a focused approach to sustainable lending contributed to enhanced financial outcomes and reinforced the Company's resilience amid evolving market conditions.

Financial Indicators (%)	2025/2026	2024/2025
Return on Assets (after tax)	0.76%	0.35%
Return on Equity (after tax)	3.54%	1.35%
Cost to Income	65.35%	74.04%
Growth in Total Assets	43.51%	10.11%

Financial Performance

The 2025/26 financial year marked a period of strengthened performance for the finance sector, supported by a gradual improvement in macroeconomic conditions following the economic crisis experienced in 2022. Easing monetary policy, improved market confidence, and a more stable operating environment created opportunities for sustainable business growth. Against this backdrop, UB Finance PLC delivered a notable improvement in its financial performance, supported by disciplined risk management, enhanced credit quality, and stronger recovery outcomes. The Company maintained its strategic focus on expanding its portfolio through secured and quality lending products, particularly Gold Loans, Leasing, and SME financing, while preserving asset quality and strengthening portfolio resilience.

A range of targeted initiatives was implemented to reduce non-performing assets (NPAs) and improve recovery rates. These included proactive customer engagement, structured recovery and legal clinics, and dedicated task force initiatives aimed at supporting customers in regularising their repayment obligations. These efforts contributed to improved collection performance, enhanced credit metrics, and a healthier lending portfolio, reinforcing the Company's long-term financial stability.

Vertical Analysis of Income Statement

Income Statement	2025/2026		2024/2025	
	LKR Mn	%	LKR Mn	%
Income	**2,784.3**	**100.0**	**2,239.5**	**100.0**
Interest Income	2,554.6	91.7	2,026.1	90.5
Interest Expenses	(1,246.1)	(44.8)	(1,114.0)	(49.7)
Net Interest Income	**1,308.5**	**47.0**	**912.1**	**40.7**
Other Income (Net)	222.7	8.0	182.7	8.2
Total Operating Income	**1,531.2**	**55.0**	**1,094.8**	**48.9**
Impairment Charges	(106.7)	(3.8)	(102.6)	(4.6)
Net Operating Income	**1,424.4**	**51.2**	**992.2**	**44.3**
Total Operating Expenses	(1,000.6)	(35.9)	(810.5)	(36.2)
Operating Profit Before Taxes	**423.8**	**15.2**	**181.7**	**8.1**
Tax on Financial Services	(167.5)	(6.0)	(102.7)	(4.6)
Profit Before Income Tax	**256.2**	**9.2**	**79.0**	**3.5**
Tax Expense	(144.4)	(5.2)	(39.0)	(1.7)
Profit for the Year	**111.8**	**4.0**	**40.0**	**1.8**

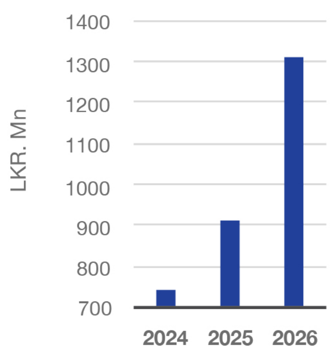
INCOME GROWTH

Net Interest Income

During the year under review, the Company recorded a significant increase in Net Interest Income (NII), which grew by 43% to LKR 1,308 million, compared to LKR 912 million in the previous financial year. This growth was driven by the expansion of the interest-earning asset portfolio and improved asset yields, reflecting the

Company's disciplined lending strategy and effective balance sheet management.

Net Interest Income



Net Interest Margin

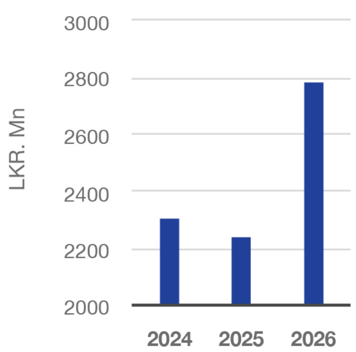
Net Interest Margin (NIM), measured as net interest income as a percentage of average interest-earning assets, increased to 9.6% from 8.0% in the previous year, reflecting an improvement in the Company's core earning capacity.

Non - Interest Income

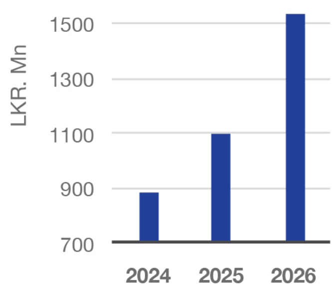
Non-interest income primarily comprised net fee and commission income and other operating income. During the year under review, net fee and commission income increased significantly by 136% to LKR 143.6 million, reflecting the expansion of the Company's business portfolio and the higher volume of lending and related financial services.

Other operating income for the year decreased by 35%, amounting to LKR 79.1 million, compared to LKR 121.8 million in the previous period. Despite this reduction, the Company continued to benefit from strong recoveries on written-off portfolios.

Gross Income



Total Operating Income



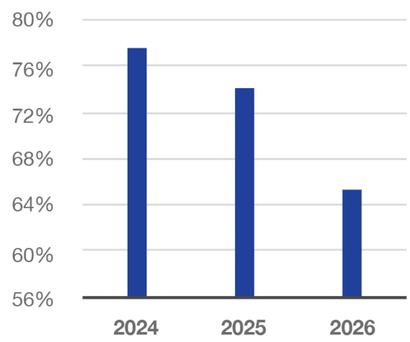
COST EFFICIENCY

Operating Expenses

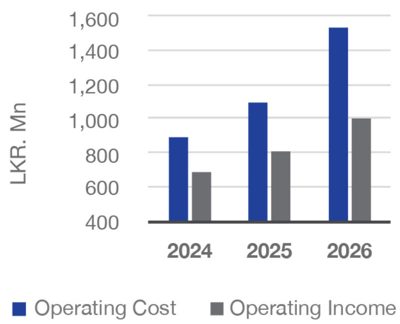
Although operating expenses increased during the year in line with business expansion and higher operational activity, the Company maintained strong cost discipline, resulting in an improvement in overall operating efficiency. Consequently, the cost-to-income ratio declined to 65.4% in 2025/26 from 74.0% in the previous year, reflecting stronger revenue growth relative to the increase in operating expenses and the effectiveness of the Company's cost management initiatives.

Financial Indicators (%)	2025/2026	2024/2025
Cost to Income	65.4%	74.0%

Cost to Income



Cost vs Income



CREDIT QUALITY MANAGEMENT

Impairment Charges on Loans and Advances

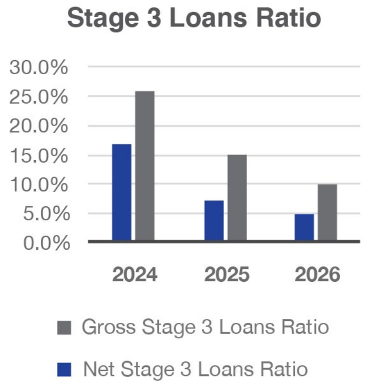
The Company recognizes impairment charges on lease receivables and other loans and advances to customers in accordance with SLFRS 9: Financial Instruments and its subsequent amendments. During the year under review, total impairment charges on loans and advances amounted to LKR 87.7 million, representing a marginal increase of 2.1% compared to LKR 85.9 million recorded in the previous year.

The modest increase in impairment charges was primarily attributable to the expansion of the lending portfolio, which grew by 52.0% during the year. Despite the significant growth in the loan and lease portfolio, the Company maintained strong asset quality through disciplined credit risk management and proactive recovery strategies.

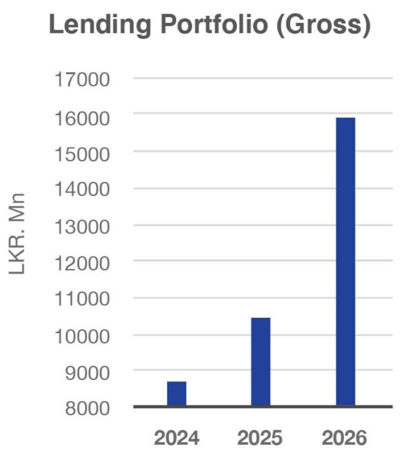
This was reflected in the significant improvement in credit quality indicators, with the Gross Stage 3 Loans Ratio (Non-Performing Advances Ratio) declining by 36% to 9.6%, compared to 15.1% in the previous year. Similarly, the Net Stage 3 Loans Ratio improved to 4.8% from 7.3% in 2024/25.

The improvement in asset quality demonstrates the effectiveness of the Company's prudent, forward-looking approach to credit risk management, supported by enhanced monitoring, timely recovery initiatives, and a continued focus on maintaining a healthy lending portfolio.

Financial Indicators (%)	2025/2026	2024/2025
Gross Stage 3 Loans Ratio	9.6%	15.1%
Net Stage 3 Loans Ratio	4.8%	7.3%



Lending Portfolio

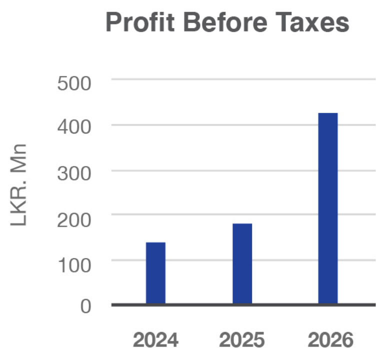


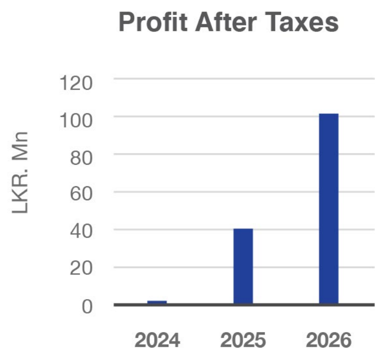
PROFITABILITY

Despite continued economic challenges, UB Finance PLC achieved a significant improvement in profitability during the year, reflecting the dedication of its employees, the effectiveness of its strategic initiatives, and disciplined financial management. The Company recorded a net profit after tax of LKR 111.8 million, representing an approximate 180% increase compared to the previous year's reported profit.

The strong performance was primarily driven by a 43% growth in Net Interest Income, supported by the expansion of the lending portfolio and improved income generation from interest-earning assets. Although the cost of funds increased by 12% during the year, the Company successfully enhanced its earnings capacity through effective balance sheet management and focused business growth.

Operational efficiency also improved significantly, with the cost-to-income ratio declining to 65% in 2025/26 from 74% in 2024/25. This improvement demonstrates the Company's ability to manage costs effectively while scaling its operations. Although total operating expenses increased by 23% due to business expansion and increased operational activity, the growth in revenue and improved productivity enabled the Company to achieve stronger profitability and sustainable financial performance.



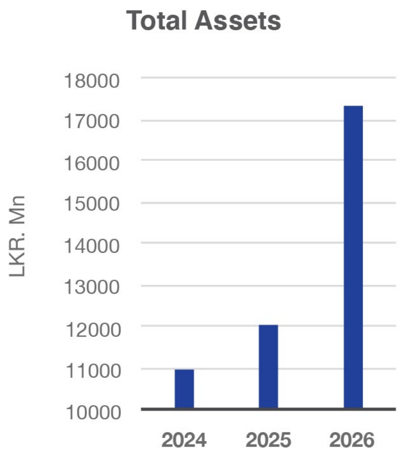


TOTAL ASSETS

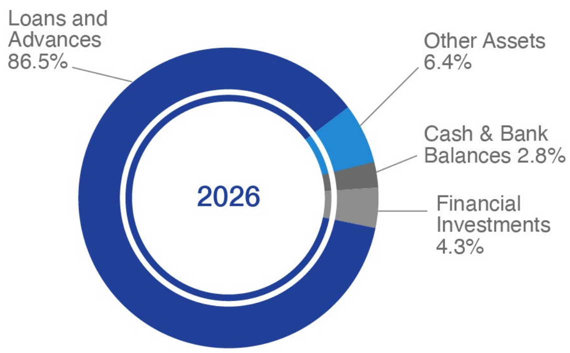
UB Finance PLC's transformative growth journey was further reflected in the strength of its balance sheet during 2025/26, with the Company's total asset base reaching LKR 17.3 billion, representing a robust 44% year-on-year growth and an increase of LKR 5.3 billion over the previous year.

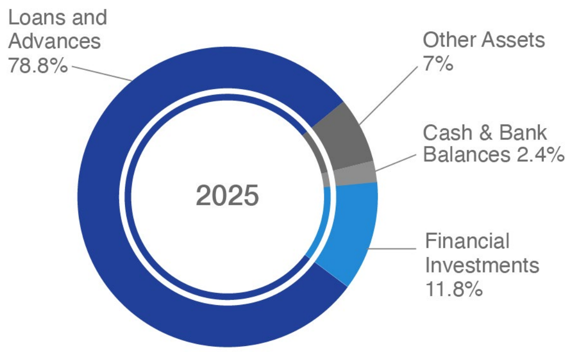
The expansion in total assets was primarily driven by the growth of the lending portfolio, with the Company's net lending portfolio increasing by 57% to LKR 15 billion, supported by focused portfolio expansion and effective credit delivery strategies.

The Company's asset composition remained strong, with 93% of total assets comprising interest-earning assets, highlighting the efficient deployment of funds and the Company's continued focus on enhancing core income generating activities while maintaining a balanced and sustainable growth strategy.

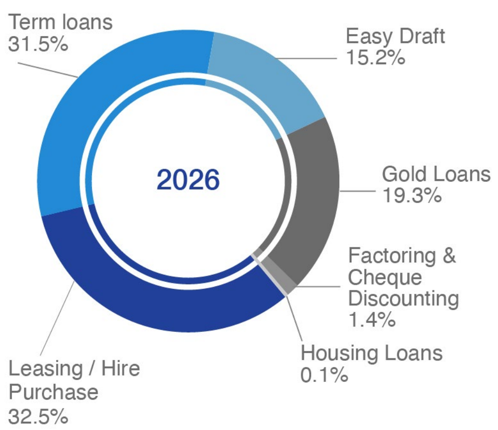


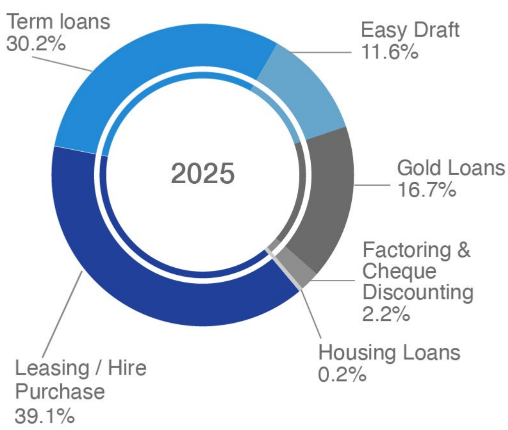
Total Assets Mix



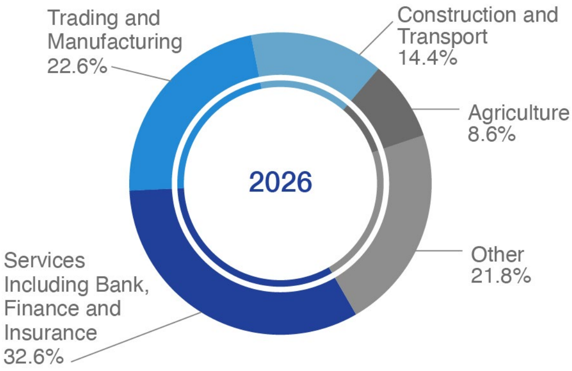


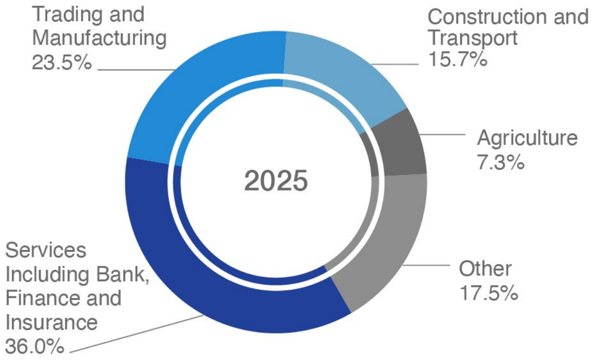
By Products





By Industry



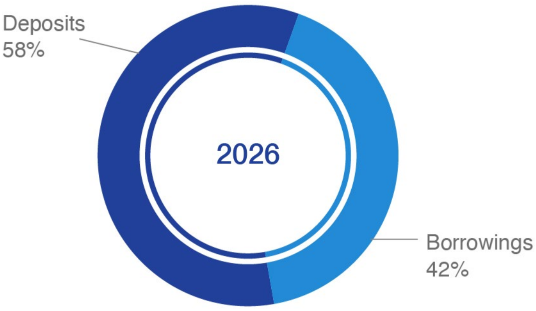


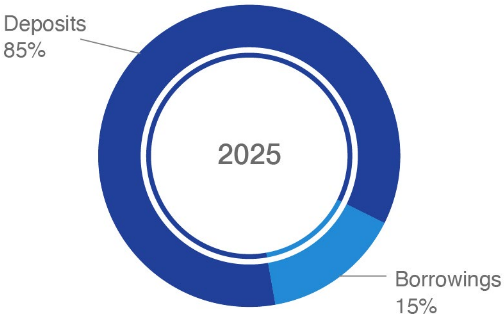
TOTAL LIABILITIES

The Company's total liabilities increased to LKR 14.1 billion during the year under review, reflecting a 57% growth compared to the previous year. This increase was primarily driven by the Company's successful efforts in strengthening its funding base to support the expansion of its lending portfolio and overall business growth.

Total external funding, including public deposits, increased to LKR 13.4 billion, reflecting continued confidence from funding partners and depositors. The Company successfully secured external borrowings of LKR 5.6 billion while maintaining a stable deposit base of LKR 7.8 billion. These funding initiatives supported enhanced liquidity management and provided the necessary financial capacity to drive sustainable asset growth while maintaining a balanced funding structure.

Borrowing mix

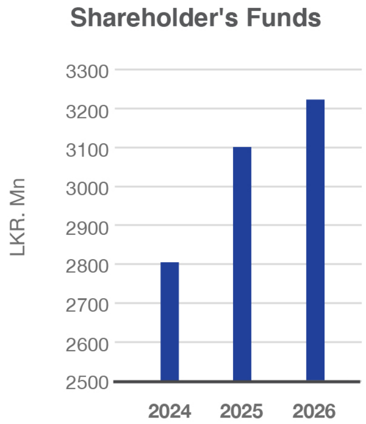




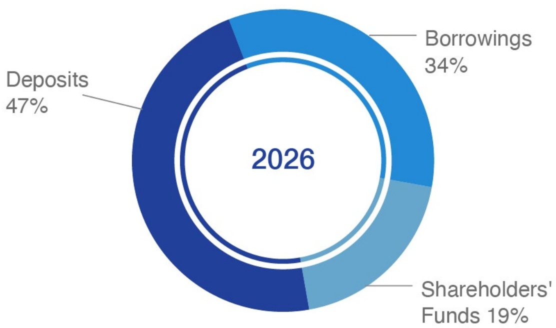
EQUITY

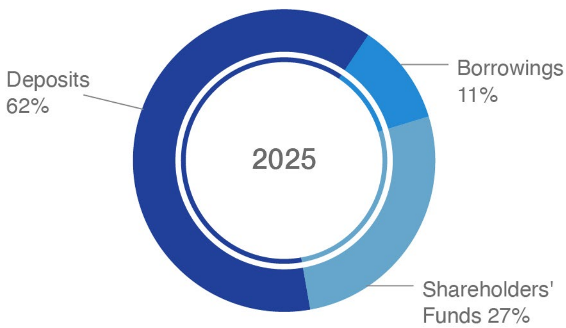
As at the end of the financial year, the Company reported total shareholder funds of LKR 3.2 billion, reflecting a healthy growth of 4% compared to the previous year. This increase was primarily supported by the profit generated during the year and the recognition of the regulatory loss allowance reserve within retained earnings, arising from the Company's successful recovery initiatives.

The growth in shareholder funds reflects UB Finance PLC's continued commitment to strengthening its capital position, enhancing financial resilience, and creating sustainable long-term value for its shareholders



Funding Mix





CAPITAL ADEQUACY

Commencing from July 2018, CBSL introduced a new Capital Adequacy Framework (CAF), revoking the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006. The new CAF is intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities.

The existing Capital Adequacy Direction was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction, risks were confined to credit risk, and no capital requirements were applicable for market and operational risks. Therefore, the new CAF provides for the maintenance of Capital Adequacy Ratios (CARs) with a more risk sensitive focus, covering credit and operational risk under the basic approach available in the Basel II Accord.

LFCs with Assets less than LKR 100 billion

Components of Capital	2026	2025	Industry - March 2026	Regulatory requirement
Tier 1 Capital ratio %	22.0	28.7	16.6	8.50
Total Capital ratio %	22.0	28.7	18.4	12.50

The Company maintained a strong capital position throughout the year, with capital adequacy ratios remaining well above both the regulatory minimum requirements and the industry averages for Licensed Finance Companies (LFCs) with assets below LKR 100 billion. This robust capital base provides a solid foundation to support future business growth while enhancing the Company's resilience against potential economic and financial uncertainties.

Furthermore, the Capital Funds to Deposit Liabilities Ratio stood at 40%, substantially exceeding the regulatory minimum requirement of 10%, reflecting the Company's prudent capital management practices and strong depositor protection.

TAX

Tax expenses increased during the year, reflecting the Company's improved financial performance and higher taxable earnings

The Tax on Financial Services increased by LKR 65 million, primarily driven by the significant growth in operating profit before taxes, in line with the expansion of the Company's revenue base across its key business segments.

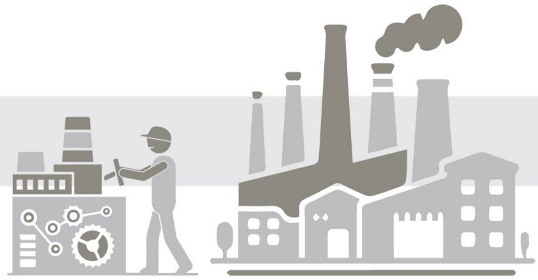
Income tax expense increased by LKR 105 million, mainly due to the higher profit before tax recorded during the year and the full utilization of tax losses carried forward. Consequently, a greater proportion of taxable profits became subject to corporate income tax.

The increase in tax expenses is a direct outcome of the Company's enhanced profitability and reflects its strengthened earnings performance during the financial year.

Impact of Financial Capital on Other Capitals

Human Capital	• Investment in employee training, learning, and professional development to enhance competencies and build a skilled, motivated workforce. • Funding for employee engagement, well-being, and recognition initiatives to strengthen motivation, productivity, and long-term employee retention.
Natural Capital	• Investment in resource conservation and environmentally responsible initiatives that promote the efficient use of energy, paper, and other natural resources while supporting sustainable business practices.
Intellectual Capital	• Strategic investments in information technology, digital platforms, cybersecurity, and process automation to strengthen innovation, operational efficiency, and organizational knowledge.
Manufactured Capital	• Investment in branch upgrades, infrastructure modernization, and technology-enabled systems to improve service delivery, operational resilience, and customer experience.
Social and Relationship Capital	• Investment in digital information systems and customer service platforms to improve process efficiency, strengthen stakeholder engagement, and provide seamless access for customers, business partners, and other stakeholders, thereby fostering long-term relationships and trust.

MANUFACTURED CAPITAL



17

Service Centres

LKR 326.6 Mn

Capital Outlay on PPE & Intangible Assets

In our commitment to sustainable growth and responsible business practices, we recognize the strategic importance of effectively managing and enhancing our manufactured capital. Manufactured capital comprises the physical infrastructure, facilities, equipment, and other tangible assets that support our operations and enable us to deliver value to our stakeholders. This includes our head office, branch network, IT infrastructure, equipment, and technology platforms that underpin the delivery of our financial services.

By continuously investing in and maintaining these assets, we strengthen operational efficiency, improve service delivery, and enhance the overall c ustomer experience. Our ongoing focus is on modernizing our physical infrastructure, integrating sustainable practices into our operations, and leveraging technological advancements to drive innovation, resilience, and long-term competitiveness in an evolving financial landscape.

Sri Lanka's financial services sector continued to prioritise digital transformation and operational efficiency during 2025/26, with institutions investing in technology-enabled service delivery and modern infrastructure to improve customer experience and operational resilience.

In line with these industry developments, UB Finance PLC continued to strengthen its physical and technological infrastructure to support efficient service delivery, operational excellence, and sustainable growth. Investments in branch infrastructure, digital platforms, information technology systems, and business continuity capabilities enhanced customer experience, cybersecurity, and operational resilience.

the Company's fleet to support business operations. These investments enhance service delivery, improve operational efficiency, strengthen information technology capabilities, and create a safe and productive working environment for employees and customers alike.

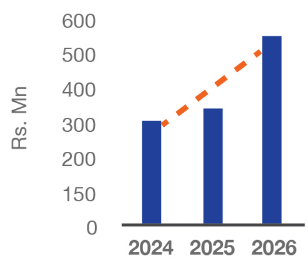
Investment in Property, Plant and Equipment (PPE)

Investment in Property, Plant and Equipment (PPE) forms a key component of our manufactured capital, enabling UB Finance PLC to strengthen its operational capabilities and support the delivery of efficient, customer-centric financial services. During the year, the Company continued to invest in modernizing its physical and technological infrastructure, reflecting its commitment to operational excellence, digital transformation, and sustainable long-term growth.

Capital expenditure was directed towards enhancing branch infrastructure, upgrading technology and equipment, improving workplace facilities, and expanding

Investment in Property, Plant and Equipment (PPE)	2025/2026 Rs. Mn	2024/2025 Rs. Mn
Leasehold Improvements	15.9	44.1
Computer & Equipment	99.9	5.9
Furniture & Fittings	31.8	21.1
Motor Vehicles	144.0	11.9
Total	**291.7**	**82.9**

Carrying Value of PPE



Technology advancement and IT infrastructure

The Company continued to invest in its technology landscape through enhancements to its core banking systems, digital platforms, and network infrastructure. These investments improved operational efficiency, strengthened information security, streamlined internal processes, and enabled faster, more reliable customer service. A key milestone during the year was the successful migration to the Scienter Core Banking System at the close of the financial year, providing a modern, scalable platform to support digital transformation, operational excellence, and future business growth. Ongoing enhancements to business continuity arrangements further reinforced the Company's operational resilience.

Sustainable Management of Physical Assets

UB Finance PLC remained committed to the responsible management of its physical assets by incorporating energy-efficient features within its offices and branch network while promoting the prudent use of energy and other resources. These initiatives supported operational efficiency and the Company's broader environmental sustainability objectives.

Optimising the Branch Network

During the year, the Company strategically relocated its Gampaha and Kandy branches to improve accessibility, enhance customer convenience, and optimize operational efficiency. The upgraded locations provide modern, customer-centric facilities that strengthen service delivery while supporting sustainable operations.

Gampaha

Kandy Premier

HUMAN CAPITAL

The rapidly evolving financial services landscape continued to emphasise the importance of a skilled, adaptable, and engaged workforce. Increasing demand for expertise in technology, digital finance, compliance, and risk management reinforced the need for continuous capability development across the sector.

Recognising that its people are fundamental to long-term success, UB Finance PLC continued to invest in employee development, inclusive workplace practices, and initiatives designed to enhance engagement, performance, and organisational capability. A motivated and future-ready workforce remains central to delivering sustainable value for customers and stakeholders.

Talent Development and Capability Building

The Company continued to invest in structured learning and development programmes covering credit, risk management, customer service, leadership, and digital capabilities. Leadership development initiatives, mentoring programmes, and career progression opportunities supported succession planning while strengthening institutional capability.

Employee Well-being

Employee wellbeing remained a strategic priority throughout the year. Wellness initiatives, engagement programmes, recognition schemes, and team-building activities fostered collaboration, strengthened employee morale, and promoted an inclusive workplace culture.

Diversity, Equity and Inclusion

The Company remained committed to fostering an inclusive workplace built on equal opportunity, merit-based employment practices, and workforce diversity. The broad mix of experience, expertise, and regional representation across the organisation strengthens collaboration and enhances the Company's ability to meet the diverse needs of its customers.

Performance and Recognition

The Company's performance management framework continued to align individual objectives with strategic priorities. Regular performance evaluations, recognition programmes, and reward initiatives reinforced accountability, encouraged high performance, and promoted a culture of continuous improvement.

Building a Future-Ready Workforce

UB Finance PLC continued to strengthen organisational capability by developing digital competencies, promoting adaptability, and encouraging innovation. Targeted learning initiatives and continuous process improvements enhanced workforce agility and positioned the Company to respond effectively to evolving customer expectations and industry developments.

Human Capital Snapshot (2025/26)

- Total Employees : 387 (As at 31.03.2026)
- Training Hours Delivered :

Frontline Training Hours	694
Backoffice Training Hours	2,585
General Training Hours	2,609
Total Training Hours	5,888

- Training Cost **:** LKR 3,101,834
- Female Representation **:** 43%
- Internal Promotions : 47

Looking ahead, the Company will continue to strengthen leadership capability, foster a high-performance culture, enhance employee experience, and develop a skilled, agile, and future-ready workforce capable of supporting sustainable long-term growth.

Building our future together

INTELLECTUAL CAPITAL

Rapid technological advancement, regulatory evolution, and changing customer expectations continued to reshape Sri Lanka's financial services sector throughout 2025/26. In this environment, intellectual capital including technology platforms, institutional knowledge, operational processes, data capabilities, and brand strength remained a key driver of resilience, innovation, and competitive advantage.

UB Finance PLC continued to strengthen these strategic assets through ongoing investments in digital capabilities, knowledge management, process optimization, and innovation, enabling the Company to enhance operational efficiency, improve customer experience, and support sustainable long-term value creation.

Technology Platforms and Systems Innovation

UB Finance PLC continued to enhance its technology capabilities through investments in core banking systems, digital platforms, and data management practices. System improvements strengthened operational efficiency, cybersecurity, reporting capabilities, and customer service delivery while enabling faster decision-making through improved data accessibility and insights.

Knowledge Management and Process Excellence

UB Finance PLC continued to strengthen organizational capability through digitised workflows, documented operating procedures, and knowledge sharing initiatives. Continuous improvements arising from audits, risk reviews, and employee development programmes reinforced operational consistency, regulatory compliance, and a culture of continuous improvement.

Brand Strength and Market Intelligence

The Company continued to enhance its brand through consistent stakeholder engagement, digital communication, and customer focused initiatives. Customer insights and market intelligence informed service improvements and product innovation, while ongoing investments in analytics, digital solutions, and knowledge management further strengthened the Company's intellectual capital and long-term competitiveness.

Building trusted and enduring relationships with stakeholders remained central to UB Finance PLC's long-term success during 2025/26. Through transparent communication, ethical business practices, customer focused service delivery, and initiatives promoting financial inclusion, the Company continued to strengthen relationships with customers, employees, regulators, investors, business partners, and the wider community.

Customer Engagement

The Company further enhanced customer relationships by expanding digital service capabilities, strengthening frontline competencies, and continuously improving service quality. Financial literacy programmes and targeted customer engagement initiatives empowered individuals to make informed financial decisions while supporting greater financial inclusion across underserved communities.

Community Investment

UB Finance PLC remained committed to creating positive social impact through carefully targeted corporate social responsibility initiatives focused on education, healthcare, sports development, and financial inclusion. During the year, the Company's blood donation campaign contributed meaningfully to community wellbeing while strengthening employee engagement and community partnerships. The Company also supported the Mercantile Netball Tournament (League and Knockout) 25/26 through a gift sponsorship initiative, reaffirming its commitment to promoting sportsmanship and community engagement. Continued support for micro and small enterprises, women entrepreneurs, and underserved communities further reinforced the Company's commitment to inclusive economic growth and sustainable social development.

Investor and Shareholder Relations

The Company maintained transparent and timely engagement with shareholders and investors through regular disclosures, corporate communications, and stakeholder engagement initiatives. Strong governance, disciplined financial management, and consistent communication continued to enhance investor confidence and support long-term stakeholder relationships.

Regulatory Relationships

UB Finance PLC maintained close and constructive engagement with the Central Bank of Sri Lanka and other regulatory authorities, ensuring compliance with evolving regulatory requirements while supporting financial sector stability. Robust governance, effective internal controls, and a culture of integrity remained fundamental to maintaining stakeholder trust and accountability.

Strategic Partnerships

The Company continued to strengthen strategic partnerships with technology providers, business networks, and other key stakeholders to enhance service delivery, accelerate innovation, and expand market reach. These collaborations supported digital transformation initiatives, strengthened SME financing capabilities, and contributed to sustainable value creation.

NATURAL CAPITAL

At UB Finance PLC, we recognize that natural capital the world's stock of natural resources, including water, energy, minerals, forests, and biodiversity is fundamental to sustainable economic development and long-term business resilience. As a responsible financial institution, we acknowledge our role in protecting the environment by embedding environmental considerations into our operations, financing activities, and decision-making processes.

Our commitment to sustainable finance extends beyond regulatory compliance to supporting environmentally responsible practices that contribute to climate resilience and the responsible use of natural resources. We continue to engage with stakeholders and promote sustainable business practices that create long-term value for our customers, communities, and the environment.

Recognizing that our direct environmental footprint is primarily generated through office-based operations, we remain focused on improving resource efficiency and minimizing our environmental impact. During the year, we continued to implement initiatives aimed at reducing energy consumption, conserving water, and minimizing paper usage across our branch network and head office. The Company continued to strengthen strategic partnerships with technology providers, business networks, and other key stakeholders to enhance service delivery, accelerate innovation, and expand market reach. These collaborations supported digital transformation initiatives, strengthened SME financing capabilities, and contributed to sustainable value creation.

Through these initiatives, UB Finance PLC continues to reduce its environmental footprint, improve operational efficiency, and reinforce its commitment to responsible stewardship of natural capital, contributing to the Company's broader sustainability and long-term value creation objectives.

GOVERNANCE AND STEWARDSHIP

Compliance strategy on Corporate Governance:

The Company operates as a subsidiary of a prominent commercial bank within the Financial Services Industry. It dedicates significant effort to establishing a rigorous compliance framework at UBF, aiming to position it as a fully compliant financial institution. In this pursuit, the Company firmly believes that effective and cohesive corporate governance coupled with compliance are fundamental to its operations, crucial for maintaining its esteemed reputation among the public. Its dedication to high standards of governance extends beyond mere regulatory adherence.

The Company considers its compliance strategy an essential element of its overall business plan. This approach enhances risk management practices, supporting sustainable lending activities and creating better prospects for consolidation and growth, all aligned with the broader corporate objectives.

The primary compliance standards guiding the Company are established pursuant to the Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka.

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
01.	Board’s overall responsibilities		
1.1	The Board shall have overall responsibility and accountability	The Board (Board of Directors) assumes comprehensive responsibility and accountability for the Company's operations by defining the strategic vision, establishing the governance structure, shaping the corporate culture, and ensuring adherence to regulatory standards.	Complied
1.2	Business Strategy and Governance Framework		
1.2 (a)	Approving and overseeing the Implementation of strategic objectives and overall business strategy	A strategic plan for 2023/24 to 2027/28 has been authorized by the board. These strategic goals have been conveyed to the management team and are regularly reviewed and discussed by the Board, its committees, and management.	Complied
1.2 (b)	Approving and implementing Governance framework	A governance framework approved by the Board is currently in effect.	Complied
1.2 (c)	Assessing the effectiveness of its Governance framework periodically	The Board aims to enhance the evaluation procedure for determining the efficacy of the governance framework.	Complied
1.2 (d)	Appointing the Chairman and the Chief Executive Officer and define the roles and responsibilities	The Board has appointed the Chairman and the Chief Executive Officer of the Company, and their respective roles and responsibilities have been clearly outlined and sanctioned by the Board. The Chairman oversees the Board, ensuring it functions efficiently and fulfills its duties. The Chief Executive Officer holds the main authority and bears responsibility for the company's overall management.	Complied
1.3	Corporate Culture and Values		
1.3.a	Sound corporate culture within the Company	UB Finance PLC maintains a robust and deeply rooted corporate culture centered on integrity, competence, diligence, and respect, promoting ethical, prudent, and professional conduct across all its employees.	Complied
1.3.b	Establishing the Company’s corporate culture and values, including developing a code of conduct and managing conflicts of interest	The Corporate Governance Framework contains a Board-approved Code of Conduct.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
1.3.c	Promoting sustainable finance strategies	UBF's business strategy reflects their commitment to social responsibility, functioning within an ecosystem that encourages sustainable finance. Additionally, the Company is actively working on drafting a comprehensive sustainable finance policy.	Complied
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors	The company has established a communication policy approved by the Board, which guarantees clear and efficient dissemination of corporate information both internally and externally to all stakeholders, including depositors, creditors, shareholders, and borrowers.	Complied
1.4	Risk Appetite, Risk Management, and Internal Controls		
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework	The Risk Appetite Statement (RAS), ratified by the Board, aligns with the Company's strategic objectives and governance structure.	Complied
1.4.b	Implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	The Board's Integrated Risk Management Committee thoroughly reviews the identification, mitigation, and oversight of risk indicators, including credit risk, market risk, operational risk, and various other risk categories.	Complied
1.4.c	Effectiveness of the Company's internal control systems and management information systems periodically	Throughout the financial year, the Company's internal control systems and management information systems underwent regular evaluations.	Complied
1.4.d	Business Continuity and Disaster Recovery Plan	A business continuity and disaster recovery plan has been established and approved by the Board.	Complied
1.5	Board Commitment and Competency		
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company	The Company's Board of Directors dedicates ample time and effort to guarantee that the organization's strategic objectives and goals are successfully achieved.	Complied
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience	The UBF Board of Directors is made up of distinguished individuals possessing the necessary knowledge, expertise, and experience.	Complied
1.5.c	Regularly review and agree on the training and development needs of all the members	Directors are motivated to participate proactively in programs, sessions, and seminars aimed at strengthening their expertise. The Board routinely assesses the training and development requirements of its members as necessary.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
		Additionally, Directors take part in forums hosted by the Central Bank of Sri Lanka and various other organizations.	
1.5.d	Self-assessment of directors, Sub Committees and the Board	Each year, Board members conduct individual evaluations of the Board and its respective Subcommittees, a summary of which is subsequently shared with the Board of Directors for discussion.	Complied
1.5.e	External independent professional advice	The Directors have the opportunity to seek independent professional advice whenever deemed necessary, with costs borne by the Company, and the Board has secured expert guidance in suitable situations. The Code of Corporate Governance, approved by the Board of Directors, outlines the specific policy related to this matter.	Complied
1.6	Oversight of Senior Management		
1.6.a	Identifying and designating Senior Management	The Board of Directors appoints and assigns the Key Responsible Personnel, who oversee activities and maintain overall control of business operations to achieve the Company's strategic objectives.	Complied
1.6.b	Defining the areas of authority and key responsibilities for the Senior Management	The specific domains of authority and primary duties of the Senior Management are outlined within the relevant job descriptions and Delegation of Authority documentation.	Complied
1.6.c	Qualifications, skills, experience and knowledge of Senior Management	The Company's Key Responsible Personnel, are equipped with the essential qualifications, skills, knowledge, competencies, and experience necessary to achieve the Company's strategic goals.	Complied
1.6.d	Oversight of the affairs of the Company by Senior Management	The Board follows a structured process to ensure proper oversight of the Company's matters by Key Management Personnel. These affairs are brought before the Board by the Key Management Personnel for their awareness, deliberation, evaluation, and approval during Board Sub Committee meetings and the regular monthly Board meetings.	Complied
1.6.e	Succession plan for Senior Management	The Company maintains a successor plan that has received approval from the Board.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
1.6.f	Meeting regularly with the Senior Management	The Senior Management Team meets the Board of Directors Chief Executive Officer on a monthly basis for purposes such as Strategic Alignment & Planning, Cross Departmental Visibility, Decision-Making & Problem-Solving, Performance Review & Accountability, Action Planning & Follow Up and Building Trust & Culture	Complied
1.7	Adherence to the Existing Legal Framework		
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders	The Board has established comprehensive systems and controls to ensure that the Company operates in a manner that aligns with the best interests of depositors, Shareholders, and other stakeholders, fulfilling its duties responsibly.	Complied
1.7.b	Compliance with relevant laws, regulations, directions and ethical standards	The Company functions in accordance with its Governance Framework as well as the laws and directives mandated by the regulator. Each month, the Compliance Officer prepares and submits a report detailing the company's adherence to relevant laws, rules, regulations, and directives. Additionally, the internal audit department continuously oversees and evaluates compliance with the established compliance framework.	Complied
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	The Board of Directors operates with vigilance, prudence, and integrity to steer the company towards sustainable growth.	Complied
2	Governance Framework		
2.1	Developing and implementing a governance framework	The Board has crafted and put into action a governance framework aligned with these directives, encompassing, but not limited to, the following elements. a) Role and responsibilities of the Board. b) Matters assigned for the Board. c) Delegation of Authority. d) Composition of the Board. e) The Board's independence. f) The nomination, election and appointment of directors and appointment of senior management. g) The management of conflicts of interests h) Access to information and obtaining independent advice. i) Capacity building of Board members. j) The Board's performance evaluation. k) Role and responsibilities of the chairperson and the CEO. l) Role of the company secretary. m) Board sub-committees and their role; and limits on related party transactions. n) Limits on related party transactions	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3	Composition of the Board		
3.1	Ensuring the Board composition appropriate for the size, complexity and risk profile of the Company	UBF has guaranteed that the Boards comprise a well-rounded mix of members possessing the essential experience and skills needed to fulfill the Company's requirements.	Complied
3.2	The number of Directors on the Board	As of March 31, 2026, UB Finance main-tains a total of nine (9) Directors, aligning with the requirements outlined in the Finance Companies (Corporate Governance) Di-rection No. 05 of 2021 and the Listing Rules of Colombo Stock Exchange.	Complied
3.3	Service period of Non-Executive Directors	Throughout the financial year, none of the Non-Executive Directors of the Company has served more than nine years.	Complied
3.4	Service period of Non-Executive Directors, who holds 10% direct or indirect holding of the Company	No Non-Executive Directors possess more than 10% of the voting rights in the Company while serving in their roles.	Complied
3.5	Executive Directors		
3.5.a	Criteria for Executive Directors / Senior Management	The Chief Executive Officer who is an employee of the Company is the only Executive Director of the Company appointed in terms of the applicable provisions. The said appointment does not exceed one-third (1/3rd) of the total number of Directors of the Board.	Complied
3.5.b	Shareholding of Executive Director/ Members of the Senior Management	No member of the Senior Management holds, directly or indirectly, more than 10% of the company's voting rights.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3.5.c	Appointment of an Executive Director as CEO.	Mr. Ransith Karunaratne who is the only Executive Director of UB Finance PLC is appointed as the Chief Executive Officer of the Company.	Complied
3.5.d	Availability of Functional reporting lines of Executive Directors	CEO is the only Executive Director and assigned to specific functional areas in the Company.	Complied
3.5.e	Reporting lines of Executive Directors to Board of Directors	CEO is the only Executive Director and Directly reports to the Board.	Complied
3.5.f	Holding Executive Directorships and Senior Management positions by Executive Directors in other entities.	The CEO does not hold any Executive Directorships or Senior Management Positions in any other entity.	Complied
3.6	Non-Executive Directors		
3.6.a	Skills, experience and credible track records of Non-Executive Directors	The Non-Executive Directors are distinguished individuals possessing extensive knowledge, skills, and experience across various industries. Their diverse backgrounds have contributed to enhanced oversight and sounder decision-making in areas concerning strategy, performance, and resource management. For detailed information, please refer the Board's profiles on pages 9 to 13.	Complied
3.6.b	Non-Executive Directors functioning in the CEO/Executive Director Capacity	No Non-Executive Director has been appointed or functioning the CEO / Executive Director capacity.	Complied
3.7	Independent Directors		
3.7.a	Minimum number of Independent Directors	Five (5) of the nine (9) Directors are Independent Directors, aligning with the stipulated requirement of this direction.	Complied
3.7.b	Qualifications and experience of Independent Directors	The Independent Directors are distin guished individuals possessing diverse knowledge, expertise, and experience across various industries, enriching the board with diversity and enhancing decision making related to strategy, perfor mance, and resources. For detailed bios of the Board members, please see pages 9 to 13.	Complied
3.7.c	Independent criteria of Independent Directors Points (i) to (viii)	All independent directors meet the independent criteria.	Complied
3.7.d	Determining any other factors affecting to the independence of the Directors	The Board assesses whether any fact or connection exists that could influence a director's independency or how their independence is perceived.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3.7.e	Immediate disclosure of circum-stances that affect the independence of the Directors	There were no occurrences during the year under review that challenged the independency of a Director.	Complied
3.8	Alternate Directors		
3.8.a	Appointment of Alternate Directors Points (i) & (ii)	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.b	The existing directors of the Company cannot be appointed as alternate directors to another existing directorof the Company.	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.c	Appointing same person as an alternate Director for two Directors in the same Board	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.d	An alternate Director cannot be appointed to represent an Executive Director		Not Applicable
3.8.e	Independent requirement for Alternate Director appointed for an Independent Director		Not Applicable
3.9	Cooling off Periods		
3.9.a	Cooling off period for Directors	UB Finance PLC did not encounter such requirement during the financial year in reference.	Not Applicable
3.9.b	Cooling off period for Independent Director	UB Finance PLC did not encounter such requirement during the financial year in reference.	Not Applicable
3.10	Common Directorships		
3.10	Appointment of a Director or a KRP of the Company as a Director of another LFC	No such situation has arisen in 2025/26.	Not Applicable
3.11	Limit on holding Directorships by a Director of the Company	There were no Directors who hold directorates in more than twenty (20) companies/entities/institutions	Complied
4	Assessment of Fit and Proper Criteria		
4.1	Fitness and Propriety of Directors	Fitness and Propriety of Directors are as-sessed annually in terms of the require-ments of the Finance Business Act Direc-tion No. 6 of 2021 - Assessment of Fitness and Propriety of Key Responsible Persons	Complied
4.2 & 4.3	Maximum age of new Directors	None of the members of the Board of Directors of the Company exceeds the age of 70 years as at 31st March 2026.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
5	Appointment and Resignation of Directors and Senior Management		
5.1	The appointments, resignations or removals of Directors and Senior Management	All changes related to appointments, resignations, or removals involving the Board of Directors and Senior Management are carried out in accordance with Finance Business Act Direction No. 06 of 2021.	Complied
6	The Chairperson and the Chief Executive Officer		
6.1	Clear division of responsibilities between the Chairperson and CEO	A distinct division of responsibilities exists between the Chairman and the Chief Executive Officer, with these roles occupied by two different individuals appointed by the Board.	Complied
6.2	Independency of Chairperson	During the review period, since the Chairman was not an Independent Director, the Board appointed an Independent Non-Executive Director as the Senior Director. The details of the Senior Director are provided in the annual report.	Complied
6.3	Appointment of a Senior Director when the chairperson is not independent	Not Applicable	Not Applicable
6.4	Responsibilities of the Chairperson Point (a) to (j)	The Chairman offers guidance to the Board, ensuring its effective functioning in fulfilling its duties and guaranteeing that all significant matters are addressed by the Board promptly.	Complied
6.5	Responsibilities of the CEO Point (a) to (g)	According to the company's organizational framework, the CEO serves as the top executive responsible for overseeing the daily operations and business activities, supported by the senior management team.	Complied
7	Meetings of the Board		
7.1	Regular Board meetings	The board has met 12 times during the financial year in reference.	Complied
7.2	Directors to include matters and proposals in the agenda	A structured process exists allowing all Directors to submit topics and suggestions for the agenda of routine Board meetings.	Complied
7.3	A notice of scheduled Board meetings	Notifications for Board meetings are issued at least three days prior to the scheduled meetings.	Complied
7.4	Directors to devote sufficient time to prepare and attend Board meetings	Every Director participates actively in Board meetings, offering perspectives and recommendations aimed at serving the Company's best interests.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
7.5	The quorum of meetings	All Board meetings conducted within the financial year were properly convened, with at least half (1/2) of the Directors in attendance and at least a quarter (1/4) of the Directors forming the quorum being Independent Directors.	Complied
7.6	Board meetings without the presence of Executive Directors	The chairperson convened meetings exclusively with the non-executive directors on two occasions throughout the year, with the executive directors absent.	Complied
7.7	Director abstains from voting relating to matters of relating to him	Directors refrain from participating in voting on any matter where they or their close relatives hold a significant vested interest.	Complied
7.8	Attendance of Directors at Board Meetings	Throughout the 2025/26 year, Directors attended at least two-thirds of the meetings held, with no Director missing for three consecutive regular Board meetings	Complied
7.9	Scheduled Board Meetings and adhoc Board Meetings	All board meetings adopted a hybrid for-mat, allowing attendees to participate ei-ther in person or through an online plat-form, thereby facilitating the involvement of overseas Directors.	Complied
8	Company Secretary		
8.1.a	Appointment of Company Secretary	The Board appointed a Company Secretary who is considered to be a Senior Manager of the Company with effect from 18th September, 2024	Complied
8.1.b	Qualifications of the Secretary	Company Secretory possess the required qualifications to perform the secretarial work of the Company.	Complied
8.2	Access to the advice and services of the company secretary	A structured protocol exists ensuring that all Directors can consult the Company Secretary for guidance and services whenever required.	Complied
8.3	Delegating responsibilities to the Company Secretary	The Chairman has entrusted the Company Secretary with the responsibility of drafting the agenda for Board meetings and distributing it among the Board members.	Complied
8.4	Maintenance of minutes of the Board	The Company Secretary keeps detailed minutes, which are accessible for review at any reasonable time to any Director.	Complied
8.5	Maintenance of Board minutes in an orderly manner	The company secretary records and maintains minutes systematically, adhering to the proper procedures outlined in the Company's Articles of Association.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
8.6 (a) to (f)	Minutes of the Board meetings shall be recorded in sufficient details	The minutes of the Board meetings are documented comprehensively enough to allow for an evaluation of whether the Board exercised appropriate caution and sound judgment in carrying out its responsibilities.	Complied
8.7	Inspection of minutes	All directors may review the minutes whenever they submit a request.	Complied
9	Delegation of functions by the Board		
9.1	Delegation of authority	A delegated authority, approved by the Board, has been established to divide responsibilities and powers, ensuring the Board maintains strong oversight.	Complied
9.2	Absence of any of the sub committees	The Board has formed the necessary subcommittees outlined in the Directions of Central Bank of Sri Lanka.	Complied
9.3	Senior Management Committees	The Board has formed suitable sub - committees at the senior management level.	Complied
9.4	Delegation of matters to Sub Committees, Executive Directors or Senior Management	The Board's ability to carry out its responsibilities remains unaffected by its delegation of authority.	Complied
9.5	Review of delegation process	The delegation of authority may be reviewed as required.	Complied
10	Board Sub Committees - Finance Companies (Corporate Governance) Direction No 03 of 2008		
10.1.a	FCs with asset base of less than Rs. 20 bn Establishment of Board Sub Committees	All sub-committees formed by the Board have been set up in accordance with the necessary requirements. The specifics of the meetings conducted are provided on page 85 of the annual report.	Complied
10.1.b	Terms of reference	The TORs for the required Sub-Committees are in place.	Complied
10.1.c	Report on the performance of duties and functions of each Board Sub committees	The performance and duties of the Sub-Committees are given on the pages 88 to 95 of the Annual Report.	Complied
10.1.d	Appointment of a Secretary to Sub Committees	The Board Secretary is assigned as the Secretary to all Board Sub-Committees apart from the Board Audit Committee, and assigned with the responsibilities of keeping meeting records and performing additional secretarial duties under the guidance of the committee's Chairperson.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.1.e	Minimum number of Directors of each Sub Committee	Every committee consists of a minimum of three Board members, each bringing skills, knowledge, and experience pertinent to the responsibilities assigned to the board Sub Committees.	Complied
10.1.f	Occasional rotation of members	Members and Chairpersons of the Board Sub Committees may be rotated periodically as deemed necessary.	Complied
10.2	Board Audit Committee (BAC)		
10.2.a	The Chairperson of the Audit Committee	The Chairperson of the Board Audit Committee serves as an Independent Non-Executive Director and holds fellowship status with the Institute of Chartered Accountants of Sri Lanka.	Complied
10.2.b	Composition of the Board Audit Committee	All three (3) members of the Committee are Non- Executive Directors out of which two (2) of them are Independent.	Complied
10.2.c	The secretary to the Board Audit Committee	The Head of Internal Audit of UB Finance PLC is the secretary to the Board Audit Committee.	Complied
10.2.d	External Audit Function		
	i. Appointment of the External Auditor	The BAC made the following recommendations to the Board regarding: • The appointment of M/S KPMG, Sri Lanka, Chartered Accountants as the External Auditor for audit services provided in compliance with the relevant statutes for the financial year 2025/26.	Complied
	ii. Service period of the External Audit firm and audit partner	Engagement period of current audit partner is less than 5 years. External Audit firm will be rotated subject to the ransitional provisions.	Complied
	iii. The External Audit Partner	Audit Partner is not a Director or employ-ee and does not hold any Senior Manage-ment position of the Company.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	iv. External Auditor's independence and objectivity and the effectiveness of the audit processes	External Auditors are independent and report directly to the Board Audit Committee of the Company. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking into account the regulations and guidelines.	Complied
	v. Provision of non-audit services by the External Auditor	The Company has a policy on the engagement of the external auditor in the provision of non-audit services.	Complied
	vi. Determine the nature and scope of the audit	The Committee finalized the nature and scope of the audit with the Audit Partner before the commencement of the audit areas needing special attention and recommendations of the auditors were incorporated into the discussions, and were included in the audit plan.	Complied
	vii. Review of financial information of the company by the Board Audit committee	The Committee reviewed the Company's interim and annual Financial Statements prior to submission to the Board. The Committee reviewed the internal controls on the financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/ SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments.	Complied
	viii. Discussion of issues, problems and reservations arising from the interim and final audits	Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of any other directors/senior management.	Complied
	ix. Review of external Auditor's management letter and management response	The BAC has reviewed the management letter for year 2025/26 and the management responses thereto	Complied
10.2.e	Review of effectiveness of the system of internal controls	The Board Audit Committee has reviewed the effectiveness of the prevailing internal control system.	Complied
10.2.f	KMPs taking necessary corrective actions on findings made by auditors and supervisory bodies	Based on the reports submitted by the internal / external auditors, the BAC reviewed and considered the respective findings on internal control weaknesses, non-compliance with policies, laws and regulations and the Management's responses thereto and monitored the implementation process.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.2.g	Internal Audit function		
	i. Establishment of an independent Internal Audit function	The separate an independent internal audit department has established in the UB Finance PLC. The IS audit function is outsourced to the Union Bank.	Complied
	ii. Mandate, independence and reporting line of Internal Audit Function	The Head of Internal Audit directly reports to the BAC. The Internal Audit function has a clear mandate to carry out its functions within the Company as per the Board approved Internal Audit Charter.	Complied
	iii. Review of internal audit function	The Committee has reviewed the adequacy of scope of internal audit function and the internal audit program for the year ended 2025/26 The Board Audit Committee has discussed and reviewed the findings of the Internal Audit Reports prepared by the UB Finance PLC Internal Audit team.	Complied
10.2.h	The Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL)	The statutory examination reports of CBSL have been reviewed by the Directors. At the end of each quarter the progress report is submitted to the board for its perusal.	Complied
10.2.i	Meetings of the Committee		
	i. Meetings of the Board Audit Committee	The Board Audit Committee met 5 times during the financial year under review. Please refer to page 85 for details of the Directors' Attendance at Board and Board Sub Committee meetings.	Complied
	ii. Participants of the Board Audit Committee meetings	Members of the BAC, the Head of Internal Audit attend the meeting. Chief Executive Officer and other Senior Management personnel attend the meeting by invitation.	Complied
	iii. Private Meetings with the External auditor	The Board Audit Committee met twice with the External Auditors without the presence of the Executive Directors and Senior Management.	Complied
10.3	Board Integrated Risk Management Committee (BIRMC)		
10.3.a.	Composition of Board Integrated Risk Management committee	BIRMC constitutes of two Independent Non-executive Directors and one Non-Executive Director	Complied
10.3.b	Secretary of the Board Integrated Risk Management Committee	The Company Secretary has been appointed as the Secretary to the BIRMC.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.3.c	Risk Assessment	The Board Integrated Risk Management Committee keeps the Board informed of their risk assessment of the Company by tabling the minutes and the reports at the Board meeting.	Complied
10.3.d	Development of a Risk Appetite Statement (RAS)	Board approved RAS is in place which identifies the risk tolerance limits of the Company.	Complied
10.3.e	Review of Risk policies and Risk Appetite statement	The BIRMC reviews the Company's 's risk policies, including RAS at a regular interval.	Complied
10.3.f	Review the adequacy and effectiveness of Senior Management level Committees	Effectiveness of the committees have been reviewed by reviewing meeting minutes of sub committees.	Complied
10.3.g	Assessing of all aspects of risk management including business continuity and disaster recovery plans	The committee assesses all aspects of risk management, including updated business continuity and disaster recovery plans.	Complied
10.3.h	Assessment of performance of Compliance Officer and Chief Risk Officer	The Committee assessed the performance of the Compliance Officer. Requirement of Chief Risk Officer is not applicable.	Complied
10.3.i (i)	Compliance Function	Independent Compliance function is in place to assess the compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the business operations.	Complied
10.3.i.(ii)	Appointment of a dedicated Compliance Officer (LFCs with assets base more than Rs. 20 Bn)	Not applicable	Not Applicable
10.3.i (iii)	Appointment of a dedicated Compliance Officer (LFCs with assets base less than Rs. 20 Bn)	A Compliance Officer (Head of Compliance) who is in the level of Senior Management has been appointed to carry out the compliance function.	Complied
10.3.i(iv)	The responsibilities of a Compliance Officer	The BIRMC has ensured that the responsibilities of the Compliance officer encompass the requirements as per the direction.	Complied
10.3.j	Risk Management Function		
10.3.j.i	Establishment of an independent risk management function	The BIRMC has established a independent risk management function for managing risk-taking activities across the Company.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.3.j.ii	Risk Management Department and dedicated Risk officer.	The Manager Risk, manages the risk department.	Not Applicable
10.3.j.iii	Implementation of Risk management policies and processes including RAS	The risk management department is responsible for the risk management policy and to monitor the risk appetite based on Board approved RAS.	Complied
10.3.j.iv	Developing and implementing a Board approved integrated risk management framework	A Board-approved Integrated Risk Management Framework is in place.	Complied
10.3.j.v	CRO participating in decision making related to capital and liquidity planning and new product / service development	The Risk Manager participates in ALCO meetings and reviews the development of new products.	Complied
10.3.j.vi	Maintaining a Risk Register	Risk Manager maintain the risk register.	Complied
10.3.j.vii	Submission of Risk assessment report by BIRMC to the Board	The BIRMC submits the risk reports to the Board at the subsequent meeting for its perusal.	Complied
10.4	Board Nomination and Governance Committee (BNGC)		
10.4 a	Composition of the Board Nomination and Governance Committee	BNGC constitutes of three members out of which two are Independent Non-Executive Directors.	Complied
10.4.b	Secretary to the Board Nomination and Governance Committee	Company Secretary functions as the Secretary to the BNGC	Complied
10.4.c	Formal and transparent procedure to select/ appoint new Directors and senior management	The Board approved Governance Framework includes a formal and transparent procedure to select / appoint new directors and senior management.	Complied
10.4.d	Fitness and propriety of Directors and Senior Management	BNGC has ensured that the Directors and Senior Managers are fit and proper persons to perform their functions in terms of FBA Direction No 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).	Complied
10.3.i(iv)	The responsibilities of a Compliance Officer	The BIRMC has ensured that the responsibilities of the Compliance officer encompass the requirements as per the direction.	Complied
10.4.e	The selection process of Directors	The selection process includes reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board (ii) have a record of integrity and good repute; (iii) have sufficient time to carry out their responsibilities fully	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.4.f	Board composition is not dominated by any individual or a small group of individuals	BNGC ensures that the composition of the Board is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.	Complied
10.4.g	Setting of criteria on qualification. Experience and key attributes required to be appointed to the post of CEO and Senior Management	The qualifications, experience and critical attributes required for eligibility, to be considered for appointment for the CEO and Senior Management have been clearly mentioned in the Board approved Job Description.	Complied
10.4.h	Disclosure to shareholders upon the appointment of a new Director	Details of new Directors are disclosed to shareholders when appointed, with immediate notification to the Colombo Stock Exchange along with a brief resume of such Director.	Complied
10.4.I	The committee is responsible for evaluating and recommending (or not recommending) the re-election of current directors.	The Committee makes recommendations to the Board regarding the re-election of current directors, taking into account the combined knowledge of the Board, their performance in addressing the Company's strategic demands, and each Director's contribution to fulfilling the Board's overall responsibilities.	Complied
10.4.j	Additional/new expertise and the succession arrangements for retiring Directors and Senior management	The Board approved succession policy for Directors and Senior Management is in place.	Complied
10.4.k	Participating in decision making Relating to own appointment/ Re-appointment	The members will not participate in decision making relating to own appointments or re-appointments.	Complied
10.5	Board Human Resources and Remuneration Committee (BHRRC)		
10.5.a	Composition of the Board Human Resources and Remuneration Committee (BHRRC)	BHRRC constitutes of three members, two of which are Independent Non-Executive Directors.	Complied
10.5.b	Secretary of the BHRRC	The Company Secretary functions as the secretary to the BHRRC.	Complied
10.5.c	Remuneration policy for Directors and senior management and Fees and allowance structure for Non-Executive Directors	The Committee decides the remuneration policy relating to Executive Director and Senior Management.	Complied
10.5.d	Formal and transparent procedure in developing the remuneration policy	The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.5.e	Remuneration policy for employees of the Company	The remuneration policy has been recommended by BHRRC and approved by the Board.	Complied
10.5.f	The remuneration structure to be in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company	The remuneration structure is aligned with the Company's business strategy, objectives, values, long-term interests and cost structure. It also includes measures to prevent conflicts of interest.	Complied
10.5.g	Review the performance of the Senior Management	The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been conducted through an effective annual evaluation process which will determine the basis for the remuneration revisions.	Complied
10.5.h	Senior Management shall abstain from attending Committee meetings when matters relating to them are being discussed	The Senior Management abstains from attending the Committee meetings when matters are being discussed relating to such personnel.	Complied
11	Internal Controls		
11.1	Adopting a well-established internal control systems	An effective internal control system is in place , encompassing a Board- approved organizational structure, segregation of duties, transparent reporting lines for management, and operational procedures and policies in all necessary areas of the Company. This comprehensive system is designed to minimize operational risks.	Complied
11.2	Expected outcomes of an internal control system	The company's internal control framework ultimately directed at safeguarding stakeholder interest and most importantly involves safeguarding shareholders' in-vestment and the company's assets and to ensure the reliability and integrity of the information handled and its privacy. The following reports provide a compre-hen-sive overview in this regard; • Risk Management Report on pages 101 to 104. • Board IRMC Report on pages 90 to 91. • Board Audit Committee Report on pages 88 to 89. • Directors' Statement on Internal Control on pages 97 to 98. • Auditor's Assurance Report on adequacy of internal control on financial reporting on page 99.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
11.3	Responsibility of employees on internal controls.	All employees are responsible for internal controls as part of their accountability for achieving objectives.	Complied
12	Board Related Party Transactions Review Committee (RPTRC)		
12.1.a	Composition of the Related Party Transactions Review Committee (RPTRC) Directors.	The Company has established a BRPTRC and constitutes three Independent non-Executive Directors	Complied
12.1.b	Prior review and approval of related party transactions	The Company has put in a place a mechanism to review and approve all the related party transactions.	Complied
12.1.c	Types of related party transactions point (i) to (iv)	The RPT policy outlined the transactions permitted for the company, ensuring adherence to compliance and preventing conflicts of interest.	Complied
12.2	Avoiding conflict of interest with list of identified related parties point (a) to (f)	The Related Party Transactions Policy along with the Terms of Reference for the Related Party Transactions Review Committee (RPTRC) are established to delineate the different categories of related parties and to ensure that appropriate measures are taken to prevent potential conflicts of interest that could emerge from the Company's dealings with its related parties. Any transactions with related parties conducted as part of regular business operations are transparently disclosed in the Financial Statements under the section 'Related Party Transactions,' referenced as Note 40 on pages 174 to 175 of the Annual Report.	Complied
12.3	Engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" point (a) to (e)	The Board sanctioned the Related Party Transaction Policy, which details the process to avert the Company from entering into dealings with related parties that could result in "more favorable treatment," as specified in the guidelines. Additionally, the policy guarantees that dealings with related parties are executed fairly and transparently, without conferring any inappropriate benefits or preferential advantages. Internal controls have been put in place to ensure adherence to these standards.	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
13	Group Governance		
13.1 (a) to (e)	Responsibilities of the FC as a holding company	Not Applicable.	Not Applicable.
13.2	The company is a subsidiary of another financial institution subject to prudential regulation	The Company is a subsidiary of Union Bank of Colombo PLC, The Company fulfils its own legal and governing obligations.	Complied
14	Corporate Culture		
14.1	Code of Conduct	The Company has established a Boardapproved Code of Conduct and Ethics that applies to all employees. This code addresses key areas such as conflicts of interest, bribery and corruption, accurate accounting and record-keeping, confidentiality, fair dealing, the safeguarding and proper utilization of the Company's assets, adherence to laws and regulations, and fostering an environment where reports of illegal or unethical activities are encouraged.	Complied
14.2	Records of breaches of the Code of Conduct	The Company always ensures to uphold high standards of integrity in the conduct of its business.	Complied.
14.3	Whistle-blowing Policy	A Board-approved Whistle Blowing Policy is in place which encourages all stakeholders, especially the employees of the Company, to raise genuine concerns about possible improprieties, financial malpractices and frauds in the conduct of our business at the earliest opportunity. The BAC periodically reviews the policy.	Complied.
15	Conflict of Interest		
15.1.a	Avoiding conflict of interest by Directors	The connections with directors remain amicable, and there has been no effort to exert inappropriate pressure or influence. The Board is diligent in confirming that no conflicts of interest arose concerning the proposals presented for approval.	Complied.
15.1.b	Conflict of Interest Policy in Direction point (i) to (vi)	Managing the conflict of interest is covered under the Corporate Governance Charter.	Complied.
16	Disclosures		
16.1 (a) & (b)	Preparation of annual and periodical financial statements and publishing them in Sinhala, Tamil and English	The audited financial statements alongside the quarterly financial reports were compiled in line with the formats mandated by regulatory and supervisory bodies, as well as relevant accounting standards, and have been disseminated through newspapers published in Sinhala, Tamil, and English.	Complied.

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	Minimum disclosures in the Annual Report of the Company i. Financial Statements	A statement to the effect that the 2025/26 annual audited financial statements have been prepared in line with applica-ble Accounting Standards and regula-tory re-quirements has been given in the State-ment on Directors' Responsibility for Fi-nancial Reporting on page 96.	Complied
	ii. Chairperson, CEO and Board-Re-lated Disclosures	Board of Directors Profiles are given in the pages 9 to 13. Attendance of Board Meetings and Sub-Committee meetings are given on page no 85.	Complied
	iii. Appraisal of Board Performance	The detail procedure for conducting the performance evaluations of the UBF's Board and its committees have been disclosed in page 84.	Complied
	iv. Remuneration	The board approved remuneration policy is in place. The details of remuneration paid to directors and senior management is disclosed in the financial statements on page 174.	Complied.
	v. Related Party Transactions	Nature of any relationship between Chair-man and MD/CEO and the relationships among the members of the Board - Refer the Annual report of the Board of Directors on the Affairs of the Company on page 81. Net Accommodations Granted to Related Parties- Refer Related Party Transaction Review Committee Report on page 81. Aggregate value of transactions with Senior Management – Refer page 174.	Complied.
	vi. Board Appointed Committees	Refer the details of Chairperson, mem-bers and the attendance of Sub-Commit-tees in the page 85.	Complied.
	vii. Group Structure	The Company is a subsidiary of Union Bank of Colombo PLC.	Complied.
	viii. Director's Report	Disclosed in the "Annual Report of the Board of Directors on the State of Affairs of the Company" on pages 77 to 87.	Complied.
	ix. Statement of Internal Control	Disclosed in the Directors Statement and independent assurance report on Internal Controls on pages 97 to 98.	Complied.
	x. Corporate Governance Report	External Auditors KPMG, Chartered Ac-countants, reviewed the Company's compliance status to Central Bank of Sri Lanka Corporate Governance Directions. Accordingly, the firm has issued a factual finding report in this regard for the finan-cial year 2025/26	Complied

RULE REFER-ENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	xi. Code of Conduct	A Board approved Code of Conduct for directors and for all employees are in place. Please refer Section 14.1 of the Corporate Governance Report in page 65 of the Annual Report. The Company has no material violations of any of the provisions of this code.	Complied.
	xii. Management Report	Refer Chairman's Message on pages 20 to 23 the Director/ Chief Executive Officer's Review on pages 24 to 26 and the Business Review on pages 28 to 30.	Complied
	xiii. Communication with Shareholders • The policy and methodology for communication with share-holders • The contact person for such communication.	The Board approved Communication Policy is in place which covers all stakehold-ers including depositors, creditors, share-holders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary communicates with the shareholders through the Annual Report, and by notices issued to the shareholders.	Complied.

COMPLIANCE WITH LISTING RULES

Compliance with the Rule No. 9 of Listing Rules – issued by the Colombo Stock Exchange

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.1	Applicability of Corporate Governance Rules		
9.1.1/ 9.1.2	Applicability Compliance with the rules set out in section 9.2 to 9.16 of CSE Listing Rules	Subject to transitional provisions.	Complied.
9.1.3	Publishing a statement confirming extent of compliance with these Corporate Governance Rules	The disclosures given in this report fulfills this requirement.	Complied
9.2	Policies		
9.2.1	Establish and maintain following policies and disclose on the company website, • Policy on the matters relating to the Board of Directors • Policy on Board Committees • Policy on Corporate Governance, Nominations and Re-election • Policy on Remuneration • Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities • Policy on Risk management and In-ternal controls • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistleblowing • Policy on Anti-Bribery and Corruption	The Company will comply subject to transitional provisions.	Complied
9.2.2	Waivers or exemptions for Internal Code of Business Conduct and Ethics	No such waivers were granted during the year under review.	Not applicable
9.2.3	(i) List of policies that are in place with the reference to its website (ii) Any changes to policies adopted	The Company will comply subject to transitional provisions.	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.2.4	Policies available to Shareholder upon request The Shareholders can obtain all policies upon making a written request to the Company.	Adopted	Complied
9.1.3	Publishing a statement confirming extent of compliance with these Corporate Governance Rules	The disclosures given in this report fulfills this requirement.	Complied
9.3	Board Committees		
9.3.1	Establishment of following Board Committees (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	The Board Nomination and Governance Committee, Board Human Resources and Remuneration Committee, Board Audit Committee, Board Integrated Risk Management Committee and Board Related Party Transactions Review Committee are already in place.	Complied
9.2.2	Waivers or exemptions for Internal Code of Business Conduct and Ethics	No such waivers were granted during the year under review.	Not applicable
9.3.2	Compliance with the composition, responsibilities and disclosure requirements.	Complied with the composition, responsibilities and disclosure requirements for the following Board Sub Committees. (a) Board Human Resources and Remuneration Committee (b) Board Audit Committee (c) Board Related Party Transactions Review Committee	Complied
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders		
9.4.1	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the Listing Rules.	Complied	Complied
9.4.2	Communication and relations with shareholders and investors.	Complied	Complied
9.5	Policy on matters relating to the Board of Directors		
9.5.1 (a) and (b)	Policy on governing matters relating to the Board of Directors.	The requirements are currently captured in the Board-Approved Corporate Governance framework (charter) and the Articles of Association.	Complied
9.5.2	Conformity with the section 9.5.1	Refer the “Annual Report of the Board of Directors on the Affairs of the Company” in pages 77 to 87 in this Annual Report.	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.6	Chairperson and CEO		
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	Chairperson is a Non-Executive Director and the Chief Executive Officer is the only Executive Director in the composition of the Board of the Company. However, the Board has also appointed an Independent Senior Director	Complied
9.6.2	Immediate market disclosure in the case of non-compliance with section 9.6.1 of the Listing Rules.	There were no relevant disclosures required to be made during the period under review.	Not applicable
9.6.3 (a) to (e)	The requirement for Senior Independent Director (SID)	The requirement for SID does not arise as the positions of Chairperson and CEO are not held by the same person and Chairperson and CEO are not close family members or related parties.	Not Applicable
9.6.4	Annual Report disclosure of reasons for Non-Compliance with Section 9.6.1 of the Listing Rules.	The Chairperson of the Company is a Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.	Not Applicable
9.7	Fitness of Directors and CEOs		
9.7.1	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the Listing Rules.	An assessment in the format provided in the Listing Rules is completed by all the Directors	Complied
9.7.2	Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper	An assessment is carried out annually	Complied
9.7.3 (a), (b) and (c)	Fit and Proper Assessment Criteria	An assessment is carried out annually	Complied
9.7.4	Fit and Proper Declarations from Directors and CEO	An assessment is carried out annually	Complied
9.7.5 (a) and (b)	Disclosures in the Annual Report on Fit and Proper assessment	Refer the "Annual Report of the Board of Directors on the Affairs of the Company" in page 79 in this Annual Report.	Complied
9.8	Board Composition		
9.8.1	Minimum number of Directors on the Board	Adhered as per the Rules	Complied
9.8.2 (a) and (b)	Minimum Number of Independent Directors:	Adhered as per the Rules	Complied
9.8.3 (i) to (ix) /9.8.4	Criteria for determining Independence	Adhered as per the Rules	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.8.5 (a), (b) and (c)	Annual declaration of Independence of the Directors / disclosure of Independence of the Directors	Adhered as per the Rules - Appendix 9C	Complied
9.9 (a) to (e)	Alternate Directors	None of the Directors of the Board has appointed an alternate Director during the year.	Not Applicable
9.10	Disclosures relating to Directors		
9.10.1	Maximum number of directorships	Adhered as per the Rules	Complied
9.10.2 (i), (ii) and (iii)	Appointment of a new Director to the Board	Adhered as per the Rules	Complied
9.10.3	Market Announcement on changes to the composition of the Board Sub Committees.	Adhered as per the Rules	Complied
9.10.4 (a) to (i)	Disclosure of information relating to Directors	Refer the board profiles in pages 9 to 13 of this Annual Report. Refer Board and Sub-Committee attendance in page 85 of this Annual Report. Refer Sub-Committee Reports in pages 88 to 95 in this Annual Report. Refer Annual Report of the Board of Directors on the state of affairs of the company in pages 77 to 87 of this Annual Report.	Complied
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE (BNGC)		
9.11.1	Availability of Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.2	Board appointments through Board Nomination and Governance Committee	A formal process is in place for the appointment of new Directors and re-election to the Board through the Board Nominations and Governance Committee	Complied
9.11.3	Terms of reference of Board Nominations and Governance Committee	Adhered as per Rules	Complied
9.11.4 (1), (2) and (3)	Composition of the Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.5 (i) to (x)	Functions of the Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.6 (a) to (m)	Disclosures in Annual Report	Adhered as per Rules	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.12	BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE		
9.12.1/ 9.12.2	Availability of Board Human Resources and Remuneration Committee	The Company has a Board Human Resource and Remuneration Committee (BHRRC) that conforms the requirements set out in rule 9.12 (1) and (2) of Listing Rules. Refer Board Human Resource and Remuneration Committee Report on pages 92 to 93 in this Annual Report.	Complied
9.12.3	Executive Directors' Remuneration	A Remuneration Policy is adopted	Complied.
9.12.4	Non-Executive Directors' Remuneration	A Remuneration Policy is adopted	Complied
9.12.5	Terms of Reference of Board Human Resource and Remuneration Committee	Adhered as per Rules	Complied.
9.12.6	Composition of the Remuneration Committee The members of the Remuneration Committee shall; 1 (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity 2. An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Adhered as per Rules Refer Report of the Board Human Resources and Remuneration Committee on page 92 of this Annual Report.	Complied.
9.12.7 (1) and (2)	Functions of Remuneration Committee	Board approved Terms of Reference of BHRRC covers the functions of BHRRC. Refer pages 92 to 93 of this Annual Report.	Complied.
9.12.8	Disclosures in the Annual Report	Refer the report of BHRRC on pages 92 to 93 of this Annual Report. The aggregate remuneration of the Ex-ecutive and Non-Executive Directors are disclosed in page 174 of this Annual Report.	Complied.
9.13	BOARD AUDIT COMMITTEE (BAC)		
9.13.1	Availability of Committee to perform Audit and Risk functions	Company has two separate commit-tees to assess audit and risk functions, Refer reports in pages 88 to 89 of this Annual Report	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.13.2	Terms of Reference of Board Audit Committee	Board approved Audit Committee Charter is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the Board Audit Committee on pages 88 to 89 of this Annual Report.	Complied
9.13.3	Composition of the Board Audit Committee 1. a. comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent b. not comprise of Executive Directors of the Listed Entity. 2. The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. 3. The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. 4. An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. 5. Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. 6. The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.	Adhered as per Rules. Refer Page No 88 of this Annual Report	Complied.
9.13.4	1. The functions of the Board Audit Committee (i) to (xiii) 2. Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above	Board approved Charter of BAC and TOR of BIRMC covers the functions of BAC and BIRMC. Refer Report of the BAC on pages 88 to 89 and Report of BIRMC on pages 90 to 91 of this Annual Report	Complied.
9.13.5 (1) and (2)	Disclosures in Annual Report	Refer Report of the BAC on pages 88 to 89 of this annual report.	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.14	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	The Company has complied with the requirements set out in rule 9.14 of Listing Rules. Refer BRPTRC report on page 95 in this Annual Report.	Complied.
9.14.2	The Related Party Transactions Review Committee shall comprise of a minimum of three (3) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	Adhered as per Rules Refer page No 95 of this Annual Report	Complied.
9.14.3	1. Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein. 2. The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions. 3. When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality. 4. The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.	Board approved Terms of Reference of BRPTRC covers the functions of the Committee. Refer the BRPTRC Report on the page 95 of the Annual Report.	Complied.
9.14.4	General Requirements of Related Party Transactions Review Committee 1. The Committee shall meet at least once a calendar quarter.	Adhered as per Rules	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	2. The members of the BRPTRC have enough knowledge and expertise to assess all aspects of proposed related party transactions. Where necessary Committee obtain appropriate professional and expert advice from an appropriately qualified person. 3. The Committee requests the Board of Directors to approve the related party transactions which are under review by the Committee. In such instances, the approval of the Board of Directors obtained prior to entering into the relevant related party transaction. 4. As stipulated the RPT policy, no Director has participated or voted in any discussion of a proposed related party transaction for which he or she is a related party.		
9.14.5 (1) to (6)	Review of Related Party Transactions by the Related Party Transactions Review Committee	Adhered as per Rules	Complied.
9.14.6 (1) to (3)	Shareholder Approval	Adhered as per Rules However, there were no such transactions occurred during the year.	Complied.
9.14.7 1(a) to 1 (b)	The Company shall make an immediate Market Announcement to the CSE	Adhered as per Rules However, there were no such transactions occurred during the year.	Complied.
9.14.8	Disclosures in the Annual Report	(1). There were no non recurrent related party transactions which exceed 10% of the equity or 5% of the total assets of the company whichever is lower which required to be disclosed in the Annual Report as required by section 9.14.8 of the Listing Rules. (2). There were no recurrent related party transactions which exceed aggregate value 10% of gross revenue/income or 5% of the total assets of the company whichever is lower which required to be disclosed in the Annual Report as required by section 9.14.8 of the Listing Rules. (3). Refer the BRPTRC on page 95 of this Annual Report. (4). Refer Annual Report of the Board of Directors on the affairs of the company on pages 77 to 87 of this Annual Report.	Not Applicable

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.14.9	Acquisition and disposal of Assets from / to Related Parties	During the year there were no acquisition or disposals of substantial assets from / to related parties.	Not Applicable
9.14.10	Exempted Related Party Transaction	No transactions under exempted category were reported during the period concerned	Not Applicable
9.15	Penalties For Non-Compliance with Board Committee Composition Requirements	No penalties during the period concerned	Not Applicable

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors of UB Finance PLC has pleasure in presenting their Annual Report on the State of Affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2026 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Report includes the information as required by the Companies Act No. 7 of 2007 – as amended (Companies Act), Finance Business Act Directions No. 5 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange.

General

UB Finance PLC was incorporated under the Companies Ordinance No.51 of 1938 on 12th July 1961 as a Limited Liability Company under the name of The Finance and Guarantee Company Limited. The Company was re-registered as required under the provisions of the Companies Act No. 7 of 2007 (as amended) on 26th December 2007 under Company Registration No PB 113.

The name of the Company was changed to UB Finance The name of the Company was changed to UB Finance Company Limited on 25th April 2012. The Company was listed on the Colombo Stock Exchange on 14th August 2023 and changed its name to UB Finance PLC under Company Registration No PQ 00283806.

The Company is a Finance Company in terms of the Finance Business Act No.42 of 2011 and is a registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Ordinary Shares issued by the Company are listed on the Diri Savi Board of Colombo Stock Exchange.

The Company has been affirmed a national long-term rating of BB(lka) by Fitch Ratings Lanka Limited.

Both the Registered Office of the Company and its Head Office are situated at No.10, Daisy Villa Avenue Colombo 04.

As per the requirements set out in Section 168 of the Companies Act No. 07 of 2007 (as amended) the following information is disclosed in this Report for the year under review.

Information required to be disclosed as per the Companies Act No. 7 of 2007	Reference to the Companies Act	Level of compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Page 78
Signed Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Pages 110 to 177
Auditor’s Report on Financial Statements of the Company	Section 168 (1) (c)	Pages 106 to 108
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 117
Particulars of entries in the Interest Register made during the accounting period	Section 168 (1) (e)	Page 81
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 174
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 83
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 79
Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period as a separate disclosure	Section 168 (1) (i)	Page 83
Auditors’ relationship or any interest with the Company	Section 168 (1) (j)	Page 83
Annual Report of the Board of Directors on the affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Pages 77 - 87

Vision, Mission Business Principles and Core Values

The Company's vision, mission, business principles and core values are given on page 5 of this Report.

Principal Activities

The principal activity of the Company is providing financial services namely, accepting deposits, maintaining savings accounts, lease financing, vehicle loans, gold loans, mortgage loans, and working capital solutions.

There were no significant changes in the nature of the principal activities of the Company during the year under review. The Directors do hereby declare that to the best of their knowledge, the Company has not engaged in any activity, which contravenes laws and regulations.

Review of Operations and Future Developments

A review of the Company's performance during the year under review with comments on financial results, future strategies and prospects are contained in the Chairman's Message on pages 20 to 23 the Director/ Chief Executive Officer's Review on pages 24 to 26 and the Operation Review on pages 28 to 30.

Financial Statements

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011, the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Board Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 27th June, 2026. The Financial Statements of the Company duly signed by the Assistant General Manager- Finance and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

Directors' Responsibility for Financial Reporting

In terms of Section 150(1) and 151 of the Companies Act No. 7 of 2007 (as amended), the Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Company which reflects a true and fair view of the state of affairs of the Company as at the reporting date and the profit or loss of the Company for the accounting period ended as at the reporting date.

The Directors confirm that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 110 to 177 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments thereto, Companies Act No. 07 of 2007 (as amended), directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibilities for Financial Reporting is given on page 96 and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

Directors' Statement on Internal Control over Financial Reporting

The Board has issued a statement on the Internal Control over Financial Reporting of the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 5 of 2021.

The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on page 83.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to on page 99.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 106 to 108.

The accounting policies adopted in the preparation of the Financial Statements are given on pages 115 to 135 There were no significant changes to the accounting policies used by the Company during the year under review.

Income

The income of the Company for the year ended 31st March 2026 was Rs. 2,784.3 million (2024/25 - Rs. 2,239.5 million)

An analysis of the Income is given in Note 4 to the Financial Statements.

Financial Results and Appropriations

The Profit Before Tax increased from Rs. 79.0 million to Rs. 256.2 million whilst the Company's Net Profit After Tax for the year under review increased from Rs. 40.0 million to Rs. 111.8 million.

Reserves

The Reserves of the Company with the movements during the year under review are given in the Statement of Changes in Equity of the Financial Statements on page 113

Taxation

The Income Tax rate applicable to the Company's operations during the financial year is 30% on profits for the year ended 31st March 2026 (2025 - 30%).

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2024/25 - 18%) and Social Security Contribution Levy at 2.5% w.e.f. 1st October 2022.

The Board of Directors

The Board of Directors of the Company as at 31st March 2026 consisted of Nine (9) Directors with a balance of skills, wide knowledge and experience in Entrepreneurship, Banking, Finance, Audit & Assurance, Legal and Marketing which is appropriate for the business carried out by the Company.

The names of the Directors who held office as at the end of the accounting period (As of 31st March 2026) are given below and their brief profiles appear on pages 9 to 13 which also includes other directorships held by Directors.

No	Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
1	Mr. S. Ghouse	Non-Executive	Independent	17/11/2021
2	Mr. R. Karunaratne	Executive	Non-Independent	12/03/2014
3	Mr. R. M. Balendra	Non-Executive	Independent	05/07/2021
4	Mr. J. Setukavalar	Non-Executive	Independent	24/11/2022
5	Mr. S. Pokhrel	Non-Executive	Non-Independent	04/12/2023
6	Mr. M Ratnayake	Non-Executive	Independent	08/07/2024
7	Prof. Ajantha Dharmasiri	Non-Executive	Independent	26/08/2024
8	Mr. Dilshan Rodrigo	Non-Executive	Non-Independent	01/10/2024
9	Mr. Shankanada Yapa Abeywardene	Non-Executive	Non-Independent	25/07/2025

Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

New Appointments & Resignations

The appointments, resignations/cessations during the financial year are given below;

(a) Appointments of Directors

Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
Mr. Shankanada Yapa Abeywardene	Non-Executive	Non-Independent	25/07/2025

(b) Subsequent Appointment

Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
Mr. L. Sampath Weerasinghe	Non-Executive	Non-Independent	04/08/2026

(c) Resignations of Directors

Mr. Shankanada Yapa Abeywardene resigned from the Board of Directors with effect from 30th April, 2026

(d) Retirement by Rotation and Re-Election of Directors/Annual Assessment of continuing Directors

The names of the Directors who are subject to retirement by rotation in terms of Article 77 of the Articles of Association, are as follows:

Name of the Director	Applicable Article of the Articles of Association
Mr. Ratnayake Mudiyanselage Mohan Joseph Ratnayake	Article 77 of the Articles of Association
Mr. Ajantha Sujeewa Dharmasiri	Article 77 of the Articles of Association

(i) proposed for re-appointment in terms of Article 85 of the Articles of Association

Name of the Director	Applicable Article of the Articles of Association
Mr. L. Sampath Weerasinghe	Article 85 of the Articles of Association

Interest Register

The Interest Register is maintained by the Company, as per the Section 168(1) (e) of the Companies Act No 7 of 2007 (as amended). All Directors have made declarations as provided for in section 192(1) & (2) of the Companies Act aforesaid. There were no significant related entries made in the Interest Register during the year under review. The share ownership of Directors is disclosed on page 182 of this report, entries were made in the Interests Register on share transactions, Directors' interest in contracts, and remuneration paid to the Directors etc. The Interest Register is available for inspection by shareholders, or their authorised representatives as required by the section 119 (1) (d) of the Companies Act No 07 of 2007 (as amended).

Directors' Declarations in terms of Rule 9.16(i) of the Listing Rules of the Colombo Stock Exchange

The Directors declare that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a proposed contract with the Company, they have refrained from voting on such contracts. It is further declared that during the year under review, the Company did not enter into any contracts in which any Director was interested.

Directors' Declarations in terms of Section 16.1(ii) and (v) of Finance Business Act Directions No. 5 of 2021 and Rule 9.10.4 (c) of the Listing Rules of the Colombo Stock Exchange

The Chairman and the Directors of the Company have made declarations as per the requirements in the above Directions/Rules, that there is no financial, business, family or other material/relevant relationship(s) between the Chairman and the Chief Executive Officer and/or amongst the members of the Board.

Related Party Transactions with the Company

The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions (RPTs) in terms of LKAS 24.

The aggregate value of transactions of related parties (as defined in LKAS 24 – "Related Parties Disclosure") with the Company are set out in Note 40 to the Financial Statements on pages 174 to 175.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party 'more favourable treatment' than that accorded to other similar constituents of the Company.

Net Accommodation Granted to Related Parties

Category of Related Party	Net Accommodation Granted during the FY (Rs.)	Net Accommodation Outstanding as of 31-03-2026 (Rs.)	% Outstanding Against Company's Core Capital as of 31-03-2026
Senior Management including Executive Directors	3,665,000	932,978	0.03%
Parent Company	-	-	-
Other Related Companies	-	-	-

Directors' Remuneration

The aggregate value of Directors' Remuneration for the financial year under review was Rs. 10,004,200/- (2025 - Rs. 10,370,000/-)

Director's & Officer's Liability Policy

Union Bank of Colombo PLC, the Parent Company has obtained a Directors & Officers Liability Policy covering the Directors interests of the Group.

Relevant Interests of Directors' in Shares

The Directors' shareholding and the relevant interests of Directors in the shares of the Company as at 31st March 2026 and 31st March 2025 are as follows;

Name of the Director	Shareholding as at 31st March 2026	Shareholding as at 31st March 2025	Shareholding as at 31st March 2026 in the Parent Company
Mr. S.Ghouse	-	-	-
Mr. R.Karunaratne	62,300	62,300	-
Mr. M.Balendra	-	-	-
Mr. J.Setukavalar	-	-	-
Mr. S.Pokhrel	-	-	-
Mr. Dilshan Rodrigo	-	-	1,000,000
Mr. Shankanada Yapa Abeywardene	-	-	-
Prof. Ajantha Dharmasiri	-	-	-

Mr. Sanjay Pokhrel is a Non-Executive Director of Union Bank Colombo PLC. Mr. Dilshan Rodrigo is the Director/CEO of Union Bank of Colombo PLC. and Mr. S.Y Abeywardene Chief Financial Officer of Union Bank Colombo PLC.

Board Sub Committees

The Board of Directors of the Company has formed nine (08) Sub-committees in compliance with the Finance Business Act Direction No.5 of 2021, Finance Business Act Direction No.1 of 2022 on Technology Risk Management and Resilience and Listing Rules of the Colombo Stock Exchange.

They are the Board Audit Committee, Board Integrated Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee, Board Related Party Transactions Review Committee, Board Nominations and Governance Committee, Board Strategic Planning Committee, Board Information Security and IT Steering Committee.

The composition of the said committees as at 31st March 2026 are as follows:

Board Audit Committee (BAC)

• Mr. J.Setukavalar	-	Chairman/Independent Non-Executive Director
• Mr. Mohan Ratnayake	-	Independent Non-Executive Director
• Mr. S.Pokhrel	-	Non-Independent Non-Executive Director

The Report of the said Committee appears on pages 88 to 89.

Board Integrated Risk Management Committee (BIRMC)

• Mr. Mohan Ratnayake	-	Chairman / Independent Non-Executive Director
• Mr. J.Setukavalar	-	Independent Non-Executive
• Mr. Dilshan Rodrigo	-	Non-Independent Non-Executive

The Report of the said Committee appears on pages 90 to 91.

Board Credit Committee (BCC)

• Mr. S.Ghouse	-	Chairman / Independent Non-Executive Director
• Mr. Mohan Ratnayake	-	Independent Non-Executive Director
• Ms. Dilshan Rodrigo	-	Non-Independent Non-Executive Director

Board Human Resources and Remuneration Committee (BHRRC)

• Prof. Ajantha Dharmasiri	-	Chairman / Independent Non-Executive Director
• Mr. M.Balendra	-	Independent Non-Executive Director
• Mr. Sanjay Pokhrel	-	Non-Independent Non-Executive Director

The Report of the said Committee appears on pages 92 to 93.

Board Related Party Transactions Review Committee (BRPTRC)

• Mr. M.Balendra	-	Chairman / Independent Non-Executive Director
• Mr. S.Ghouse	-	Independent Non-Executive Director
• Mr. J.Setukavalar	-	Independent Non-Executive Director

The Report of the said Committee appears on page 95.

Board Nomination and Governance Committee (BNGC)

• Prof. Ajantha Dharmasiri	-	Chairman / Independent Non-Executive Director
• Mr. Mohan Ratnayake	-	Independent Non-Executive Director
• Mr. Sanjay Pokhrel	-	Non-Independent Non-Executive Director

The Report of the said Committee appears on page 94.

Board Strategic Planning Committee (BSPC)

• Mr. Dilshan Rodrigo	-	Chairman / Non-Independent Non-Executive Director
• Mr. S.Ghouse	-	Independent Non-Executive Director
• Mr. S.Pokhrel	-	Non-Independent Non-Executive Director

Board Information Security and IT Steering Committee

• Mr. S.Ghouse	-	Chairman/Independent Non-Executive Director
• Mr. J Setukavalar	-	Independent Non-Executive Director
• Mr. S.Pokhrel	-	Non-Independent Non-Executive Director

Stated Capital

The stated capital of the Company as at 31st March 2026 was LKR 3,325,761,076/- consisting of 3,178,485,367 ordinary shares (2025: LKR 3,325,761,076/- consisting of 3,178,485,367 ordinary shares).

Share Information and Substantial Shareholdings

There were 7,964 shareholders registered as at 31st March 2026. (2025 - 5,097)

Distribution Schedule of Shareholders, Major Shareholders, Public Holding and Ratios and Market Price Information

Information as required by the Listing Rules on distribution of shareholding with the respective percentages, twenty (20) Major Shareholders, Public Holding & Ratios and Market Price Information are set out on pages 180 to 182 under Share Information.

Property Plant & Equipment and Significant Changes in the Company's Fixed Assets/ Market Value of Land

The details of property, plant and equipment is set out in Note 20 to the Financial Statements on pages 145 to 148.

In accordance with the Company's revaluation policy, independent valuations are carried out every three years. The lands and buildings owned by the Company are stated at their revalued amounts. The fair values of these properties were determined based on valuations performed as at 31 March 2024 by Mr. D. Jayawardana, an independent professional valuer. The Directors are of the opinion that the carrying amounts of these properties do not differ materially from their current fair values as at the reporting date.

Material Issues Pertaining to Employees and industrial Relations Pertaining to the Company

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

Employees Share Option Schemes/Employee Share Purchase Schemes

The Company has not implemented any Share Option/Share Purchase Schemes for employees.

Donations

The Company did not make any donations during the year under review.

Auditors

Messrs. KPMG, Sri Lanka, Chartered Accountants, served as the Independent Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

A sum of Rs. 3,510,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,850,000/- as Audit Fees, and Rs 1,660,000/- for non-audit services.

The Board adopted a policy of rotation of Auditors in keeping with the principles of good Corporate Governance and to ensure compliance with Finance Business Act Direction No.5 of 2021 on Corporate Governance [Direction No.10.2 d) (ii)].

A Resolution to re-appoint Messrs KPMG, Chartered Accountants, as the Company's Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Risk Management and Internal Controls

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Board Audit Committee and the Board Integrated Risk Management Committee. Specific steps taken by the Company to manage the Risks are detailed under "Integrated Risk Management Report" on pages 101 to 104.

The Board, through the Board Audit Committee and Board Integrated Risk Management Committee, conducts a review of internal controls covering financial, operational and compliance controls and risk management and has obtained reasonable assurance of their effectiveness and successful adherence therewith.

Directors' Statement on Internal Control over Financial Reporting is on pages 97 to 98.

Material Foreseeable Risk Factors

Material Foreseeable Risk Factors as applicable to the business operations of the Company is set out in Note 36 of the Financial Statements.

Appraisal of Board Performance

A scheme of self-assessment is undertaken annually by each Director in conformity with the Section 1.5 (d) of the Finance Business Act Directions No. 05 of 2021 by answering a self-assessment questionnaire. The responses are collated by the Company Secretary, which are submitted to the Board for discussion and further evaluated by the Board.

In terms of the said Direction, the Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007 (as amended), Finance Business Act Direction No. 05 of 2021 and Listing Rules of Colombo Stock Exchange

Evaluations for the year under review of the Board of Directors and its Sub- Committees were discussed at the meeting of the Board of Directors.

Corporate Governance

The Board of Directors is responsible for the Governance of the Company. The Board of Directors has placed considerable emphasis on developing rules, structures and processes to ensure Integrity and Transparency in all of Company's dealings and on making the best effort in achieving performance. The Board has continuously refined the structure and systems to ensure governance on the lines as defined, being aware all the time that it is accountable to the stakeholders and to the general public.

The Report on Corporate Governance which is on pages 46 to 76 describes the application of the Corporate Governance practices within the Company during the year under review.

Compliance With Laws and Regulations

The Compliance Officer independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board of Directors and the Board Integrated Risk Management Committee.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for, except for certain assessments where appeals have been lodged.

Environmental Protection

The Directors, to the best of their knowledge and belief, are satisfied that the company has not engaged in any activities, which have caused adverse effects on the environment, and it has complied with the relevant environmental regulations.

Outstanding Litigation

Pending litigation against the Company is disclosed under the Note 34.2 to the Financial Statements.

Contingent Liabilities

There were no material contingent liabilities as at the reporting date.

Events After Reporting Date

There were no significant events reported after the period under review.

Going Concern

The Board of Directors had reviewed the Company's business plans and is satisfied that the company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

Annual General Meeting

The details of the Annual General Meeting (AGM) will be published separately, as we are awaiting an approval from the Central Bank of Sri Lanka. The Notice of the AGM will be published at least fifteen (15) working days prior to the scheduled date of the AGM, in accordance with the Companies Act No. 07 of 2007 (as amended).

Number of Meetings Held and Attendance

Names of the Director	Meetings of the Board of Directors		Board Audit Committee		Board Integrated Risk Management Committee		Board Human Resources & Remuneration Committee		Board Strategic Planning Committee		Board Credit Committee		Board Related Party Transactions Review Committee		Board Nomination and Governance Committee	
	E	A	E	A	E	A	E	A	E	A	E	A	E	A	E	A
Sabry Ghouse	12	12	-	-	-	-	-	-	01	01	02	02	03	03	-	-
Ransith Karunaratne	12	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jayendra Setukavalar	12	10	05	05	04	04	-	-	-	-	-	-	03	03	-	-
Sanjay Pokhrel	12	11	05	04	-	-	04	04	01	01	-	-	-	-	03	02
Mohan Rathnayake	12	11	05	05	04	04	-	-	-	-	02	02	-	-	03	02
Raj Moahan Balendra	12	11	-	-	-	-	04	04	-	-	-	-	03	03	-	-
Pro.Ajantha Dharmasiri	12	11	-	-	-	-	04	04	-	-	-	-	-	-	03	03
Dilshan Rodrigo	12	11	-	-	04	02	-	-	01	01	02	02	-	-	-	-
Shankanada Yapa Abeywardene	12	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-

E - Eligibility / **A** - Attendance

Directorship held by the Directors in other Institutions as at 31st March 2026

As per Finance Business Act Directions No. 5 of 2021 the maximum number of directorships that can be held by Directors is limited to 20.

Name of the Director	No. of Directorates / Equivalent positions held in companies / societies / Corporate bodies
Mr. Sabry Ghouse	**Current** • UB Finance PLC (Senior Independent Director) • Shah Associates (Pvt) Ltd (Non-Executive Director) **Former** • Credit Information Bureau (Independent Director) • Al Rajhi Bank (Independent Director) • Union Bank of Colombo PLC (Deputy Chairman) • American Express (Territory Manager) • Standard Chartered Bank (Regional Head of Retail Bank - Jordan/Israel/ Lebanon) • Standard Chartered Bank – Sri Lanka (Head of Retail Bank)
Mr. Ransith Nishantha Karunaratne	**Current** • UB Finance PLC (Director I Chief Executive Officer) • Logos College (Board Member) **Former** • LB Finance PLC (Deputy General Manager – Corporate Lending, Factoring & Investments) • Commercial Leasing Co. Ltd (Assistant General Manager - Factoring) • Plenty Foods Marketing (Pvt) Ltd (Financial Services Manager) • Mercantile Leasing Ltd. (Portfolio Manager - Factoring) • Ceylinco Securities & Finance Services Ltd (Credit Executive) • Lanka Evangelical Alliance Development Services (Board Member)
Mr. Raj Moahan Balendra	**Current** • UB Finance PLC (Independent Non – Executive) • S B Corporates (Private) Limited (Executive Director) • S B Realtors (Private) Limited (Executive Director) • The Jaffna Club (Guarantee) Limited (Executive Committee Member) • Migrategi (Private) Limited (Executive Director) **Former** • Serendib Engineering Group PLC (Non-Executive Independent Director)
Mr. Jayendra Arulraj Setukavalar	**Current** • UB Finance PLC (Independent Non – Executive) **Former** • Singer Finance PLC (Independent Director) • A Baur & Co (Pvt) Ltd (Executive Director – Finance/Compliance/Company Secretary) • Al Yousef Investment Controller (Senior Investment Controller) • Ferntea Limited (Director/Company Secretary) • PricewaterhouseCoopers – Dubai (Assistant Audit Manager) • KPMG, Sri Lanka (Audit Intern)
Mr. Sanjay Pokhrel	**Current** • UB Finance PLC (Non – Independent Non – Executive) • Nabil Investment Banking Ltd - Nepal (Independent Director) • CG Cell Technologies DAC – Ireland (Independent Director) • Union Bank of Colombo PLC (Non-Executive Non-Independent) • National Asset Management Limited – Sri Lanka (Non-Executive Non-Independent) • CG Corp Global (General Manager – Executive)

Name of the Director	No. of Directorates / Equivalent positions held in companies / societies / Corporate bodies
Prof. Ajantha Dharmasiri	**Current** • UB Finance PLC (Independent Non – Executive) • DSI Samsone Group (Independent Non – Executive Director) • Softlogic Holdings PLC (Independent Non – Executive Director) • Sri Lanka Institute of Biotechnology (Pvt) Ltd (Director) • Post Graduate Institute of Management (Senior Professor) • Elpitiya Plantations PLC (Independent Non-executive Director) **Former** • CDB Finance PLC (Independent Non-Executive Director) • Post Graduate Institute of Management (Acting Director/Director/Senior Consultant/ Senior Lecturer-GrII/Professor)
Mr. Mohan Ratnayake	**Current** • UB Finance PLC (Independent Non – Executive Director) • Colonial Motors Ceylon Ltd (Managing Director) • Lanka Reality Investment PLC (Independent Non-Executive Director) • ACL Plastics PLC (Independent Non-Executive Director) • CM Holding (Independent Non-Executive Director) • Union Investment (Private) Ltd (Independent Non-Executive Director) • Swisstek (Ceylon) PLC (Independent Non-Executive Director) • Lanka Tiles PLC (Independent Non-Executive Director) • Serandib Land PLC (Independent Non-Executive Director) **Former** • Multi Finance PLC
Mr. Dilshan Rodrigo	**Current** • UB Finance PLC (Non-Executive / Non-Independent Director) • Sri Lanka Institute of Directors (Non-Executive / Senior Vice Chairman) • Credit Information Bureau of Sri Lanka (Non-Executive Director) • Lanka Pay Private Limited (Non-Executive Director) • **Former** • Hatton National Bank (Director – Executive) • HNB Finance PLC (Director – Non-Independent Non-Executive) • HNB Assurance PLC (Director – Non-Independent Non-Executive) • Guardian Acuity Management (Director – Non-Independent Non-Executive) • Credit Information Bureau Ltd (Director – Non-Independent Non-Executive) • Lanka Financial Services (Chairman – Executive) • Acuity Stockbrokers (Pvt) Ltd (Director – Non-Independent Non-Executive) • Acuity Securities Ltd. (Director – Non-Independent Non-Executive) • HNB General Insurance Ltd. (Director – Non-Independent Non-Executive) • Sithma Development (Pvt) Ltd. (Director – Non-Independent Non-Executive) • Hatton National PLC (Chief Operative Officer – Other) • ANZ Grindlays Bank (Asst. Manager – Finance & Administration – Other) • Standard Chartered Bank (Manager – Finance – Other) • Standard Chartered Bank (Head of Institutional Banking – Other) • Standard Chartered Bank (Head of Credit – Other) • Hatton National PLC (Chief Risk Officer – Other) • Hatton National PLC (DGM – Retail Banking – Other)
Mr. Shankanada Yapa Abeywardene	**Current** • UB Finance PLC (Non - Independent Non – Executive Director) **Former** • NDB Investment Bank Limited (Non- Independent / Non-Executive Director) • NDB Wealth Management Limited (Non- Independent / Non-Executive Director)

Acknowledgement of the Content of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007 (as amended) the Board of Directors hereby acknowledged the contents of this Annual Report.

Signed on behalf of the Board by

Sabry Ghouse
Chairman

Ransith Karunaratne
Director I Chief Executive Officer

Tharanga Nandasena
Company Secretary

BOARD AUDIT COMMITTEE REPORT

The Board appointed Audit Committee presently comprises of three members - two Independent Non-Executive Directors and one Non- independent Non-Executive Director.

The Committee of the Company is chaired by Mr. Jayendra Setukavalar, a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants - UK who counts many years of experience in the financial services Industry. Composition of the Audit Committee as of 31st March 2026 along with the current status and attendance is as follows:

Name of Director	Status	Eligibility	Attendance	Excused
Mr. Jayendra Setukavalar *(Chairman)*	Independent Non-Executive Director	5	5	-
Mr. Sanjay Pokhrel	Non-Independent Non-Executive Director	5	4	1
Mr. Mohan Ratnayake	Independent Non-Executive Director	5	5	-

The other attendees of the Audit Committee meeting included CEO, GM, DGM,AGMs' and relevant business Heads as and when necessary.

Terms of Reference

The Charter of the Committee, approved by the Board, clearly defines the Terms of Reference of the Committee, and is annually reviewed to ensure that new developments relating to the Committee's functions are addressed. The Charter of the Committee was last reviewed and approved by the Board in November 2025.

Finance Business Act Direction No. 5 of 2021 on Corporate Governance and Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance, issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, further regulate the composition, roles and functions of the Committee.

The members of the Board Audit Committee (Committee) have relevant experience and bring an independent mind set to their role. Most of the Committee members serve on other committees including the Board Credit Committee. This interweaving linkage between the Board Audit Committee and other Committees has been a key driver in ensuring that gaps and unnecessary

duplications, if any, are avoided whilst ensuring that key issues having an impact on Financial Reporting are escalated to the Board Audit Committee.

A significant amount of time has been spent discussing the root causes of control weaknesses and remediation and mitigating action taken by management. The Committee has also discussed the changing landscape of the technological developments and the IT Security aspects to ensure safeguarding of threats.

The Committee met 5 times during the period under review. The Committee meets with the senior officials of UBF and internal audit team, and the external auditor to consider, inter alia, the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control relating to financial reporting. It also assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee has the authority to investigate any matter within its terms of reference, and has full access to information, and co-operation of the management.

Key Responsibilities of the BAC

Financial Reporting:

The primary role of the Committee in relation to Financial reporting is to monitor the integrity of the Financial Statements and formal announcements, if any, relating to financial performance.

The Committee reviewed and discussed with the management, the internal auditors and the external auditors the critical accounting policies, practices, related changes thereto, alternative accounting treatments, major judgmental areas, material audit adjustment compliance with accounting standards, going concern assumptions, financial reporting controls and compliance with applicable laws and regulations that could impact the integrity of the Company's Financial Statements, its annual report and its quarterly financial statements prepared for publication.

The Audit Committee reviews the quarterly financial process and has discussions with the management. The company's financial reporting process for preparing the consolidated Annual Report and Accounts for 2025/2026 is controlled using documented accounting policies. The changes to the Accounting Policies are approved at the Committee. The Committee reviews the Financial Statements prior to submission to the Board to ensure that a reliable and true and fair view of the state of affairs of the company is presented.

The Committee obtained and reviewed assurance received from the Chef Executive Officer (CEO) and Chief Financial Officer (CFO) on the soundness in preparing company's financial statements and effectiveness of its internal control system.

Regulatory reporting:

The committee focused on the improvements required for the regulatory reporting process and placed an enhanced focus on the quality and reliability of regulatory reporting to strengthen the end-to-end process in meeting regulatory expectations.

Internal Audit and Internal Controls:

The Company has engaged the services of the Group Internal Audit division of Union Bank to carry out the Information system audits of the Company. The Head of Internal Audit of UB Finance PLC functions as the Secretary to the Committee. During the year the Audit Committee reviewed the performance of the internal audit function, focusing on the areas of greater risk to the Company using a risk-based audit approach to gauge the effectiveness of the internal control procedures in place and to assess whether additional risks emerging do in fact have mitigating controls. The Committee discussed Internal Audit reports and the corrective action taken by the Management. It also evaluated the Company's internal control system. The deficiencies and lapses reported by both Internal Auditors and External Auditors and recommendations given by them were discussed with the Management. The Committee seeks and obtains the required assurance from the Business line on the remedial action in respect of the identified risks to maintain the effectiveness of the internal control procedures. The Committee also reviews the effectiveness of the Company's internal controls over financial reporting, operational compliance, and information technology. This process assesses the adequacy and effectiveness of internal controls and the processes for controlling business risks, and compliance with laws and regulations.

External Audit:

The Committee recommended to the Board appointment of KPMG as the external auditor of the Company for the financial year 2025/2026.The BAC has unfettered access to the Company External Auditor. During the financial year, the BAC met the External Auditor twice without the presence of management to discuss and express their opinions on any matter and for the Committee to have assurance that the Management has fully- provided all information and explanations requested by the Auditors and even on concerns that might have to be raised privately.

The Committee reviewed the non-audit services provided by the External Auditor during the financial year and the associated fees. The Committee is satisfied that the independence and objectivity of the External Auditor has not been impaired by the provision of those services. A Board approved policy is in place on Non- Audit Services provided by the External Auditors. The Committee is satisfied with the experience and expertise of the partner, the quality of the supporting audit team as well as the support from the External Auditor's global network.

The Committee continues to exercise oversight of the work undertaken by the External Auditor during the year. The Committee has also reviewed the scope of, and the results of, the external audits and the independence and objectivity of the External Auditor.

The Committee has discussed the business and financial risks with the External Auditor and has sought and received assurance that these risks have been addressed in their audit strategy. The Committee has enquired from the External Auditor that no undue pressure has been brought to bear on the audit and the level of the audit fees paid has in no way negatively affected the audit work.

The Committee makes recommendations to the Board for the appointment, re-appointment and dismissal of the External Auditor including the remuneration and terms of engagement.

Keeping Updated on Relevant Information:

The members are regularly kept updated on changes to accounting standards, issues related to financial reporting and even on changes to regulatory guidelines through periodic meetings with the Finance Team, Internal Audit and External Auditors.

Ethics and Good Governance:

The Committee continuously emphasize upholding ethical values of the staff members. In this regard, a Code of Ethics and Whistle-blowers policy was put in place and followed for educating and encouraging all members of staff to resort to whistleblowing if they suspect wrong doings or other improprieties. Highest standards of Corporate Governance and adherence to the company's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistle-blowers Policy guarantees the maintenance of strict confidentiality of the identity of the whistle blowers. The policy is subject to annual review in order to further enhance effectiveness.

Jayendra Setukavalar
Committee Chairman
Board Audit Committee
25th August 2026

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

Purpose

This report provides a comprehensive overview of the Integrated Risk Management Committee's activities during the year, highlighting the key challenges faced, major milestones achieved, and the progress made in strengthening the risk management framework.

The core purpose of the Integrated Risk Management Committee is to provide a unified approach to identifying, assessing, and managing the various risks UBF faces. It aims to create a robust risk governance framework that aligns with the company's overall strategic objectives and ensures long-term sustainability.

Integrated Risk Management Committee focuses on ensuring a proactive, comprehensive approach to managing various risks across financial, operational, market, regulatory, and cybersecurity domains. The committee continuously evaluates and mitigates emerging threats through strategic risk controls, while ensuring strict compliance with regulatory requirements. It fosters transparent communication with key stakeholders and promotes a strong risk culture throughout the company, encouraging proactive risk management at all levels. Additionally, the committee tracks risk performance to align with business objectives and is committed to continuously improving risk management processes, adapting to evolving market conditions and emerging risks to ensure the company's long-term resilience and stability. The Committee's focus encompasses key risk categories, including Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Technology Risk, Legal and Regulatory Risk.

The Committee also functions within the Direction No.01 of 2022 on Technology Risk Management and Resilience issued for License Finance Companies of Sri Lanka by the Central Bank of Sri Lanka.

The committee identified the Key risk areas to be addressed as per the risk appetite statement during the reviewed year and corrective actions were discussed with the relevant heads. The Integrated Risk Score of UBF has improved over the year indicating successful mitigations in the key risk areas. Committee identified the required improvement in IT infrastructure and same is being addressed by the IT department.

Composition

The Board appointed Integrated Risk Management Committee comprised of the following members; as at 31st March 2026.

Name of Director	Position
Mr. Mohan Ratnayake Independent Non-Executive Director	Committee Chairman
Mr. Jayendra Setukavalar Independent Non-Executive Director	Committee Member
Mr. Dilshan Rodrigo Non-Independent Non – Executive Director	Committee Member

Terms of Reference

The Board Integrated Risk Management Committee has adopted the provisions of Section 10(3) (a) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 issued by the Monetary Board of Central Bank of Sri Lanka in defining the Company's Board Integrated Risk Management Committee Charter.

Meetings

Committee Responsibilities

The Committee is mainly responsible for the following, namely:

- Establishing a risk management function responsible for assessing the risk-taking activities and implementing a board approved risk management framework that covers;

  a) potential risks and frauds
  b) possible sources of such risks and frauds
  c) mechanism of identifying, assessing, monitoring and reporting of such risks.

- Establishing a Technology Risk Management Framework for Technology risk identification, assessment, treatment, monitoring and reporting.

- Establishing a strong operational risk management culture to understand the nature and the scope of the operational risk and control environment.

- Establishing the Risk Appetite Statement (RAS) in line with UBF business strategy and governance framework.

- Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risk prudently, in line with the risk management framework.

- Approving and overseeing business continuity and disaster recovery plan to ensure stability, financial strength and preserve critical operations and services under unforeseen circumstances.

- The committee shall assess all risks through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the board.

- The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee.

- The committee shall review new products/services from a risk perspective where materially different or materially greater risks are involved.

- The committee shall work with key management personnel very closely and make decisions on behalf of the board within the framework of the authority and responsibility assigned to the committee.

- The committee shall ensure with the assistance of CRO that empowered Executives are held accountable for managing each of the risks facing the Finance Company and that there is appropriate segmentation of responsibilities and clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.

- The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of Non-Bank Supervision.

- The Committee shall review risk policies, Risk Appetite Statement, internal controls, management information systems at least annually. Moreover, the Committee shall review any other functional policy which is relevant to strengthen the internal control environment of the Company.

- The Committee shall review the adequacy and effectiveness of senior management level committees (such as credit, technology, ALCO) to address specific risk and to manage that risk within quantitative and qualitative risk limits as specified by the Committee.

- Ensure that the IRM function and other departments responsible for supervising significant risks have the resources, adequacy of tools and systems for the successful management of risk management functions within the Finance Company.

- Review and approve the report on the Financial Company's Internal Capital Adequacy Assessment Process (ICAAP) each year.

- The Committee shall submit a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.

- The Committee shall establish a compliance function to assess the UBF's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.

- Cultivate a proactive risk management culture within the Finance Company.

Activities of the Committee

- The Board has undertaken its duties to oversee risk management in credit, market, liquidity, operational & strategic risks. These were monitored by divisional heads and reported to the Manager Risk.

- The risks were then reviewed and assessed monthly by the Manager Risk. Summarized reports were submitted quarterly to the Committee for concurrence and/or specific direction in order to ensure that the risks are managed appropriately.

- Proceedings of meetings are tabled at subsequent meetings of the Board.

Mohan Ratnayake
Committee Chairman
Integrated Risk Management Committee
25th August 2026

BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE REPORT

Financial Year 2025/2026

Introduction

The Board Human Resources and Remuneration Committee (BHRRC) plays a vital role in ensuring that the framework and policies governing the engagement, performance management, succession planning, and remuneration of key personnel remain aligned with the strategic objectives, governance standards, and regulatory requirements applicable to UB Finance PLC.

During the financial year 2025/26, the Committee continued to provide oversight and guidance on human resource and remuneration matters, ensuring that the Company's policies and practices supported sustainable business growth while promoting fairness, transparency, and accountability.

Composition of the Committee as at 31 March 2026

Name of Director	Position
Snr. Prof. Ajantha Dharmasiri Independent Non-Executive Director	Chairman of the Committee
Mr. Moahan Balendra Independent Non-Executive Director	Committee Member
Mr. Sanjay Pokhrel Non - Independent Non-Executive Director	Committee Member

Committee Meetings

The Committee ensured that it convened meetings in accordance with regulatory requirements, during the year under review. Details of the attendance of Committee members of such meetings are provided on page 85.

The Director/Chief Executive Officer, General Manager – Credit and Operations, and Manager – Human Resources attended Committee meetings by invitation whenever required. The Company Secretary serves as the Committee Secretary.

The Committee reported its deliberations and recommendations to the Board on a regular basis, and the Board considered all recommendations submitted during the year.

The composition of the Committee complies with the applicable requirements of the Listing Rules of the Colombo Stock Exchange and other relevant regulatory provisions. Profiles of the Committee members are provided on pages 9 to 13.

Guiding Principles

The Committee continued to discharge its responsibilities based on the following guiding principles:

- Establishing criteria relating to qualifications, experience, skills and competencies required for appointments and promotions to Key Management Personnel positions, including that of the Director/Chief Executive Officer.
- Ensuring compliance with applicable laws, regulations and regulatory directions, including the Finance Business Act Directions No. 05 of 2021 and other relevant regulatory requirements.
- Providing policy direction and oversight on human resource management matters across the Company.
- Aligning performance-based remuneration with the Company's long-term strategic objectives and the interests of shareholders and other stakeholders.
- Promoting a performance-driven culture through appropriate reward and recognition mechanisms.
- Encouraging regular performance evaluations to support employee development, succession planning and continuous improvement.
- Supporting the development of a sustainable leadership pipeline to meet the Company's future business needs.

Key Objectives

The Committee continued to focus on the following key objectives:

- Reviewing and recommending the framework and policies governing the appointment and remuneration of Board Members.
- Reviewing the terms and conditions of employment Board Members.
- Ensuring remuneration policies remain competitive, performance-oriented and aligned with market practices for the Board Members, Chief Executive Officer, Key Responsible Personnel and employees.
- Reviewing succession planning and leadership development initiatives for key responsible positions.
- Considering and addressing corporate governance matters relating to human resources and remuneration.

Activities During the Year

During the year under review, the Committee:

- Reviewed the effectiveness of the Company's human resource and remuneration policies.
- Monitored the implementation of performance management processes and remuneration practices to ensure alignment with business objectives.
- Reviewed succession planning and talent development initiatives for key responsible positions.
- Considered regulatory developments relating to human resource governance and remuneration practices.
- Continued to monitor compliance with applicable governance requirements and best practices.

No significant changes were made to the Company's remuneration framework during the year, as the Committee was satisfied that the existing policies remained appropriate, competitive and aligned with the Company's strategic objectives and regulatory expectations.

Remuneration Policy

The Company's Remuneration Policy continues to support the attraction, motivation and retention of competent employees by providing a fair, equitable and market-competitive remuneration framework.

The policy aligns remuneration with individual and organisational performance while promoting prudent risk management, ethical conduct and sustainable value creation. It also reinforces a culture of accountability, continuous improvement and high performance consistent with the Company's strategic priorities.

Directors' Remuneration

The total remuneration paid to Directors during the financial year under review is disclosed on page 174 of this Annual Report.

Prof. Ajantha Dharmasiri
Committee Chairman
Board Human Resources and Remuneration Committee
25th August 2026

BOARD NOMINATION AND GOVERNANCE COMMITTEE REPORT

Financial Year 2025/2026

Introduction

Under its Board approved Charter—and aligned with the guidelines of Central Bank of Sri Lanka (CBSL) Board Nomination & Governance Committee (BNGC) of UB Finance PLC comprises exclusively of non executive directors, and is chaired by an Independent Director. The Committee applies regulated fit and proper, independence, and diversity standards to recommend appointments of the Board and Chief Executive Officer (CEO); leads annual director performance/ self evaluations and succession planning; tracks tenure to ensure no non executive exceeds nine years as of 31st March 2026. The Committee also ensures the formal separation of Chair and CEO roles as per CBSL Direction

Composition of the Committee as at 31st March 2026

Name of Director	Position
Prof. Ajantha Dharmasiri Independent - Non-Executive Director	Chairman of the Committee
Mr. Sanjay Pokhrel Non - Independent Non-Executive Director	Committee Member
Mr. Mohan Ratnayake Independent Non-Executive Director	Committee Member

Committee Meetings

In accordance with regulatory obligations and when a necessity arose, the Committee convened meetings at least four times in the year under review. Details regarding the attendance of Committee members are stated on page 85 Director/Chief Executive Officer, General Manager (DGM) – Credit and Operations, Manager – Human Resources attended the meeting by invitation. The Company Secretary served as the Committee Secretary. The Board duly approved the recommendations presented by the Committee during the year under review.

The composition of the committee meets the requirement set out in the listing rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 9 to 13.

Guiding Principles

- BNGC's mandate is grounded in the Board approved Charter and CBSL Direction No 05/2024, establishing its formal authority and regulatory alignment

- Fully composed of non-executive directors and chaired by an independent director to preserve impartial oversight over nominations and governance

- All candidates for the Board, CEO/ and key management must meet robust criteria on integrity, competence, independence, and compliance with regulatory provisions

- BNGC applies a formal, transparent procedure to identify, vet, recommend and reevaluate candidates (including re elections), standards led by Board Charter and the Directions of Central Bank of Sri Lanka, and ensures structured short, medium and long term succession plans are reviewed annually

- Enforces the regulatory limits of a maximum nine year service term and mandatory retirement by age 70, as per Directions of Central Bank of Sri Lanka

Key Objectives

The BNGC focuses on the following key objectives:

- Conduct a formal and transparent nomination and appointment process for new Board directors and senior management in accordance with the Governance Framework.

- Assess fitness, propriety, integrity and diversity of all candidates for Board and Key Responsible Person roles, as per Directions of the Central Bank of Sri Lanka

- Ensure optimal Board composition skill balance, diversity, independence and tenure limits to prevent dominance by any individual or group.

- Oversee succession planning for retiring/exiting directors and executives to maintain leadership continuity.

- Uphold compliance with statutory thresholds independent director quota, female representation and rigid separation between Chair and CEO roles.

- Provide transparent shareholder and market disclosure of Board and senior appointments and changes in line with CSE Listing Rules.

- Escalate material governance gaps (e.g. non compliance with tenure or independence criteria) to the Board for remediation.

Prof. Ajantha Dharmasiri
Committee Chairman
Board Nomination and Governance Committee
25th August 2026

BOARD RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

UB Finance PLC (UBF) Board Related Party Transactions Review Committee (BRPTRC) was established in terms of Finance Business Act Direction No. 05 of 2021 on Corporate Governance and the Listing Rules of Colombo Stock Exchange (CSE). The main objective of the Committee, as set out in the Terms of Reference (ToR) of the Committee is to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties and the interest of shareholders as a whole are taken into account by the Company when entering into transactions with Related Parties.

COMPOSITION OF THE COMMITTEE

The BRPTRC is chaired by an Independent Non-Executive Director and all members of the Committee are also Independent Non-Executives Directors, which is in compliance with the respective regulations of the Central Bank of Sri Lanka (CBSL) and CSE Rules.

As of 31st March 2026, the members of the Committee were

Name of Director	Directorship	Membership in Committee
Mr. Moahan Balendra	Independent Non-Executive Director	Chairman
Mr. Sabry Ghouse	Independent Non-Executive Director	Member
Mr. Jayendra Sethukavalar	Independent Non-Executive Director	Member

The profiles of the Directors are given in pages 9 to 13.

INVITEES

Director / Chief Executive Officer and General Manager – Credit and Operations, and other Key Responsible Persons (KRPs) of the Company attend meetings if and when required.

SUMMARY OF THE "TERMS OF REFERENCE" (TOR) OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The TOR outlines the constitution and the composition of the Committee and the Committee ensures that the applicable regulations of the CBSL and CSE are adhered to.

In terms of the TOR of the RPTRC, the TOR is approved by the Board of Directors annually and if so required by the regulatory requirements and industry best practices, the TOR may be amended and approved by the Board prior to completion of one year from the date of last approval by the Board.

SCOPE OF THE OPERATIONS

The terms of reference serves as a guide for the BRPTRC, with the understanding that the BRPTRC may carry out additional functions and adopt such other policies and procedures as may be appropriate in light of changing regulatory requirements. The BRPTRC will also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

Main Responsibilities of the Committee

(a) Identification of Potential Related Parties – The Committee will identify and define the Related Parties by considering the requirements of Listing Rules of Colombo Stock Exchange, Sri Lanka Financial Reporting Standards and the Directions issued by Central Bank of Sri Lanka.

(b) Review of the Related Party Transactions prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction, provided however, related party transactions as set out in rule No 9.14.10 in the CSE listing rule are exempted from the review of the Committee,

(c) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions, which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.

(d) The Committee shall recommend to the Board of Directors to obtain shareholder approval by way of a Special Resolution for Related Party Transactions as set out in rule No.9.14.6

(e) Monitor the timely disclosures made as required by different legislations with special reference to the Listing Rules of the Colombo Stock Exchange and CBSL regulations

ACTIVITIES DURING THE FY 2024/25

- There was only one matter that required special attention from the Committee, which was taken up at a meeting. The matter was duly approved by the Board of Directors following the Committee's recommendation.
- Apart from the above, all Related Party Transactions involving Key Responsible Persons that required the prior approval of the Committee were considered by the Committee and subsequently ratified by the Committee at the meetings convened for the respective quarters.
- Minutes of all meetings convened have been placed at subsequent meetings of the Board of Directors.

Moahan Balendra
Committee Chairman
Board Related Party Transactions Review Committee
25th August 2026

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the Financial Statements of the Company in accordance with the provisions of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange is set out in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 106 to 108 of the Annual Report.

The Directors confirm that the Financial Statements of the Company gives a true and fair view of the financial position as at 31 March 2026 and the financial performance for the financial year then ended and place the same before the Annual General Meeting. These Financial Statements comprises of Statement of Financial Position, Income Statement, Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash flows and Notes to the Financial Statements.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

- The appropriate accounting policies have been selected and applied consistently.
- Reasonable and prudent judgments and estimates have been made and
- All applicable accounting standards have been complied.

The Directors of the Company have responsibility for ensuring that the Company keeps proper books of accounts of all the transactions as per sections 150 (1) and 151 of the Companies Act No. 07 of 2007.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company has been certified by the Company's Assistant General Manager - Finance, the officer responsible for their preparation as required by section 150(1) (b) of the Companies Act No. 07 of 2007.

Financial Statements prepared and presented in this Annual Report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, directions and guidelines issued under the Finance Business Act No. 42 of 2011, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Directors have taken appropriate steps to ensure that the Company maintains proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee (BAC). Interim Financial Statements published by the Company is also approved by the Board following a review by Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company in this regard give proper consideration to the establishment of an appropriate system of internal control for managing significant risks in the Company. The "Directors' Statement on Internal Control over Financial Reporting" is given on pages 97 to 98.

The Board of Directors also wish to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, it has prepared this Annual Report in time and ensured that it is released to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

Messrs. KPMG, Chartered Accountants, the External Auditors of the Company, have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion in the "Independent Auditor's Report" which appears as reported by them on pages 106 to 108.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company as at the reporting date have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

By order of the Board
UB Finance PLC

Tharanga Nandasena
Company Secretary
25th August 2026

DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

The Board of Directors ("Board") of UB Finance PLC ("Company") presents this report on internal control over financial reporting in line with the Section 16 (1) (ix) of the Finance Business Act Direction, No. 05 of 2021 – Corporate Governance and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka,

The Board has overall responsibility for ensuring the adequacy and effectiveness of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable but not absolute assurance against material misstatement of financial information, records, or against financial losses and frauds.

In light of the above, the Board has established a continuous process of identifying, evaluating and managing the significant risks faced by the Company. This includes enhancing the system of internal control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key process related risks against the compensating controls that may affect significant accounts of the Company.

The management is tasked with assisting the Board in the implementation of the policies and procedures related to risks and controls. This includes identifying and assessing the risks faced by the Company as well as providing inputs on design, operation and monitoring of internal controls over financial reporting to mitigate and control these risks.

The Board is confident that the system of internal control over financial reporting is adequate to provide reasonable assurance regarding the reliability of financial reporting. This ensures that the preparation of the financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting which includes the following key features:

- The Board has established specialized Sub Committees to assist in ensuring the effectiveness of the Company's day-to-day operations in line with the corporate objectives, strategies, annual budget as well as the approved policies and business directions.
- Key functional areas of the company are governed by policies/ charters that are approved by the Board. The board appointed committees review and recommend such policies/ charters before seeking the approval of the Board. Such policies/ charters are periodically reviewed, updated, and approved by the Board.
- Internal audits of the Company are conducted by the Internal Audit Department of UB Finance PLC, except the Information system Audits which is handled by the Group Internal Audit of Union Bank PLC. The internal audit checks for compliance with policies and procedures and assesses the effectiveness of the internal control systems on an ongoing basis and highlights significant findings in respect to instances of non-compliance. Audits are carried out to ensure coverage of departments and branches in accordance with the annual audit plan approved by the Board Audit Committee (BAC). The frequency of audits and coverage is determined by the level of risk assessed. The annual audit plan is reviewed periodically by the BAC and the plan is aligned to suit the changes in the risk profile of the Company. Findings from the Internal Audit are submitted to the BAC for review at their periodic meetings.
- Information systems which support financial reporting are independently assessed by specialized information systems audit team of the Group Internal Audit of Union Bank PLC to ensure confidentiality, integrity and availability triads are preserved to reinforce the confidence level of the data processing facilities.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the "Board Audit Committee Report".
- A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk of misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The internal audit department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- The Company adopts Sri Lanka Accounting Standards

comprising LKAS and SLFRS and progressive improvements are made to its processes to comply with requirements of recognition, measurement, classification and disclosure. Financial reporting and management information processes will be further strengthened by constant monitoring and adaptation to market realities. The Company reviewed the existing models in use to ascertain the potential implications of the current economic condition, and these models are regularly reviewed and validated through independent industry experts to ensure effective financial representation.

- The observations made by the External Auditors in connection with the internal control system during the financial year 2025/2026 will be taken into consideration and appropriate steps will be taken to address them as appropriate during the ensuing year

CONFIRMATION

Based on the above processes, the Board affirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

The External Auditor, Messrs. KPMG, has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2026 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

The Board of UB Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws.

There was no supervisory concern on lapses in the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public.

Jayendra Setukavalar
Chairman
Board Audit Committee
25th August 2026

Ransith Karunaratne
Director / Chief Executive Officer
25th August 2026

INDEPENDENT ASSURANCE REPORT ON THE DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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

THE BOARD OF DIRECTORS OF UB FINANCE PLC
Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of UB Finance PLC ("the Company") to provide assurance on the Director's Statement on Internal Control ("the Statement") included in the Annual Report for the year ended 31st March 2026.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company / Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior

The firm applies Sri Lanka Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our Responsibilities

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051, Assurance Report for Licensed Finance Companies on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed and audit or review of the financial information.

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

To achieve this objective, appropriate evidence has been obtained by performing the following procedures:

(a) Enquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.

(b) Reviewed the documentation prepared by the Directors to support their Statement made.

(c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the financial statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the annual report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included on pages 97 to 98 of this annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

CHARTERED ACCOUNTANTS
Colombo
25th August 2026

RESPONSIBILITY STATEMENT OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Financial Statements of UB Finance PLC as of 31st March 2026 are prepared and presented in compliance with the following regulatory requirements:

- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
- Companies Act No. 7 of 2007 and amendments thereto.
- Finance Business Act No. 42 of 2011.
- Finance Leasing Act No. 56 of 2000.
- Directions, circulars and guidelines issued to licensed Finance Companies by the Central Bank of Sri Lanka.
- Listing Rules of the Colombo Stock Exchange (as amended).
- The Code of Best Practice on Corporate Governance (2023), issued by Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and endorsed by Securities and Exchange Commission of Sri Lanka

The formats and Accounting Policies adopted in the preparation of the Financial Statements are appropriate and have been consistently applied during the financial year under review. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Material Accounting Policies and estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Board Audit Committee.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31st March 2025 except for certain improvements made to the Company's Expected Credit Loss models as part of the model validation process.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements to the best of our knowledge. Material estimates and judgment relating to the Financial Statements were made on a prudent and reasonable basis, in order to ensure that the Financial Statements reflected a true and fair view. The form and substance of transactions reasonably represent the Company's state of affairs. To ensure this, the Company has taken sufficient care in installing a system of Internal Controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. As we believe, the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continued to adopt the Going Concern basis in preparing the financial statements.

The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting. Further, the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2026, as required by the Corporate Governance Direction on No. 5 of 2021, results of which is given on pages 97 to 98 of this Report, in the "Directors' Statement on Internal Controls".

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants. The Report issued by them is available on pages 106 to 108 of the Annual Report. The audit and non-audit services provided by Messrs. KPMG are approved by the Board Audit Committee to ensure that the provision of such services does not impair the Auditor's independence and objectivity. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that,

- The Company has complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Company other than disclosed in Note 34.2 on pages 155 to 156 of the Financial Statements section of Annual Report;
- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.

Asanka Galbadaarachchi
Assistant General Manager – Finance

Ransith Karunaratne
Director / Chief Executive Officer
25th August 2026

Integrated Risk Management Report

UB Finance PLC (UBF) recognizes that a strong integrated risk management approach is essential to underpin the Company's sustainable growth strategy and its path to long-term success. The integrated risk management strategy aims to achieve an optimal balance between risk and return, ensuring that UBF maintains strong liquidity and capital positions while upholding high asset quality. The Company's focus encompasses key risk categories, including Strategic risk, Credit risk, Market risk, Liquidity risk, Operational risk, Technology Risk, Legal and Regulatory risk

Integrated Risk Management Framework

An organization - wide risk management framework facilitates to streamline the accountability for risks at all levels of the organization. Integrated Risk Management (IRM) often involves developing a common risk management framework that standardizes risk assessment methodologies, risk reporting, and risk mitigation strategies across the organization. This promotes consistency and transparency in how risks are identified, assessed, and managed. Key elements of the UBF Risk Management framework are as follows.

- Risk Governance and Management Structure
- Risk Appetite and Risk Tolerance
- Risk Management Methodology
- A Culture of Risk Awareness

UBF encourages collaboration and communication among different departments and levels of the organization. This ensures that risks are identified and addressed proactively, and that risk information flows effectively to decision-makers and stakeholders. Risk management enhances the understanding of the potential upside as well as the downside of the factors that can affect UBF. It increases the probability of success and reduces both the probability of failure and the level of uncertainty associated with achieving the objectives of the Company.

Risk Governance and Management Structure

The Board of directors (BOD) of UBF has ultimate responsibility for the level of risk taken by the Company. The BOD, either directly or through its committees ensure that decision- making is aligned with the Company's strategies, risk tolerance and risk appetite. The Board Integrated Risk Management Committee (BIRMC) oversees the risk management at UBF and approves key risk policies, limits, strategies, risk tolerance and risk appetite.

The Company's risk governance is based on three lines of defense calling for accountability, transparency and independent reporting. These three lines of defense operate under the guidelines issued by the Board of Directors defending the company against unacceptable risk exposures.

UBF has a comprehensive risk management framework, a designated risk management department and a risk manager, responsible for the implementation of the risk governance. The business units work closely with the Risk management department and are primarily responsible for managing the processes by implementing adequate internal controls in order to manage risks within set limits.

The Chief Risk Officer of the parent company; Union Bank of Colombo PLC (UBC), provides consultation in risk management where necessary. Furthermore, the Internal Audit function of the Company is carried out by the Internal Audit Department of the UB Finance PLC, while Information Systems (IS) audits are performed by the Union Bank Group. The Internal Audit team reports independently to the Board (through the Board Audit Committee) on the effectiveness of the risk governance structure and risk management framework.

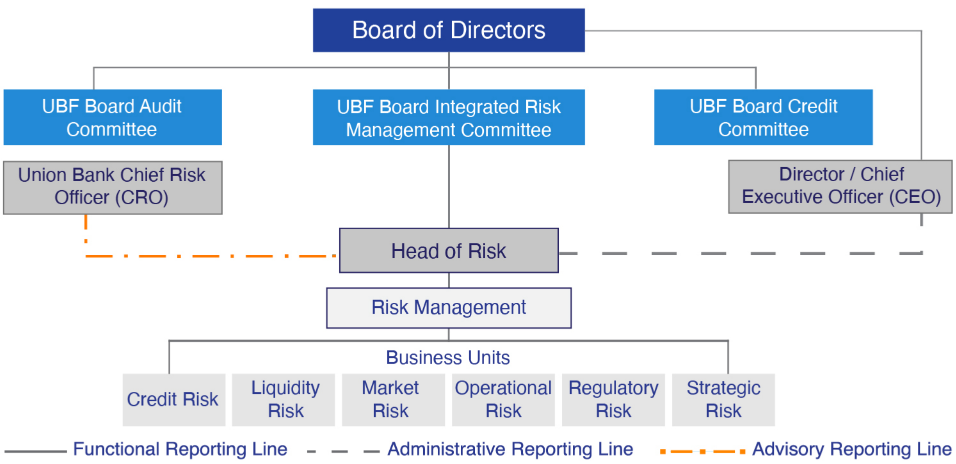


Chart 1: Risk Governance Structure of UBF

Risk Appetite and Risk Tolerance:

Risk Appetite of UBF defines its willingness to assume aggregate quantum of risk in different areas of the business in achieving its strategic objectives. Regulatory requirements, Strategic goals, Capital Adequacy and other prudential factors have been considered by the board in drawing up the risk appetite statement. Risk Tolerance of UBF specifies the acceptable level of risk exposure in quantitative or qualitative terms. It defines the maximum amount of risk UBF is willing to bear.

Risk appetites relating to quantifiable risks are generally communicated as limits or sub-limits to those who accept risks on behalf of the Company. Qualitative risk measures are communicated as guidelines and inferred from management business decisions. These risk appetite limits are monitored monthly and risk appetite limits are reviewed at least annually in line with risk management capacities, business opportunities, business strategy of UBF and regulatory specifications.

Risk Management Methodology:

Overall responsibility of the risk management of the Company rests with the Board of Directors. It is the duty of the senior management to transform strategic direction set by the Board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement the policies. Senior management of UBF ensures that policies are properly communicated down the line and embedded in the culture of organization.

Risk Management Methodology facilitates identification, measurement, monitoring and controlling of risk, which is the prime responsibility of the risk management function. Regular and ad-hoc reports are provided to the management committees and to the Board to take strategic decisions. Stress Testing is used to estimate the potential impact on earnings, capital and liquidity that can occur due to changes in different market conditions and other risk factors. These findings assist in the decisions regarding credit risk appetite, market risk limits, capital and funding requirements. Risk Control Self-Assessment, Risk Registers, Key Risk Indicators, Branch audits are used to identify, measure and control operational risks. Risk Based Credit Scoring and Loan Review facilitate to monitor the Credit Risk.

Strategic Risk Management

Strategic risk is the possibility of negative impact on earnings arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. A comprehensive three-year strategic plan is in place with quantitative targets which is deliberated in detail at the Board Strategic planning committee which is then submitted to the BOD for final approval.

All strategic decisions taken by the Board and the corporate management have given due consideration to applicable laws and regulations, corporate governance requirements, ethics and industry best practices to improve the standards of decisions to mitigate risk.

The Board receives monthly updates on the variances against the budgets and the key risks of the Company. Further, management meetings are held at different management levels to review performance against the budgets and to decide on any corrective action if variances are identified.

Capital adequacy is a vital component of Strategic risk in the Banking and Finance industry. Capital adequacy measures the adequacy of the company's aggregate capital in relation to the risk it assumes. UBF has managed its Capital Adequacy Ratio above the regulatory requirements stipulated by the Central Bank of Sri Lanka. Internal Capital Adequacy Assessment Process is used to assess the adequacy of the economic capital to face the pillar I and pillar II risks identified by the company, from the normal to stress scenarios. Augmentation plan is developed thereafter to identify the means of raising capital if any capital shortfall happens.

Particulars	CBSL Requirement	FY 24/25	Jun -25	Sep - 25	Dec - 25	Mar - 26
Unimpaired Core Capital (Mn)	2,500	2,835	2,835	2,835	2,835	3,087
Tier 1 Capital Ratio, %	8.5%	28.7%	26.8%	25.0%	21.9%	22.0%
Total Capital Ratio, %	12.5%	28.7%	26.8%	25.0%	21.9%	22.0%

Table 1: Capital Adequacy Ratio

Credit Risk

Credit risk is the potential risk of suffering a financial loss as a result of a borrower or counterparty failing to meet its obligations in accordance with agreed terms. Credit risk takes the form of default risk and concentration risk and arises primarily from the lending portfolio. Risk management function of UBF is focused on setting acceptable credit standards for borrowers, sound portfolio risk management and continuous attention to changes in the economy or other circumstances that can lead to a deterioration in the credit standing of UBF's counterparties.

The highest authority in credit approval is vested with the Board of Directors. The Board Credit Committee has been delegated to regularly review the exposure limits of the Company to maintain credit quality and recommend appropriate measures to the Board.

UBF has formulated a comprehensive credit policy which plays a vital role in managing their daily lending activities. The policy defines the principles encompassing client selection, due diligence, and portfolio monitoring, in line with the Company's risk appetite. The credit policy has been reviewed regularly by the Board of Directors to ensure that it resonates with the overall Company strategy.

A structured and standardized credit approval process and a borrowers evaluation model is used to assess risk associated with credit proposals. UBF uses a comprehensive Internal risk rating module to rate the clients based on various evaluation criteria such as collateral, repayment capacity, CRIB history, debt service ratio etc. The rating model is used to assist the credit decision process and as a tool for risk-based pricing. Risk Department carries out the Loan Review Mechanism process to review the compliance with the lending criteria and communicate the findings to the respective approving authorities.

Credit risk is mitigated by obtaining collateral and guarantees as security and the accepted criteria is set by the policy. 100% of UBF's loan portfolio is asset backed. Periodic valuation and assessment of realizable value of collateral is carried out as per the regulatory requirement and when required, especially as a part of the recovery action.

UBF focuses on portfolio, sector and geographical concentration by setting internal tolerance limits. Moreover, UBF monitors the overall and collateral wise NPL ratios and the recovery process.

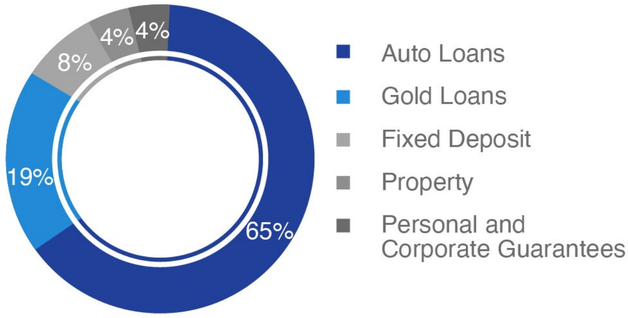


Chart 2: Collateral wise Exposure

Liquidity Risk

The liquidity risk arises when the Company is unable to honor its obligations when they fall due under normal or stressed circumstances. Liquidity risk cannot be seen in isolation, because it is often triggered as a consequence of other financial risks such as credit risk and market risk.

Managing liquidity risk is crucial to any finance institution given the inherent maturity mismatch between its assets and liabilities. UBF attempts to maintain a sustainable Liquid Assets Ratio (exceeding the CBSL requirement), Institutional deposit Ratio and Depositor concentration Ratio to control the liquidity risk at all instances.

Senior management of UBF follows sound procedures to mitigate liquidity risk while keeping the Board's strategic direction and risk appetite in consideration. The ALCO is in charge of overseeing the Company's total liquidity position and future cash flow requirements. A Board approved contingency funding plan is in place where contingency funding lines are kept available to face any unforeseen cashflow requirement.

Description	Jun-25	Sep-25	Dec-25	Mar-26
Liquid Assets Ratio	13.8%	17.0%	27.8%	14.3%

Table 2 : Liquid Asset Ratio

Market Risk

Market risk is the potential risk of losses in the Company's balance sheet positions arising from movements in market variables. Interest rate risk is key source of market risk at UBF. The lending, funding and investment activities give rise to the interest rate risk. UBF's primary source of funding is deposits which tend to be short to medium-term in nature, whereas the Company's main business, leasing, generally involves 5 to 6 years of lending. UBF operates in a predominantly fixed-rate lending environment while the majority of its liabilities are subject to frequent re-pricing due to short tenors. UBF continuously monitors the gap between interest bearing assets and interest-bearing liabilities to manage this risk efficiently

Operational Risk

Operational risk is the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls.

The Board IRMC oversees the implementation of the operational risk management framework. UBF operates with strong internal control mechanisms to minimize the operational risk. Contingency planning has been devised through a comprehensive Business Continuity Plan (BCP). Risk Department assesses the operational risk using operational loss events, Risk Control Self Assessments and Risk Based Branch visits. Key risk indicator reports and quarterly risk reports are submitted to the Board in a timely manner.

The Internal Audit Department of UB Finance PLC conducts independent periodical reviews on all UBF branches and department operations to ensure that the control mechanisms are in place and reports are submitted on deviations with recommended improvements to the board audit committee.

Technology Risk

Technology risk specifically refers to the potential for financial losses, operational disruptions, and damage to an organization's reputation due to failures or security breaches within its technology systems. Technology Risk is a part of the operational risk of UBF.

UBF is in the process of upgrading the Core Banking system and the IT infrastructure to strengthen the internal control system, to provide efficient service.

Regulatory & Legal risk

Regulatory risk is the loss that UBF may suffer due to non-compliance with the applicable laws, regulations, codes of conduct and standards of good practices. UBF has established an independent compliance function which is governed by the Board approved Compliance Charter. The compliance function works closely with business and operational units to ensure the consistent management of compliance risk. The Compliance officer directly reports to the BIRMC. In order to mitigate the regulatory risk, the Company's compliance with laws and regulations is regularly monitored and reported by the compliance officer to the Board on a monthly basis and to the IRMC on a quarterly basis. UBF regularly monitors the suspicious transactions and escalate the findings to CBSL when required.

Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against UBF. UBF's internal legal team takes necessary precautions in such events and takes immediate action to address and mitigate these risks. If required UBF obtains external legal advice to manage this risk.

A Culture of Risk Awareness:

UBF emphasizes creating a strong risk-awareness culture throughout the organization, where all employees understand their role in managing risks and are empowered to report potential risks or issues. Effective governance structures, including clear roles and responsibilities for risk management, are also critical components of creating the culture. Senior management of UBF ensures that policies incorporated in Integrated Risk Management Framework are properly communicated down the line and are embedded in the culture of organization.

Business line managers monitor that risk taking remains within limits set by senior management/ BOD. Any material exception to the risk management policies and tolerances are reported to the senior management/ BOD that in turn triggers appropriate corrective measures. These exceptions also serve as an input to judge the appropriateness of systems and procedures relating to risk management. Regular training sessions are conducted to branch managers and employees as a part of the risk awareness culture.

Continuous Improvement and Adaptation:

UBF embraces that risk management is agile and responsive to emerging risks and opportunities. Risk Management is not static; it requires continuous monitoring, evaluation, and adaptation to changing internal and external risk factors. Having embraced the fact, UBF is continuously improving and adapting the risk management practices.

FINANCIAL INFORMATION

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 (Material 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. 14.9 Bn. 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

For the year ended 31 March

	Notes	2026 Rs.	2025 Rs.
Income	4	**2,784,321,433**	**2,239,464,962**
Interest Income	4.1	2,554,562,369	2,026,092,229
Interest Expenses	4.2	(1,246,099,499)	(1,113,982,950)
Net Interest Income		**1,308,462,870**	**912,109,279**
Fee and Commission Income	4.3	150,687,854	91,525,363
Fee and Commission Expenses	4.3	(7,055,161)	(30,705,290)
Net Fee and Commission Income		**143,632,693**	**60,820,073**
Other Operating Income (Net)	5	79,071,210	121,847,370
Total Operating Income		**1,531,166,773**	**1,094,776,722**
Impairment Charges on Loans and Advances	6	(87,700,289)	(85,885,638)
Impairment Charge on Non Financial Assets	6.2	(19,031,563)	(16,666,000)
Net Operating Income		**1,424,434,921**	**992,225,084**
Staff Costs	7	(438,561,679)	(348,756,757)
Depreciation of Property, Plant and Equipment	20	(58,486,317)	(41,940,366)
Amortisation of Right of Use Assets	21	(38,206,922)	(35,894,133)
Amortisation of Intangible Assets	19	(2,960,960)	(1,502,017)
Other Expenses	8	(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)	9.1	(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	10.2	0.035	0.013

The Accounting Policies and Notes on pages 115 through 177 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March

	Notes	2026 Rs.	2025 Rs.
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	16.1.1	13,738,933	4,786,903
Deferred Tax Charge on Fair value changes on financial assets measured at FVOCI	22	(4,121,680)	(1,436,071)
Actuarial gains / (losses) on Post Employment Liability	29.1	(3,537,740)	(3,293,503)
Deferred Tax (Charge) / Reversal impact on above	22	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**

The Accounting Policies and Notes on pages 115 through 177 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March

	Notes	2026 Rs.	2025 Rs.
Assets			
Cash in Hand and Balances with Banks	12	485,880,047	286,462,350
Financial Investments at Amortised Cost	13	697,333,023	877,702,548
Financial Investments at Fair Value Through Profit or Loss	14	-	505,099,380
Financial Assets at Amortised Cost - Loans and Advances to Customers	15	14,984,836,224	9,518,137,145
Financial Assets Measured at Fair Value Through Other Comprehensive Income	16	50,038,551	36,299,617
Investment in Real Estate	17	17,972,789	39,270,759
Other Assets	18	238,496,047	221,156,023
Intangible Assets	19	40,338,287	8,412,690
Property, Plant and Equipment	20	550,869,756	337,292,100
Right of Use Asset	21	264,715,006	222,485,950
Deferred Tax Assets	22	-	23,905,430
Total Assets		**17,330,479,730**	**12,076,223,992**
Liabilities			
Financial Liabilities at Amortised Cost			
Due to Banks	23	3,158,324,393	235,150,655
Due to Other Customers	24	7,785,618,231	7,160,617,321
Other Borrowed Funds	25	2,422,957,237	1,017,052,009
Financial Liabilities	26	191,837,997	210,457,745
Lease Liabilities	27	301,870,904	254,857,493
Other Non Financial Liabilities	28	97,404,234	58,703,474
Current Tax Liabilities		99,977,567	-
Post Employment Liability	29	48,558,068	39,405,151
Deferred Tax Liabilities	22	5,012,306	-
Total Liabilities		**14,111,560,937**	**8,976,243,848**
Equity			
Stated Capital	30	3,325,761,076	3,325,761,076
Statutory Reserve Fund	31	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	32	-	142,438,631
Accumulated Loss	33	(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

The Accounting Policies and Notes on pages 115 through 177 form an integral part of these financial statements.

27 June 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

	Notes	Stated Capital Rs.	Statutory Reserve Fund Rs.	Fair Value Reserve Rs.	Revaluation Reserves Rs.	Regulatory Loss Allowance Reserves Rs.	Accumulated Profit / (Loss) Rs.	Total Rs.
Balance as at 31 March 2024		**3,071,482,247**	**72,061,362**	**23,210,225**	**95,689,476**	**281,020,661**	**(738,802,110)**	**2,804,661,861**
Right Issue		254,278,829	-	-	-	-	-	254,278,829
Profit for the year		-	-	-	-	-	39,994,074	39,994,074
Other Comprehensive Income / (Expenses) (Net of deferred tax)		-	-	3,350,832	-	-	(2,305,452)	1,045,380
Transfer to regulatory loss allowance reserve	33	-	-	-	-	(138,582,030)	138,582,030	
Transfer to Statutory Reserve	31	-	1,999,704	-	-	-	(1,999,704)	-
Balance as at 31 March 2025		**3,325,761,076**	**74,061,066**	**26,561,057**	**95,689,476**	**142,438,631**	**(564,531,162)**	**3,099,980,144**
Profit for the year		-	-	-	-	-	111,797,814	111,797,814
Other Comprehensive Income / (Expenses) (Net of deferred tax)		-	-	9,617,253	-	-	(2,476,418)	7,140,835
Transfer to regulatory loss allowance reserve	32	-	-	-	-	(142,438,631)	142,438,631	-
Transfer to Statutory Reserve	31	-	5,589,891	-	-	-	(5,589,891)	-
Balance as at 31 March 2026		**3,325,761,076**	**79,650,957**	**36,178,310**	**95,689,476**	-	**(318,361,026)**	**3,218,918,793**

The Accounting Policies and Notes on pages 115 through 177 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 March

	Notes	2026 Rs.	2025 Rs.
Cash Flow from Operating Activities			
Profit / (Loss) Before Taxation		**256,241,993**	**79,004,457**
Adjustments For			
Depreciation of Property, Plant and Equipment	20	58,486,317	41,940,366
Amortisation of Right of Use Assets	21	38,206,922	35,894,133
Amortisation of Intangible Assets	19	2,960,960	1,502,017
Interest Expense on Borrowings	4.2	360,899,409	37,550,845
Interest Expense on Lease Liability	4.2	35,917,248	34,628,017
Impairment Charges on Loans and Advances	6.1	87,700,289	85,885,638
Impairment Charges on Non Financial Assets	6.2	19,031,563	16,666,000
Provision for Retirement Benefit Obligation	7	9,830,176	8,813,935
Profit on disposal of Property, Plant and Equipment	5	(5,786,172)	(2,814,999)
Fair Value Gain on Financial Investments at Fair Value through Profit or Loss	14	(26,855,931)	(5,099,380)
Interest Income on Treasury bonds	4.1	(61,915,972)	-
Provision for Bonus		20,766,070	12,000,000
Dividend Received	5	(605,348)	(691,157)
Operating Profit Before Changes in Operating Assets and Liabilities		**794,877,524**	**345,279,872**
(Increase) / Decrease in Operating Assets			
(Increase) / Decrease in Financial Assets at Amortised Cost - Loans and Receivables		(5,554,399,366)	(1,843,360,619)
(Increase) / Decrease in Other Financial Assets		27,689,657	1,693,271
(Increase) / Decrease in Investment in Real Estate		2,266,323	4,118,831
(Increase) / Decrease in Other Non Financial Assets		(18,182,856)	(69,593,511)
		(5,542,626,242)	**(1,907,142,028)**
Increase / (Decrease) in Operating Liabilities			
Increase / (Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors		625,000,910	(366,916,638)
Increase / (Decrease) in Other Financial Liabilities		161,027,170	(71,186,755)
Increase / (Decrease) in Other Non Financial Liabilities		152,843,550	(7,426,063)
Cash generated from / (used in) Operations		**938,871,630**	**(445,529,456)**
Interest Expense Paid		(206,200,830)	(54,341,767)
Retirement Benefit Liabilities Paid	29	(4,035,000)	(6,062,500)
Income Tax Paid		(18,609,236)	-
Net Cash Generated from / (used in) Operating Activities		**(4,037,722,155)**	**(2,067,795,879)**
Cash Flow from / (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	20.1	(291,668,963)	(82,898,683)
Acquisition of Intangible Assets	19	(34,886,557)	(717,676)
Proceeds from Sale of Property, Plant and Equipment		24,850,000	3,857,542
Dividend Received	5	605,348	691,157
Net Investments in Government Securities		(684,917,050)	-
Net Cash from / (Used in) Investing Activities		**(986,017,222)**	**(79,067,660)**
Cash Flow from / (Used in) Financing Activities			
Loans Obtained during the year	23, 25	5,122,500,000	1,825,000,000
Loans Settled during the year	23, 25	(1,598,295,962)	(631,250,000)
Lease Rentals Paid	21	(19,508,128)	(16,742,510)
Issues of Shares	30	-	254,278,829
Net Cash from / (Used in) Financing Activities		**3,504,695,910**	**1,431,286,319**
Net (Decrease) / Increase in Cash and Cash Equivalents		**(1,519,043,467)**	**(715,577,220)**
Cash and Cash Equivalents at Beginning of the Year		**1,623,549,329**	**2,339,126,549**
Cash and Cash Equivalents at End of the Year		**104,505,861**	**1,623,549,329**
Reconciliation of Cash and Cash Equivalents			
Cash in Hand		56,826,151	43,461,230
Balances with Banks (Net of Overdraft)		47,679,710	202,385,551
Financial Investments at Fair Value Through Profit or Loss		-	500,000,000
Financial Investments at Amortised Cost		-	877,702,548
		104,505,861	**1,623,549,329**

The Accounting Policies and Notes on pages 115 through 177 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

UB Finance PLC (UBF) is a public limited liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No.51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007 on 26th December 2007. The Company being a Finance Company is also registered with the Central Bank of Sri Lanka under the Finance Business Companies' Act No. 42 of 2011 and Finance Leasing Act No.56 of 2000 of Sri Lanka.

Union Bank of Colombo PLC (Parent company) together with its US based strategic investment partner ShoreCap II acquired The Finance & Guarantee Co. Ltd. on 1st November 2011. The Company was restructured, rebranded & launched as UB Finance Co. Ltd. on 25 April 2012. In 2023, CG Capital Partners Global Pte. Ltd, one of the leading conglomerates in the Asia, became the main stake holder of the Company with the acquisition of Culture Financial Holdings Ltd, a majority shareholder in Union Bank of Colombo PLC. On August 14, 2023, UBF was listed on the Colombo Stock Exchange and changed its name to UB Finance PLC. The Company's Registered Office / Head Office is currently located at No.10, Daisy Villa Avenue Colombo 04.

1.2 Parent Entity and the Ultimate Controlling Parties

The Company's immediate parent is Union Bank of Colombo PLC and ultimate controlling party is CG Corp Panama which is registered in Panama.

1.3 Principal Activities and Nature of Operations

As a Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka, the principal business activities of the Company include mobilizing fixed deposits and savings accounts, providing financial services such as lease, hire purchase and loan facilities, Gold Loan facilities, working capital activities such as factoring. The Company also deals in real estate and other investment and credit activities. Being the first finance company to be backed by a commercial bank in the private sector, UB Finance PLC is uniquely positioned to offer its customers "The versatility of a finance company backed by the strength of a bank".

1.4 Date of Authorization for Issue

The Financial Statements of UB Finance PLC for the year ended 31 March 2026 was authorized for issue in accordance with a resolution of the Board of Directors on 27 June 2026.

1.5 Director's Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of UB Finance PLC as per the requirements of the Sri Lanka Accounting Standards (LKAS / SLFRS) and the provision requirements of the Company Act No. 07 of 2007.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with Material Accounting Policies and notes (Financial Statements), as at 31 March 2026 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards as issued by The Institute of Chartered Accountants of Sri Lanka.
The Accounting standards comprise:

- Sri Lanka Financial Reporting Standards ("SLFRS");
- Sri Lanka Accounting Standards ("LKAS");
- Statement of Recommended Practices ("SoRPs");
- Statements of Alternate Treatment ("SoATs") and
- Financial Reporting Guidelines Issued by CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.1 Basis of Preparation (Cont'd...)

2.1.2 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets measured at fair value through profit or loss (FVTPL).
- Financial assets measured at fair value through other comprehensive income (FVOCI).
- Lands and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts.
- Liabilities for defined benefit obligations are recognized using an actuarial technique (projected unit credit method).

2.1.3 Functional and presentation currency

The financial statements are presented in Sri Lankan rupees which is the currency of the primary economic environment in which the Company operates.

2.1.4 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions. The Directors assessed the future performance of the business and satisfied that it has the resources in place that are required to meet its ongoing regulatory and operational requirements. The assessment is based on the business plan which contains future projections of profitability, regulatory capital requirements and funding needs.

The business plan showed that the Company has sufficient capital in place to support its future business requirements. Accordingly, the Directors concluded that there is reasonable expectation that the Company has adequate resources to continue as a Going Concern for a period of at least 12 months from the date of approval of the Financial Statements. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a Going Concern basis.

2.1.5 Presentation of financial statements

The Company presents their Statement of Financial Position by grouping assets and liabilities by nature and listing in order that reflects relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non - current) is presented in note 36.20.3 to the financial statements.

2.1.6 Materiality and Aggregation

In compliance with LKAS 01- Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

2.1.7 Offsetting

Financial Assets and Financial Liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard and as specifically disclosed in the accounting policies. During the year Company has not offset any financial assets and financial liabilities.

2.1.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.1 Basis of Preparation (Cont'd…)

2.1.9 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.1.10 Changes in Material Accounting Policies

The Company has consistently applied the accounting policies set out in Notes 1 to 2 to all periods presented in these Financial Statements.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company is in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised on and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows,

- Impairment of non-financial assets
- Estimating incremental borrowing rate
- Classification of financial assets and liabilities
- Fair value of financial instruments
- Allowance of impairment losses
- Useful life time of property, plant and equipment
- Useful life time of intangible assets
- Current taxation
- Deferred tax assets and liabilities
- Post employment benefits liability

2.3 MATERIAL ACCOUNTING POLICIES

2.3.1 Financial Instruments

Recognition and Initial Measurement

The Company initially recognizes lease receivable, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Day 01 Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a Day 01 Profit or Loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Profit or Loss when the inputs become observable, or when the instrument is de-recognised. The Day 01 Loss is arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

Classification and Subsequent Measurement of Financial Assets

As per SLFRS 09, the Company classifies all of its financial assets based on the business model for managing the assets and

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.1 Financial Instruments (Cont'd…)

the assets' contractual terms measured at either;
- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

2.3.1.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective.
The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

2.3.1.2 The Solely Payment of Principal and Interest (SPPI) Test

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2.3.1.3 Reclassification of Financial Assets and Financial Liabilities

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line. During the year Company has not reclassified any financial assets.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

2.3.1.4 Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.3.1.5 Modification of Financial Assets and Financial Liabilities

If the terms of a financial asset are modified, an assessment needs to be performed to determine whether the modified terms are different from the existing terms. This assessment considers whether the cash flows of the modified asset are different. Where terms are different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value.

Where an existing financial liability is replaced by another from the same lender on different terms or the terms of an existing liabilities are modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value.

The Contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments.
Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.
Level 3 : Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

Valuation Framework

The Company has an established control framework for the measurement of fair values. Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the Finance Department. Management reviews the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

Valuation Methodologies and Assumptions

Cash and Cash Equivalents

Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits and money market accounts that meet the above criteria are reported at par value on our Statement of Financial Position.

Loans and Receivables

We measure performing loans and receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, prepayment speed, and applicable spreads to approximate current rates. Our assumptions regarding prepayment speed and credit losses are based on historical performance. We use the fair value of collateral to determine the fair value of non-performing loans and receivables. The collateral for loans and receivables is the vehicle financed, real estate, gold or other property. The fair value of loans and receivables is categorised within Level 3 of the fair value measurement hierarchy.

Other Financial Assets

Since all the balances which are under other financial assets have short - term maturities, it is assumed that the carrying amounts of those balances approximate their fair values.

Due to Customers

We measure the fair value using internal valuation models. These models project future cash flows of fixed deposits based on scheduled maturities (including principal and interest) and pre - maturities of deposits. The projected cash flows are discounted

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.2 Fair Value Measurement (Cont'd...)

to present value based on applicable spreads to approximate current deposit rates for each tenor. Our assumptions regarding pre-maturity speed and spreads are based on historical performance. Savings deposits without a specific maturity are assumed that the carrying amounts approximate their fair values. The fair value of Due to Customers is categorised within Level 3 of the hierarchy.

Due to Banks and Other Borrowed Funds

We estimate the fair value of bank borrowings and debt instruments using discounted cash flows and use the most recent transacted rate and/or unexpired offered rate of a similar instrument or borrowing. Debt instrument and bank borrowing do not carry prepayment or embedded options. The fair value of debt is categorised within Level 3 of the hierarchy.

Other Financial Liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amounts of those liabilities approximate their fair values.

2.3.3 Cash and Cash Equivalents

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

2.3.4 Reverse Repurchased Agreements

Securities purchased under agreements to resell at a specified future date are recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position net of impairment allowance, within “reverse repurchase agreements”, reflecting the transaction’s economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the Effective Interest Rate (EIR).

2.3.5 Financial Investments at Fair Value Through Profit or Loss

The Company classifies financial assets recognize through profit or loss when they have been purchased primarily for short-term profit making through trading activities. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in net trading income.

SLFRS 09 requires financial instruments to be classified based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. For financial assets that are debt instruments, held for trading is a business model objective that results in measurement at fair value through profit or loss.

The Company classifies the Unit Trust Investments under this category.

2.3.6 Financial Assets at Amortized Cost

The Company only measures Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The company classified Reverse Repurchase, Treasury Bills, Loans and Advances to customers and other assets under this category (Refer Note 11).

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. The amortization is included in ‘Interest income’ and the losses arising from impairment are recognized in ‘Impairment for loans and other losses’ in the income statement.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.6 Financial Assets at Amortised Cost (Cont'd…)

2.3.6.1 Allowance for Impairment Losses

The measurement of impairment losses under SLFRS 09 across all categories of financial assets require judgement. These estimates are driven by number of factors and the changes of these factors can result in different levels of adjustments.

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles

The adoption of SLFRS 09 has fundamentally changed the Company's loan loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. From 1 April 2018, the company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at Fair Value Through Profit or Loss (FVTPL), together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 09.

The ECL allowance is based on the credit losses expected to arise over the life of the asset. The 12 months ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both Lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on such process company allocates loans into Stage 01, Stage 02, Stage 03 as described below;

Stage 01

When loans are first recognised, the company recognises an allowance based on 12 months ECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02. Facilities which are within 30 days are in Stage 01.

Stage 02

When a loan has shown a significant increase in credit risk since origination, the company records an allowance for the Lifetime ECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03. Facilities which are within 31 to 90 days due are in Stage 02.

Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the Lifetime ECLs. Facilities which are more than 90 days due are in Stage 03.

Definition of Default and Credit Impaired Assets

The company considers loans and advances to customers be defaulted when the borrower is unlikely to pay its obligations to the company in full, without recourse by the company to actions such as realising security (if any is held) or the borrower becomes 90 days past due on its contractual payments.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due.

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

While establishing significant credit deterioration, Company will consider the following criteria:

- Significant increase in credit risk on other financial instruments of the same borrower.
- Borrowers in sectors affected by the adverse macroeconomic environment, provided that it cannot be compensated by the underlying asset.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortised Cost (Cont'd...)

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles (Cont'd...)

- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems.
- Significant financial difficulty of the borrower or issuer.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased and there are no assets.

2.3.6.3 Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 03. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 01 or Stage 02, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

2.3.6.4 Collective Impairment Assessment

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Company has used the LGD rates published by the Central Bank of Sri Lanka for retail loans as the related products have inadequate credit history to compute their own LGDs.

Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.

Forward looking information

The Company incorporates forward looking information (through economic factor adjustment) into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECL, the Company considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and when such information is not available, forecasts published by International Monetary Fund and World Bank have been used. In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs, such as:

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortised Cost (Cont'd...)

2.3.6.4 Collective Impairment Assessment (Cont'd...)

Quantitative factors	Qualitative factors
GDP growth rate	Status of industry/business
Inflation	Government policies
Interest rate	Management Outlook
Unemployment Rate	Regulatory impact

Scenario Probability Weightage applied in measuring Expected Credit Loss. The assigned probability weightage when measuring ECL for Best case, Base case and Worst cases are 5%, 40% and 55% (2025- 10%,10% and 80%).

Macro-economic factors information which was used in the ECL computation for the current year are 5 years average GDP: 0.9%, 5 years average of inflation: 14.1%, 5 years average of interest rate :13.6% and 5 years average of unemployment 4.6% (2025: -1.1%, 14.9%, 12.7%, and 5% respectively).

Company has built the management overlay as follows;

Criteria	Impairment Calculated
Contracts in arrears over 6 years except property backed loans for the working Capital Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 4 years except property backed loans for the Auto Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 3 years and less than or equal to 4 years except property backed loans for the Auto Loans	Company has provided based on 1- recovery % of last 2 years which has been considered as management overlay.

The Company recognised Rs. 267,178,285/- as a management overlay during the year.

Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognised in the Income Statement.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are included in 'Other Operating Income' in the Income Statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Collateral Valuation

To the extent possible, the Company uses market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral such as real estate is valued based on data provided by third parties such as independent valuers, audited financial statements and other independent sources.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.6 Financial Assets at Amortised Cost (Cont'd…)

2.3.6.4 Collective Impairment Assessment (Cont'd…)

The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than 90 days past due, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received.

2.3.7 Financial Investments at Fair Value Through Other Comprehensive Income

The Company classifies financial instruments under SLRS 09 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, and foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity Instruments

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 “Financial Instruments: Presentation” and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

The Company classifies Unquoted equity securities under this category (Refer Note 16). No strategic investments were disposed during the year, and there were no transfers of any cumulative gains or losses within equity relating to these investments.

2.3.8 Real Estate Property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate property and is measured at the lower of cost and net realizable value.

Cost includes:

- Freehold rights for land
- Amounts paid to contractors for developments
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs,

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of real estate property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.9 Other Assets

The Company classify all their other assets as 'Other financial assets' and 'Other non-financial assets'.

Refundable deposits are carried at the fair value. Advances and pre-payments are amortized during the period in which they are utilized and are carried at cost less provision for impairment.

The Day 1 difference is classified as 'Pre-paid staff cost' and is amortized over the loan period by using the EIR. The staff loans are subsequently measured at amortized costs.

2.3.10 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one period. The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Measurement

Property, plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses if any. Initially property, plant and equipment are measured at its cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Other operating income" in the income statement in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized at each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation charges are determined separately for each significant part of an item of Property, plant and equipment and commence to depreciate when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognized. Depreciation doesn't cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates of the assets by equal annual installments are as follows.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.10 Property, Plant and Equipment (Cont'd…)

Building	2.5%
Leasehold Improvements	10%
Computer and Equipment	25%
Furniture and Fittings	7.5%
Motor Vehicles	15%
Office equipment (Included under furniture & fittings)	15%

The asset's residual value, useful life and method of depreciation are reviewed at each statement of financial position date and adjusted prospectively, as changes in accounting estimates.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation Model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the income statement. A decrease in value is recognized in the income statement where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

The company revalues its land and buildings once every three years.

Useful lives of Property, Plant and Equipment

The Company reviews the assets' residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.3.11 Right of Use Assets

At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company use the definition of a lease as per SLFRS 16.

Company acting as a lessee

At commencement or modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its stand-alone price. However, for lease of branches the Company has elected not to separate non-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.11 Right of Use Assets (Cont'd...)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

Lease payments included in the measurement of lease liability includes;

- Fixed payments.
- Variable lease payments that depend on an index or rate.
- Amount expected to be payable under residual value guarantee.
- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment. When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents the right-of-use asset and lease liabilities in the Statement of Financial Position as separate line item.

2.3.12 Intangible Assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets include the value of acquired computer software.

Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Software

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

Useful economic lives, amortization and impairment

The company does not possess intangible assets with indefinite useful lives. Useful economic lives, amortization and impairment of finite intangible assets are described below:

Intangible assets with finite lives and amortization

Intangible assets with finite lives are amortized over the useful economic lives. The amortization period and the amortization

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.12 Intangible Assets (Cont'd...)

method for an intangible asset with finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement as an expense.

Estimated Useful Life of Intangible Assets with Finite Lives

Intangible	Amortization Period
Computer Software	Over 10 years from the date of Available to use

2.3.13 Impairment of non–Financial Assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

2.3.14 Deferred Tax Assets and Liabilities

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which these deductible temporary differences, unused tax credits, and unused tax losses can be utilized, based on the probable future taxable income as per the Company's budget.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits as per the Company's budget, together with future tax planning strategies.

2.3.15 Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 09, the company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.15 Classification and Subsequent Measurement of Financial Liabilities (Cont'd...)

- Financial liabilities at fair value through profit or loss, and within this category as;
  - Held for trading; or
  - Designated at fair value through profit or loss

- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

2.3.15.1 Classification and Subsequent Measurement of Financial Liabilities at amortized cost

Financial liabilities issued by the Company that are not designated as fair value through profit or loss are classified as liabilities under 'due to banks', 'due to customers' and 'other borrowed funds' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments. The details of financial liabilities measured at amortized cost are given in Note 23-25 to the financial statements.

Due to Banks

Due to Banks include overdraft facilities, term loans, other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

Due to Customers

Due to customers comprise of interest bearing savings deposits and fixed deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the effective interest rate method. Interest expense on these deposits is recognised to the Income Statement.

Other Borrowed Funds

Other borrowed funds include borrowings from banking and non-banking institutions. Other borrowed funds are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

2.3.16 Other Liabilities

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

2.3.17 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.3.18 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "Employee Benefits". The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Company, and other key measurement assumptions. Due to the long-term

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.18 Defined Benefit Plan (Cont'd...)

nature of these plans, such estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Actuarial gains and losses in the period in which they occur have been recognise in the Other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Expected Return on Assets

Expected return on assets is zero as the plan is not pre-funded.

Funding Arrangements

The gratuity liability is not externally funded.

2.3.19 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 34 for more details on Commitments and Contingencies.

2.3.20 Gross Income

Gross Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria for each type of gross income are given under the specific income classifications.

2.3.21 Net interest Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of financial assets and financial liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Company recognizes interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.21 Net interest Income (Cont'd…)

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than non-performing assets (NPA). When a financial asset becomes non performing the Company suspends the accrual of interest. If the financial assets cures and is no longer non performing, the Company reverts to calculating interest income on a gross basis.

2.3.22 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

2.3.23 Fee and Commission Income

The Company earns fee and commission income from a diverse range of services provided to customers, including credit-related fees, service charges, and other transaction-based fees.

Fee and commission income is recognised in the Income Statement when the related service is performed. Income related to ongoing services is recognised over time, while income from one-time services is recognised at a point in time when the performance obligation is satisfied.

All fees and commissions are recognized in the Income Statement on a cash basis.

2.3.24 Fee and commission expenses

All the fee and commission expenses are expensed as the services are received. Fee and commission expenses are recognized on an accrual basis.

2.3.25 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company is recognized as other operating income on accrual basis, such as profit on disposal of property, plant and equipment, gain from investments in real estate.

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of other operating income in the financial year in which performance obligations are satisfied.

Revenue from the sale of real estate is recognized when the entity satisfies a performance obligation by transferring a promised good or service to the customer.

Dividend income is recognized when the Company's right to receive the payment is established.

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

2.3.26 Impairment Charge

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments).

2.3.27 Personnel Expenses

Personnel expenses include salaries and bonus, terminal benefit charges, and other staff related expenses.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provisions for bonus is recognized if the Company has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.27 Personnel Expenses (Cont'd...)

Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Company's Employees' Provident Fund and the Employees' Trust Fund respectively.

Defined Benefit Plans

Contributions to defined benefit plans are recognized in the Income Statement based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 - 'Employee Benefits'.

Day 01 Loss on Staff Loan

The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

2.3.28 Depreciation and Amortisation

Depreciation of Property, Plant and Equipment

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms as defined in Note 2.3.10 and 2.3.11.

Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use at the rates specified in Note 2.3.12.

2.3.29 Other Expenses

Other expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year. Provisions in respect of other expenses are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.3.30 Tax on Financial Services

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provision related to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.31 Tax Expense

Income Tax

As per the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense / income is the aggregate amount included in determination of profits or loss for the year in respect of income tax and deferred tax. The tax expense/income is recorded in the Income Statement except to the extent it relates to items recognized directly in Equity or Statement of Profit or Loss and Other Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

Provision for the taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto and any adjustments to tax payable in respect to the previous years.

Note 09 represent the major components of income tax expense to the financial statements.

Other Taxes

Withholding Tax (WHT) on Deposit Interest Payments

In accordance with the Inland Revenue Act effective from 1 January 2024, the Company deducts a 5% Withholding Tax (WHT) at source on interest payments made to eligible deposit holders. The WHT is remitted to the Inland Revenue Department as required by law. Interest expenses reported in these financial statements are presented gross of WHT.

2.3.32 Earnings per Share (EPS)

The Company presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares. The Company does not have any potentially dilutive shares. Details of earnings per share are given in Note 10.

2.3.33 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company has identified Three operating segments based on products and services, as follows:

- Leasing
- Loans & Advances
- Others

Other segments include treasury instruments and real estate related activities etc.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. During the year the segmentation information is rearranged for a better presentation and the previously reported information for the comparative year also rearranged accordingly.

There were no transactions between reportable segments in 2025/26 or 2024/25.
Income taxes are accounted for at the Company level and are not allocated to the operating segments. Expenses that cannot be directly attributed to a specific business segment are grouped under 'Other Segments".

No revenue from transactions with a single external customer or counter party amounted to 10% or more of Company's total revenue in 2025/26 and 2024/25 financial years.

Details of segment reporting are given in Note 41.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd…)

2.3.34 Cash Flow Statement

The Cash Flow Statement has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), whereby operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents consist of cash in hand, balances with banks and short-term liquid investments.

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE & NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Institute of Charted Accountants of Sri Lanka has issued several new accounting standards and amendments/ improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Company has not early adopted any of the new or amended standards in the preparation of the financial statements.

SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and is applicable for annual reporting periods beginning on or after 01 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements.

SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures

SLFRS S1 General requirements for disclosure of sustainability related financial information

SLFRS S1 General Requirements for disclosure of sustainability related financial information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

SLFRS S2 Climate-related disclosures

SLFRS S2 Climate-related Disclosures Climate-related disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

These standards will become effective for the Company from 1 April 2027. No financial impact is expected on the Company except for additional disclosures

Amendments to SLFRS 09 and SLFRS 07: Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended SLFRS 9 and SLFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted and are related to settling financial liabilities

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE & NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Cont'd…)

Amendments to SLFRS 09 and SLFRS 07: Classification and Measurement of Financial Instruments (Cont'd…)

using electronic payments system and assessing contractual Cash Flow characteristics of financial assets, including those with sustainability-linked features. The Company is in the process of assessing the potential impact of these amendments, including the review of financial instruments for any impact on classification, measurement and disclosure requirements. Based on the assessment performed to date, these amendments are not expected to have a material impact on the Financial Statements and any impact is expected to be limited to additional disclosures

Annual improvements to SLFRS Accounting Standards – Volume 11

The amendments apply for annual reporting periods beginning on or after 1 January 2026. These changes are not expected to have a significant impact on the Company's Financial Statements.

4. INCOME

	2026 Rs.	2025 Rs.
Interest Income (Note 4.1)	2,554,562,369	2,026,092,229
Fee and Commission Income (Note 4.3)	150,687,854	91,525,363
Other Operating Income (Note 5)	79,071,210	121,847,370
	2,784,321,433	**2,239,464,962**

4.1 Interest income

	2026 Rs.	2025 Rs.
Reverse Repurchase Agreements	3,666,717	17,564,515
Treasury Bills	6,748,759	111,467,435
Treasury Bonds	61,915,972	-
Balances with Banks	6,124,994	4,743,489
Unit Trusts	26,855,931	9,190,616
Loans and Receivables to Other Customers	2,449,249,996	1,883,126,174
	2,554,562,369	**2,026,092,229**

4.2 Interest Expense

	2026 Rs.	2025 Rs.
Due to banks	360,899,409	37,550,845
Due to customers	849,282,842	1,041,804,088
Interest Expenses to Lease Liabilities - SLFRS-16 (Note 27)	35,917,248	34,628,017
	1,246,099,499	**1,113,982,950**
Net interest income	**1,308,462,870**	**912,109,279**

4.3 Net Fee and Commission Income

	2026 Rs.	2025 Rs.
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**

4.3.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major types of services.

	2026 Rs.	2025 Rs.
Fee income	138,163,406	56,571,413
Credit Related Fee & Comission	12,524,448	34,953,950
Service Charge	**150,687,854**	**91,525,363**

5. OTHER OPERATING INCOME

	2026 Rs.	2025 Rs.
Dividend Income	605,348	691,157
Gain on Disposal of Property, Plant and Equipment	5,786,172	2,814,999
Operating Profit on Real Estate (Note 17.1)	6,584,577	14,608,519
Income on Write off Recoveries	49,874,719	34,006,729
Others	16,220,394	69,725,966
	79,071,210	**121,847,370**

6. IMPAIRMENT CHARGE ON LOANS AND ADVANCES

	2026 Rs.	2025 Rs.
Impairment on Balance Sheet Exposure	87,700,289	85,885,638
	87,700,289	**85,885,638**

6. IMPAIRMENT CHARGE ON LOANS AND ADVANCES (Cont'd…)

6.1 Financials assets at amortised cost loans and advances to customers

	2026 Rs.	2025 Rs.
Stage 1	16,014,770	(5,420,007)
Stage 2	9,455,971	1,489,396
Stage 3	62,229,548	89,816,249
	87,700,289	**85,885,638**

6.2 Impairement charge on non financial assets

	2026 Rs.	2025 Rs.
Impairment charge on real estate	19,031,563	16,666,000
	19,031,563	**16,666,000**

7. STAFF COSTS

	2026 Rs.	2025 Rs.
Salaries	338,821,032	252,309,456
Employee benefit - defined contribution plans (EPF/ETF)	45,824,159	34,902,571
Employee benefit - defined benefit plans	9,830,176	8,813,935
Staff related expenses	36,093,296	33,727,072
Amortisation of Staff Loan Day 01 Difference	6,006,781	17,127,235
Others	1,986,235	1,876,488
	438,561,679	**348,756,757**

Provision for the defined benefit plans have been made based on the actuarial valuation carried out as at 31 March 2026. Refer note 29 for detailed disclosure and assumptions on the Post Employment Liability.

8. OTHER EXPENSES

	2026 Rs.	2025 Rs.
Directors' emoluments	10,004,200	10,370,000
Auditors' remuneration	5,250,000	3,450,000
Professional and legal expenses	14,829,097	12,467,862
Advertising & Marketing expenses	94,382,086	64,610,622
Deposit Insurance Premium	10,706,952	10,691,612
Office administration and establishment expenses	324,665,308	277,824,783
Others	2,592,663	3,024,008
	462,430,306	**382,438,887**

Sri Lanka Deposit Insurance Scheme

Under the Regulation No. 02 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor. The Company has paid Rs. 10,706,951/- as the premium of the said insurance scheme during the current financial year (2025 - Rs.10,691,612/-).

9. TAXATION

The components of income tax expense for the year ended 31 March,

	2026 Rs.	2025 Rs.
Current Tax (Note 9.1)	118,586,802	-
Deferred tax charge to the Income Statement (Note 22)	25,857,378	39,010,383
Deferred tax charge on other comprehensive income (Note 22)	3,060,358	448,020
	147,504,537	**39,458,403**

9.1 Reconciliation of current income tax expense

	2026 Rs.	2025 Rs.
Profit Before Tax	256,241,993	79,004,457
Add: Disallowable Expenses	429,575,029	339,685,333
Less: Tax Deductible Expenses	(212,109,027)	(174,801,982)
Statutory Income	**473,707,995**	**243,887,808**
Less: Deductions under Section 32		
: Tax Losses claimed	(78,418,657)	(243,887,808)
Taxable Income/ Loss	**395,289,338**	**-**

9 . TAXATION (Cont'd…)

9.1 Reconciliation of current income tax expense (Cont'd…)

	2026 Rs.	2025 Rs.
Tax expense for the year		
Tax provision	118,586,802	-
Deferred tax charge/ (reversal) of temporary differences	25,857,378	39,010,383
	144,444,179	**39,010,383**
Effective Tax Rate	56.37%	49.38%
Effective Tax Rate (Excluding Deferred tax)	46.28%	0.00%

Current year income tax expense has been recorded for on the taxable income at the rate of 30% (2025 - 30%).

9.2 Tax losses carried forward

	2026 Rs.	2025 Rs.
Tax losses brought forward	91,775,535	396,936,448
Adjustment to the tax losses	(13,356,878)	(61,273,105)
Tax losses utilized during the year	(78,418,657)	(243,887,808)
Tax losses carried forward	-	**91,775,535**

10. EARNINGS PER SHARE

10.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

10.2 The following reflects the income and share details used in the computation of the Basic Earning per Share.

Earnings per Share: Basic	2026 Rs.	2025 Rs.
Amount used as the numerator		
Profit after tax for the year attributable to equity holders (Rs.)	111,797,814	39,994,074
No. of ordinary shares used as the denominator		
Weighted average number of ordinary shares (Note 10.2.1)	3,178,485,367	3,072,535,855
Basic earnings (loss) per share	0.035	0.013
Diluted earnings (loss) per share	0.035	0.013

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

10.2.1 Weighted Average Number of Ordinary Shares for Basic EPS	Outstanding No. of Shares 2026 Rs.	2025 Rs.	Weighted Average No. of Shares 2026 Rs.	2025 Rs.
Number of shares in issue as at 1 April	3,178,485,367	2,754,687,318	3,178,485,367	2,754,687,318
Add : Number of shares issued under rights issue	-	423,798,049	-	317,848,537
Number of shares in issue / weighted average number of shares as at 31 March	**3,178,485,367**	**3,178,485,367**	**3,178,485,367**	**3,072,535,855**

10. EARNINGS PER SHARE (Cont'd...)

10.2.2 The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

10.2.3 There were no potentially dilutive shares as at 31 March 2026, and there were no bonus elements involved in the rights issues as at the reporting date that would require a restatement of EPS.

11. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of material accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

As at 31 March 2026 ASSETS	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
Cash in Hand and Balances with Banks	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	-	-	697,333,023	697,333,023
Financial Assets at amortised cost-loans and advances to customers	-	-	14,984,836,224	14,984,836,224
Financial Assets at fair value through other comprehensive income	-	50,038,551	-	50,038,551
Other Financial Assets	-	-	19,193,235	19,193,235
Total Financial Assets	**-**	**50,038,551**	**16,187,242,529**	**16,237,281,080**

LIABILITIES	Fair value through P&L Rs.	Amortised cost Rs.	Total Rs.
Due to Banks	-	3,158,324,393	3,158,324,393
Due to other Customers	-	7,785,618,231	7,785,618,231
Other Borrowed Funds	-	2,422,957,237	2,422,957,237
Financial Liabilities	-	191,837,997	191,837,997
Lease Liabilities	-	301,870,904	301,870,904
Total Financial Liabilities	**-**	**13,860,608,763**	**13,860,608,763**

As at 31 March 2025 ASSETS	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
Cash in Hand and Balances with Banks	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	-	-	877,702,548	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at amortised cost-loans and advances to customers	-	-	9,518,137,145	9,518,137,145
Financial Assets at fair value through other comprehensive income	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	5,702,715	5,702,715
Total Financial Assets	**505,099,380**	**36,299,617**	**10,688,004,758**	**11,229,403,755**

11. MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd...)

LIABILITIES	Fair value through P&L Rs	Amortised cost Rs.	Total Rs.
Due to Banks	-	235,150,655	235,150,655
Due to other Customers	-	7,160,617,321	7,160,617,321
Other Borrowed Funds	-	1,017,052,009	1,017,052,009
Financial Liabilities	-	210,457,745	210,457,745
Lease Liabilities	-	254,857,493	254,857,493
Total Financial Liabilities	**-**	**8,878,135,223**	**8,878,135,223**

12. CASH IN HAND AND BALANCES WITH BANKS

	2026 Rs.	2025 Rs.
Cash in hand	56,826,151	43,461,230
Cash at Banks	429,053,896	243,001,120
	485,880,047	**286,462,350**

13. FINANCIAL INVESTMENTS AT AMORTISED COST

	2026 Rs.	2025 Rs.
Securities under Reverse Repurchase Agreements	-	203,451,307
Investment in Treasury Bills	-	674,251,241
Investment in Treasury Bonds	697,333,023	-
	697,333,023	**877,702,548**

14. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2026 Rs.	2025 Rs.
Investment in Units		
Balance as at 1 April	505,099,380	-
Purchased during the year	2,200,000,000	1,275,000,000
Withdrawed during year	(2,731,955,311)	(775,000,000)
Fair value gain / (loss)	26,855,931	5,099,380
Balance as at 31 March	-	**505,099,380**

15. FINANCIAL ASSETS AT AMORTIZED COST - LOANS AND ADVANCES TO CUSTOMERS

	2026 Rs.	2025 Rs.
Gross loans and receivables (Note 15.1)	15,887,135,729	10,449,577,561
Add / (Less): Impairment for Loans and Advances - Individual (Note 15.4)	(265,952,532)	(369,742,970)
Add / (Less): Impairment for Loans and Advances - Collective (Note 15.4)	(636,346,973)	(561,697,446)
Net loans and receivables	**14,984,836,224**	**9,518,137,145**

15.1 Stage wise classification of gross loans and receivables

	2026 Rs.	2025 Rs.
Stage 1	12,605,244,261	7,722,744,080
Stage 2	1,750,056,823	1,144,601,778
Stage 3	1,531,834,645	1,582,231,703
	15,887,135,729	**10,449,577,561**

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd…)

15.2 Gross Loans and Receivables from customers - By Product

	2026 Rs.	2025 Rs.
Leasing / Hire Purchase	5,141,100,771	4,095,938,264
Term loans	5,005,917,392	3,151,648,222
Easy Draft	2,420,734,293	1,209,827,058
Gold Loans	3,073,128,471	1,742,156,410
Factoring & Cheque Discounting	225,930,812	229,584,622
Housing Loans	20,323,990	20,422,985
	15,887,135,729	**10,449,577,561**

15.2.1 Maturities of Loans and Receivables from customers

As at 31st March 2026	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Loans and Receivables	8,301,040,722	7,443,424,413	142,670,594	**15,887,135,729**

As at 31st March 2025	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Loans and Receivables	5,457,507,349	4,960,215,900	31,854,312	**10,449,577,561**

15.3 Gross Loans and Receivables to other customers - By Industry

	2026 Rs.	2025 Rs.
	5,176,967,818	3,760,852,501
Services including Bank, finance and Insurance	3,594,062,394	2,450,440,799
Trading and Manufacturing	2,284,746,274	1,639,850,822
Construction and Transport	1,361,056,795	766,196,383
Agriculture	3,470,302,448	1,832,237,056
Other	**15,887,135,729**	**10,449,577,561**

15.4 Movements in Impairment for Loans and Advances

	2026 Rs.	2025 Rs.
Individual impairment charges		
Balance as at 01 April	369,742,970	397,238,687
Charge to income statement	13,050,762	62,749,154
Write off during the year	(116,841,199)	(90,244,871)
Balance as at 31 March	**265,952,532**	**369,742,970**
Collective impairment charges		
Balance as at 01 April	561,697,446	538,560,962
Charge/(Reversal) to income statement	74,649,527	23,136,484
Balance as at 31 March	**636,346,973**	**561,697,446**

Loans & Advances with the contractual amount of Rs. 116,841,199/- written off during the year ended 31 March 2026 are being considered for enforcement activities.

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.5 Stagewise Movement of Gross Loans and Receivables

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561
Transfers from Stage 1	(678,073,717)	549,764,864	128,308,853	-
Transfers from Stage 2	126,452,134	(219,540,910)	93,088,776	-
Transfers from Stage 3	9,273,000	5,520,778	(14,793,778)	-
Originated during the year	10,568,288,435	967,195,090	147,933,525	11,683,417,050
Settled during the year	(5,143,439,671)	(697,484,777)	(288,093,235)	(6,129,017,683)
Amounts written off	-	-	(116,841,199)	(116,841,199)
Balance as at 31 March	**12,605,244,261**	**1,750,056,823**	**1,531,834,645**	**15,887,135,729**

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	5,039,668,782	1,387,625,874	2,269,167,157	8,696,461,814
Transfers to Stage 1	(343,408,296)	289,213,751	54,194,545	-
Transfers to Stage 2	173,730,091	(246,666,657)	72,936,566	-
Transfers to Stage 3	17,865,962	28,748,933	(46,614,895)	-
Originated during the year	5,543,983,531	597,384,177	74,930,788	6,216,298,496
Settled during the year	(2,709,095,990)	(911,704,300)	(752,137,587)	(4,372,937,877)
Amounts written off	-	-	(90,244,871)	(90,244,872)
Balance as at 31 March	**7,722,744,080**	**1,144,601,778**	**1,582,231,703**	**10,449,577,561**

15.6 Stagewise Movement of Impairment

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	59,388,959	50,150,402	821,901,055	931,440,416
Transfers from Stage 1	(8,992,615)	7,374,808	1,617,807	-
Transfers from Stage 2	1,240,310	(6,060,422)	4,820,112	-
Transfers from Stage 3	57,214	242,621	(299,835)	-
Additions/(recovered) during the year	23,709,861	7,898,962	56,091,465	87,700,288
Amounts written off	-	-	(116,841,199)	(116,841,199)
Balance as at 31 March	**75,403,729**	**59,606,371**	**767,289,405**	**902,299,505**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	265,952,532	265,952,532
Collective Impairment	75,403,727	59,606,373	501,336,873	636,346,973
Total	**75,403,727**	**59,606,373**	**767,289,405**	**902,299,505**

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	64,808,965	48,661,006	822,329,678	935,799,649
Transfers to Stage 1	(7,371,813)	5,470,043	1,901,770	-
Transfers to Stage 2	2,384,662	(5,051,217)	2,666,554	-
Transfers to Stage 3	398,381	1,100,675	(1,499,056)	-
Additions/(recovered) during the year	(831,237)	(30,105)	86,746,981	85,885,639
Amounts written off	-	-	(90,244,872)	(90,244,872)
Balance as at 31 March	**59,388,959**	**50,150,402**	**821,901,055**	**931,440,416**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	369,742,970	369,742,970
Collective Impairment	59,388,958	50,150,402	452,158,086	561,697,446
Total	**59,388,958**	**50,150,402**	**821,901,056**	**931,440,416**

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd…)

15.7 Loans and Receivables Include Loans Granted to Employees, Day 1 Prepaid Amortization Movement as Follows;

	2026 Rs.	2025 Rs.
Balance as at 01 April	8,749,268	20,066,103
Loans granted during the year	4,440,764	5,810,400
Amotization during the year	(6,006,781)	(17,127,235)
Balance as at 31 March	**7,183,251**	**8,749,268**

15.8 Sensitivity analysis of allowance for impairment losses

The Company has estimated the impairment provision as at 31 March 2026 based on various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position. The sensitivity of the impairment provision of the Company as at 31 March 2026 to a reasonably possible change in Probability of Defaults (PDs) and Loss Given Defaults (LGDs) are demonstrated in the following table.

Changed Criteria	Changed Factor	Sensitivity Effect on Statement of Financial Position [Increase/(Decrease)] in Impairment Provision				Sensitivity Effect on Income Statement
		Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Rs.
As of 31 March 2026						
Loss Given Default (LGD)	Increase by 1%	9,215,075	7,164,244	5,504,591	**21,883,910**	**21,883,910**
Probability of Default (PD)	Increase by 1%	6,892,882	1,839,512	-	**8,732,394**	**8,732,394**
Economic Factor Adjustment (EFA)	Increase by 1%	5,587,938	1,069,590	-	**6,657,528**	**6,657,528**
As of 31 March 2025						
Loss Given Default (LGD)	Increase by 1%	6,770,144	5,570,539	5,597,424	**17,938,107**	**17,938,107**
Probability of Default (PD)	Increase by 1%	4,116,378	1,245,873	-	**5,362,251**	**5,362,251**
Economic Factor Adjustment (EFA)	Increase by 1%	3,382,419	610,412	-	**3,992,831**	**3,992,831**

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2026 Rs.	2025 Rs.
Equity securities		
Unquoted (Note16.1)	50,038,551	36,299,617
	50,038,551	**36,299,617**

16.1 Unquoted Investments

	2026 No. of Shares	2026 Cost Rs.	2026 Fair Value Rs.	2025 No. of Shares	2025 Cost Rs.	2025 Fair Value Rs.
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings (Pvt) Ltd	22,500	15,425,321	49,837,651	22,500	15,425,321	36,098,717
		15,626,221	**50,038,551**		**15,626,221**	**36,299,617**

16.1.1 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

	2026 Rs.	2025 Rs.
Balance as at 1 April	36,098,717	31,311,814
Remeasurement Recognised in Other Comprehensive Income	13,738,933	4,786,903
Balance as at 31 March	**49,837,651**	**36,098,717**

The Company received dividend income of Rs. 605,348/- from during the year (2025: Rs. 691,157/-).

16.1.1 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy (Cont'd...)

	2026 Rs.	2025 Rs.
CEG Education Holdings (Pvt) Ltd	562,500	675,000
Credit Information Bureau	42,848	16,157
	605,348	**691,157**

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

16.1.2 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Unquoted Investments

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value
Net Assets Method	Net asset per share	Estimated fair value would increase/(decrease) if ; Net Assets per share value would increase/(decrease) as a result of changes in profit.

17. INVESTMENT IN REAL ESTATE

	2026 Rs.	2025 Rs.
Land		
Balance as at 01 April	17,179,078	21,297,909
Disposals	(2,266,323)	(4,118,831)
Total Cost	**14,912,755**	**17,179,078**
Less : Allowance for impairment	(3,300,410)	(3,300,410)
Balance as at 31 March	**11,612,345**	**13,878,668**
Housing Projects		
Balance as at 01 April	4,875,190	4,875,190
Disposals	-	-
Total Cost	**4,875,190**	**4,875,190**
Less : Allowance for impairment	(2,899,969)	(2,899,969)
Balance as at 31 March	**1,975,221**	**1,975,221**
Other Projects		
Balance as at 01 April	170,492,900	170,492,900
Disposals	-	-
Total Cost	**170,492,900**	**170,492,900**
Less : Allowance for impairment	(166,107,677)	(147,076,030)
Balance as at 31 March	**4,385,223**	**23,416,870**
Balance as at 31 March	**17,972,789**	**39,270,759**

17.1 Operating profit on Real Estate

	2026 Rs.	2025 Rs.
Sales proceeds during the year	8,850,900	18,727,350
Carrying amount of disposal	(2,266,323)	(4,118,831)
Proceeds transferred to JV provision	-	-
Operating Profit	**6,584,577**	**14,608,519**

18. OTHER ASSETS

	2026 Rs.	2025 Rs.
Other Financial Assets		
Other Financial Assets	19,193,235	5,702,715
Other Non Financial Assets		
Advances	91,216,522	137,949,363
Deposits and Prepayments	111,070,800	61,086,006
Other Tax Receivable	17,015,490	16,417,939
	238,496,047	**221,156,023**

Other financial assets include refundable deposits.

19. INTANGIBLE ASSETS

	2026 Rs.	2025 Rs.
Cost		
Balance as at 01 April	37,404,297	36,686,621
Additions	34,886,557	717,676
Balance as at 31 March	**72,290,854**	**37,404,297**
(Less): Amortisation of Intangible Assets		
Balance as at 01 April	28,991,607	27,489,590
Amortisation for the year	2,960,960	1,502,017
Balance as at 31 March	31,952,567	28,991,607
Net book value at 31 March	**40,338,287**	**8,412,690**

19.1 Fully amortized Intangible assets

Company continues to use Intangible asset which are fully amortized amounting to Rs. 23,297,766/- as at 31 March 2026. (2025-Rs.23,297,766/-).

There were no restrictions on the title of the intangible assets as at the reporting date. Further there were no items pledged as securities for liabilities.

20. PROPERTY, PLANT AND EQUIPMENT

20.1 Property, Plant and Equipment

As at 31 March 2026	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2025	178,400,000	128,692,025	70,224,393	133,796,052	81,063,397	592,175,867
Additions	-	15,927,713	99,944,867	31,834,383	143,962,000	291,668,963
Disposals	-	-	-	-	(43,025,000)	(43,025,000)
Write off	-	(541,162)	-	-	-	(541,162)
Balance as at 31 March 2026	**178,400,000**	**144,078,576**	**170,169,260**	**165,630,435**	**182,000,397**	**840,278,668**
(Less): Accumulated depreciation						
Balance as at 01 April 2025	5,765,283	66,470,892	53,966,224	84,653,041	44,028,327	254,883,767
Charge for the year	1,099,530	12,374,905	17,157,217	13,711,609	14,143,056	58,486,317
Disposals	-	-	-	-	(23,961,172)	(23,961,172)
Balance as at 31 March 2026	**6,864,813**	**78,845,797**	**71,123,441**	**98,364,650**	**34,210,211**	**289,408,912**
Net book value as at 31 March 2026	**171,535,187**	**65,232,779**	**99,045,819**	**67,265,785**	**147,790,186**	**550,869,756**

As at 31 March 2025	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024	178,400,000	84,676,868	64,372,471	113,135,038	83,663,397	524,247,774
Additions	-	44,095,157	5,851,922	21,051,604	11,900,000	82,898,683
Disposals	-	-	-	(144,190)	(14,500,000)	(14,644,190)
Write off	-	(80,000)	-	(246,400)	-	(326,400)
Balance as at 31 March 2025	**178,400,000**	**128,692,025**	**70,224,393**	**133,796,052**	**81,063,397**	**592,175,867**
(Less): Accumulated depreciation						
Balance as at 01 April	4,665,753	56,345,727	47,435,623	73,021,036	45,306,047	226,774,186
Charge for the year	1,099,530	10,129,302	6,530,601	11,702,282	12,478,651	41,940,366
Disposals	-	(4,137)	-	(70,277)	(13,756,371)	(13,830,785)
Balance as at 31 March 2025	**5,765,283**	**66,470,892**	**53,966,224**	**84,653,041**	**44,028,327**	**254,883,767**
Net book value as at 31 March 2025	**172,634,717**	**62,221,133**	**16,258,169**	**49,143,011**	**37,035,070**	**337,292,100**

20. PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.2 Net Book Values - At Cost Model

Carrying value of revalued assets if measured at historical cost net of depreciation as follows;

	2026 Rs.	2025 Rs.
Land and Buildings	45,058,114	46,157,643
	45,058,114	**46,157,643**

20.3 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 291,668,963/- (2025 - Rs.82,898,683/-).

20.4 Fair Valuation Process and Key Valuation Assumptions

The company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation.The Company engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka. Information on the freehold land and buildings as required by the Rule No 7.6 (viii) of the 'Continuing Listing Requirements' of the Colombo Stock Exchange.

20. PROPERTY, PLANT AND EQUIPMENT (Contd...)

20.4 Fair Valuation Process and Key Valuation Assumptions (Contd...)

As at 31 March						2026			2025
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings (Square Feet)	Fair Value Rs.	Net Book Value Rs.	Fair Value as a % of Net Book Value	Net Book Value Rs.
Negombo No 539, Colombo Road, Kurana, Negombo	Contractor's Method Price per Perch Price per Square Feet	Rs 4,000,000 p.p Rs 6,000 p.sq.ft	1	10.00	5,030	70,000,000	63,135,187	111	64,234,717
Battaramulla No 919/1D, Electricity Board Road, Battaramulla	Contractor's Method Price per Perch	Rs 2,500,000 p.p	-	11.75	-	18,400,000	18,400,000	100	18,400,000
Piliyandala No 226, J. D. Salaman Mawatha, Bokundara	Contractor's Method Price per Perch	Rs 750,000 p.p	-	120.00	-	90,000,000	90,000,000	100	90,000,000
						178,400,000	**171,535,187**	**104**	**172,634,717**

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2024 by Vlr. D Jayawardana. AIV (Sri Lanka), B.Sc. Estate Mgt & Valuation (Special) Incorporated Valuer. Contractor's Test Method and Valuation on Investment Method have been used for the valuation.

Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

20. PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.4 Fair Valuation Process and Key Valuation Assumptions (Contd…)

20.4.1 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Property, Plant and Equipment of the Company

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value
Contractor's Test Method		
The contractors method of valuation involves estimating the cost of replacing the property with a similar property of the same size, quality and function. This estimate includes the cost of material, labour, and cost of equipment required to construct the property, as well as any site improvements and contingencies.	Cost per Perch for Land / Cost per Square Feet	Estimated fair value would increase/(decrease) if ; Cost per Perch for Land / Cost per Square Feet would increase/(decrease)
Investment method		
This method involves the capitalisation of the expected rental income over a specific period of time which is derived from the real estate market.	Gross Annual Rentals	Estimated fair value would increase (decrease) if; Gross Annual Rentals would be higher/lower

20.5 There were no restrictions on the title of the property, plant and equipment as at the reporting date.

20.6 There were no significant temporarily idling assets as at 31 March 2026.

20.7 Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 150,796,346/- as at 31 March 2026 (2025 - Rs. 131,938,213/-).

20.8 There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date except as disclosed in note 38.

20.9 There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

21. Right-of-Use Assets

	2026 Rs.	2025 Rs.
Cost		
Balance as at 01 April	343,604,091	317,002,844
Additions during the Year	80,435,979	26,601,247
Terminations during the Year	-	-
Balance as at 31 March	**424,040,069**	**343,604,091**
(Less): Accumulated Depreciation		
Balance as at 01 April	121,118,141	85,224,008
Charge for the year	38,206,922	35,894,133
Termination during the Year	-	-
Balance as at 31 March	**159,325,063**	**121,118,141**
Net Book Value	**264,715,006**	**222,485,950**
Amounts Recognised in Income Statement		
Depreciation expense on Lease Assets	38,206,922	35,894,133
Interest Expense on Lease Liabilities	35,917,248	34,628,017
Amounts Recognised in Statement of Cash Flows		
Lease Rentals Paid -Capital	19,508,128	16,742,510
Lease Rentals Paid -Interest	35,917,248	34,628,017

22. Deferred Tax Asset/(Liability)

22.1 Movement of Deferred Tax Assets/(Liabilities)

	2026 Rs.	2025 Rs.
Balance as at beginning of the year	23,905,430	63,363,833
Deferred tax (charged)/reversed recognised in Income Statement	(25,857,378)	(39,010,383)
Deferred Tax charged to the Other Comprehensive Income (Note 22.1.1)	(3,060,358)	(448,020)
Balance as at the year end	**(5,012,306)**	**23,905,430**

22.1.1 Deferred Tax charged to the Other Comprehensive Income

	2026 Rs.	2025 Rs.
Deferred tax (charge)/reversal on acturial gains/(lossess) on Defined Benefit Plans	1,061,322	988,051
Deferred tax charge on fair value changes on financial assets measured at FVOCI	(4,121,680)	(1,436,071)
Deferred Tax Charge impact on revaluation reserve	-	-
	(3,060,358)	**(448,020)**

22.2 Composition of Deferred Tax Assets and Liabilities

	As at 31 March 2026		As at 31 March 2025	
Statement of Financial Position	Temporary Difference Rs.	Deferred Tax Effect Rs.	Temporary Difference Rs.	Deferred Tax Effect Rs.
Deferred Tax Assets				
Carried forward retained loss	-	-	91,735,532	27,520,660
Impairment allowance	114,311,334	34,293,400	96,989,580	29,096,874
Defined Benefit Plans	48,558,067	14,567,420	39,405,151	11,821,545
Lease Liability	301,870,904	90,561,271	258,684,774	77,605,432
Bonus Provision	13,275,346	3,982,604	13,763,370	4,129,011
	478,015,651	**143,404,695**	**500,578,406**	**150,173,522**
Deferred Tax Liability				
Property Plant and Equipment	(49,250,083)	(14,775,025)	(34,285,868)	(10,285,760)
Intangible Assets	(3,928,548)	(1,178,565)	(1,031,056)	(309,318)
Right of use assets	(264,715,006)	(79,414,502)	(222,485,950)	(66,745,785)
Revaluation Reserve	(126,791,147)	(38,037,344)	(126,791,147)	(38,037,344)
Fair Value Reserve	(50,038,551)	(15,011,565)	(36,299,618)	(10,889,885)
Capital Allowance on Lease Assets	-	-	-	-
	(494,723,334)	**(148,417,001)**	**(420,893,639)**	**(126,268,092)**
Net Deferred Tax Assets	**(16,707,683)**	**(5,012,306)**	**79,684,768**	**23,905,430**

22.2 Composition of Deferred Tax Assets and Liabilities (Contd..)

Deferred tax assets and liabilities are measured at the tax rate of 30% (2025 - 30%).

Tax losses for which no deferred tax asset was recognised expire as follows.

23. DUE TO BANKS

	2026 Rs.	2025 Rs.
Bank Overdraft	381,374,186	40,615,569
Bank Borrowings (Note 23.1)	2,776,950,207	194,535,086
	3,158,324,393	**235,150,655**

23.1 Movement

	As at 1 April 2025	Loan Obtained	Interest Recognised	Repayment Capital	Repayment Interest	As at 31 March 2026
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
DUE TO BANKS						
Commercial Bank of Ceylon PLC	194,535,086	-	15,542,077	75,000,000	15,771,218	119,305,945
Union Bank of Colombo PLC	-	322,500,000	6,419,203	150,000,000	6,363,625	172,555,578
DFCC Bank PLC	-	800,000,000	29,713,367	298,484,848	28,517,250	502,711,268
Cargills Bank PLC	-	150,000,000	10,756,419	37,500,002	10,582,062	112,674,355
Bank of Ceylon	-	500,000,000	22,703,200	69,444,444	21,535,392	431,723,364
People's Bank	-	1,500,000,000	18,225,482	525,200,000	14,850,009	978,175,472
SANASA Development Bank PLC	-	500,000,000	12,175,883	41,666,667	10,704,992	459,804,225
	194,535,086	**3,772,500,000**	**115,535,631**	**1,197,295,962**	**108,324,547**	**2,776,950,207**

23.2 Maturity

	2026			2025		
	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.
Bank Borrowings	1,736,599,204	1,040,351,003	2,776,950,207	75,785,086	118,750,000	194,535,086
	1,736,599,204	**1,040,351,003**	**2,776,950,207**	**75,785,086**	**118,750,000**	**194,535,086**

24. DUE TO OTHER CUSTOMERS

	2026 Rs.	2025 Rs.
At amortised cost (Note 24.1)	7,785,618,231	7,160,617,321
	7,785,618,231	**7,160,617,321**

24.1 Due to Other Customers - By Product

	2026 Rs.	2025 Rs.
Savings deposits	54,841,798	9,808,866
Fixed deposits	7,730,776,433	7,150,808,455
	7,785,618,231	**7,160,617,321**

25. OTHER BORROWED FUNDS

	2026 Rs.	2025 Rs.
Borrowings from Financial Institutions (Note 25.1)	2,422,957,237	1,017,052,009
	2,422,957,237	**1,017,052,009**

25. OTHER BORROWED FUNDS (Cont'd...)

25.1 Movement

	As at 1 April 2025	Loan Obtained	Interest Recognised	Repayment Capital	Repayment Interest	As at 31 March 2026
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitised Borrowings						
M Power Capital Securities Ltd	512,102,968	600,000,000	83,761,338	301,000,000	44,067,679	850,796,628
Think Capital Partners (Pvt) Ltd	504,949,041	750,000,000	126,353,116	100,000,000	11,448,836	1,269,853,322
Safe Holding (Pvt) Ltd		600,000,000	8,749,808	300,000,000	6,442,521	302,307,288
	1,017,052,009	**1,950,000,000**	**218,864,263**	**701,000,000**	**61,959,035**	**2,422,957,237**

25.2 Maturity

	2026 Amount Repayable Within 1 year	2026 Amount Repayable After 1 year	2026 Total	2025 Amount Repayable Within 1 year	2025 Amount Repayable After 1 year	2025 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitised Borrowings	**2,071,457,237**	**351,500,000**	**2,422,957,237**	**338,052,009**	**679,000,000**	**1,017,052,009**

26. FINANCIAL LIABILITIES

	2026 Rs.	2025 Rs.
Vendor Payables	39,528,162	77,711,720
Fees Payable	5,776,421	3,608,228
Sundry Creditors	45,375,141	37,741,542
Insurance Premium Payable	62,802,244	45,575,446
Other Financial Liabilities	38,356,029	45,820,809
	191,837,997	**210,457,745**

27. LEASE LIABILITIES

	2026 Rs.	2025 Rs.
Balance as at 01 April	254,857,493	244,998,755
Additions during the Year	66,521,539	26,601,248
Interest Charge for the Year	35,917,248	34,628,017
Lease Rental Payments for the Year	(55,425,376)	(51,370,527)
Balance as at 31 March	**301,870,904**	**254,857,493**

27.1 Contractual Maturity analysis of Lease Liability

	2026 Rs.	2025 Rs.
Lease Liability within one year	20,224,412	17,470,659
Lease Liability within one to five year	138,914,374	80,772,481
Lease Liability more than five year	142,732,118	156,614,353
	301,870,904	**254,857,493**

27.2 Undiscounted Maturity analysis of Lease Liability

	2026 Rs.	2025 Rs.
Lease Liability within one year	56,512,905	51,219,079
Lease Liability within one to five year	323,260,149	192,768,082
Lease Liability more than five year	107,824,223	197,983,299
	487,597,277	**441,970,460**

28. NON FINANCIAL LIABILITIES

	2026 Rs.	2025 Rs.
Provisions & Accrued Expenses	43,437,251	40,270,909
Other Payables	53,966,983	18,432,565
	97,404,234	**58,703,474**

29. POST EMPLOYMENT LIABILITY

29.1 The movement of the Post Employment Liability of the Company is given below;

	2026 Rs.	2025 Rs.
Post Employment Liability as at 01 April	39,405,151	33,360,213
Amount recognised in Income Statement (Note 29.2)	9,650,177	8,813,935
Amount recognised in Other Comprehensive Income (Note 29.3)	3,537,740	3,293,503
Payments Made During the year	(4,035,000)	(6,062,500)
Post Employment Liability as at 31 March	**48,558,068**	**39,405,151**

29.2 Amount recognised in Income Statement

	2026 Rs.	2025 Rs.
Service cost	5,709,662	4,810,709
Net interest on the net Post Employment Liability	3,940,515	4,003,226
	9,650,177	**8,813,935**

29.3 Amount recognised in Other Comprehensive Income

	2026 Rs.	2025 Rs.
Actuarial (Gain)/Loss resulting from changes in assumptions	3,537,740	(1,096,796)
Actuarial (Gain)/Loss resulting from experience adjustments	-	4,390,299
	3,537,740	**3,293,503**

29.4 The principal assumptions used in determining Post Employment Liability are shown below;

Discount rate	9.50%	10.00%
Salary increment rate	7.0%	7.0%
Retirement age	60 Years	60 Years
Mortality	Mortality Table	Mortality Table
Weighted Average Future Working Life Time (Years)	2.90	2.78

29.5 Mr. K. Arumugam of Messers Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries has carried out an independent actuarial valuation of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of the retirement benefits.

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service.

29. POST EMPLOYMENT LIABILITY (Cont'd…)

29.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

	2026			
Increase / (Decrease) in discount rate - %	+1%	-1%		
Increase / (Decrease) in salary increment rate - %			+1%	-1%
Sensitivity effect on Income Statement and Other Comprehensive Income	1,236,936	(1,313,289)	(1,201,859)	1,151,484
Sensitivity effect on Post Employment Liability	(1,236,936)	1,313,289	1,201,859	(1,151,484)

29.7 The Expected Benefit payout in the future years of retirement gratuity

	2026 Rs.	2025 Rs.
Within Next 12 months	15,751,714	12,357,270
Between 1 and 5 years	23,419,449	20,779,990
Beyond 5 years	9,386,904	6,267,891
Total	**48,558,067**	**39,405,151**

30. STATED CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

	2026 Rs.	2025 Rs.
Issued and fully paid ordinary share capital	3,325,761,076	3,071,482,247
Issue of ordinary shares through the Initial Publich Offering (IPO)	-	-
Rights Issue	-	254,278,829
	3,325,761,076	**3,325,761,076**
Number of ordinary shares issued as at 31 March	**3,178,485,367**	**3,178,485,367**

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of Company.

31. STATUTORY RESERVE FUND

Statutory reserve is a capital reserve which contains five percent of the profits after tax transferred as required by Section 3(b)(i) of Central Bank Direction No. 1 of 2003.

	2026 Rs.	2025 Rs.
Balance as at 1 April	74,061,066	72,061,362
Transfer during the year	5,589,891	1,999,704
Balance as at 31 March	**79,650,957**	**74,061,066**

32. REGULATORY LOSS ALLOWANCE RESERVE

	2026 Rs.	2025 Rs.
Balance as at 1 April	142,438,631	281,020,661
Transfer to retained earnings	(142,438,631)	(138,582,030)
Balance as at 31 March	-	**142,438,631**

In accordance with Section 7.1 of the Finance Business Act Directions (Classification and Measurement of Credit Facilities) No. 01 of 2020, a non-distributable regulatory loss allowance reserve must be established through an appropriation of retained earnings whenever the loss allowance for expected credit loss (impairment) is less than the regulatory provision. Consequently, the company has transferred Rs.142.44 Mn from regulatory loss allowance reserve to retained earnings during the year.

33. ACCUMULATED LOSS

	2026 Rs.	2025 Rs.
Balance as at 1 April	(564,531,162)	(738,802,110)
Profit for the year	111,797,814	39,994,074
Other Comprehensive Income for the year	(2,476,418)	(2,305,452)
Transfer to Statutory Reserve Fund	(5,589,891)	(1,999,704)
Transfer to regulatory loss allowance reserve	142,438,631	138,582,030
Balance as at 31 March	**(318,361,026)**	**(564,531,162)**

34. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

34.1 Capital commitments

	2026 Rs.	2025 Rs.
Undrawn loan commitments	-	-
Lease Commitments	487,597,277	441,970,460

34. COMMITMENTS AND CONTINGENCIES (Cont'd...)

34.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of it's outcome.

Litigations against UB Finance PLC

Legal Status	Case No.
a.Cases filed against the Company over the repossession of vehicles and loan facilities (In relation to movable assets)	
- District Court - Colombo	DSP/222/10, DMR 925/17, DMR 3085/22, DMR 1017/24, DTR 04/ 2025
- District Court - Kandy	DMR/830/20
- District Court - Elpitiya	1966-M
- District Court - Gampaha	SPL 120/2022
- District Court - Galle	SP 4034
- Civil Appellate High Court - Westerrn Province	WP/HCCA/COL/101/19(F)(Appeal Case of DSP 222/10)
- District Court - Warakapola	1056 M
b. Actions filed against the Company regarding construction matters, advance payments, possession of project properties and unpaid bills.	
- Commercial High Court- Colombo	CHC/Civil/177/10
- District Court - Colombo	DMR/1615/17, DLM 148/2017
- District Court - Negombo	8164/L, SPL 3579/17
- District Court - Kurunegala	9369/23 L
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019 (Appeal Case of HC/Civil/177/10)
c. Cases filed against the Company over the Fixed Deposit matters and matters relating to shares of Company	
- District Court - Colombo	DTS/279/08
- Commercial High Court - Colombo	CHC/503/15MR, CHC/533/15MR, CHC/535/15MR, CHC/536/15MR
- Supreme Court - Colombo	SC/ Appeal/53/23 (Appeal of DC Case no.DTS 279/08)

34. COMMITMENTS AND CONTINGENCIES (Cont'd...)

34.2 Litigation (Cont'd...)

d. Actions filed against the Company with respect to mortgaged property, court orders, title of property

- District Court - Panadura	2121/P
- District Court - Attanagalla	1547/L, 1558/20/L

e. Cases Filed Against the Company by the employees

- Magistrate Court - Fort	LB 76305
- Before Labour Commissioner	CE/D6/04/61/2016

f. Cases Filed by Company on title / posession of project properties

- District Court - Kaduwela	L/533/15

34.3 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments to the ordinary course of Business.

35. FAIR VALUE OF ASSETS AND LIABILITIES

35.1 Assets and liabilities measured at fair value - fair value hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is catergorised. The amounts are based on the value recognised in the statement of financial position in the financial statements.

	31 March 2026			
	Level 1 Rs.	**Level 2 Rs.**	**Level 3 Rs.**	**Total Rs.**
Assets measured at fair value				
Financial Investments at fair value through Profit or Loss				
Investments in Units Trust	-	-	-	-
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	50,038,551	50,038,551
Non Financial Assets				
Land and buildings	-	-	171,535,187	171,535,187
	-	-	**221,573,738**	**221,573,738**

The methods used to determine fair value of the financial instruments categorised under level 3 are stated in Note 16.1.2

The methods used to determine fair value of Non financial assets - land and buildings categorized under level 3 are stated in Note 20.4

	31 March 2025			
	Level 1 Rs.	**Level 2 Rs.**	**Level 3 Rs.**	**Total Rs.**
Assets measured at fair value				
Financial Investments at fair value through Profit or Loss				
Investments in Units Trust	505,099,380	-	-	505,099,380
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	36,299,617	36,299,617
Non Financial Assets				
Land and buildings	-	-	172,634,717	172,634,717
	505,099,380	-	**208,934,334**	**714,033,714**

35.2 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies & assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts which do not have a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money–market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

35. FAIR VALUE OF ASSETS AND LIABILITIES (Contd…)

Fixed rate financial instruments (contd…)

Set out below is a comparison of the carrying amounts & fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets & non–financial liabilities.

	31 March 2026				
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying amount Rs.
Financial Assets					
Financial Investments at Amortised Cost	704,717,000	-	-	704,717,000	697,333,023
Financial Assets at Amortised Cost - Loans and Advances to Customers	-	-	15,320,456,672	15,320,456,672	15,887,135,729
	704,717,000	-	**15,320,456,672**	**16,025,173,672**	**16,584,468,752**
Financial Liabilities					
Due to Banks- Bank Borrowings	-	-	2,441,884,367	2,441,884,367	2,776,950,207
Due to Other Customers	-	-	7,749,521,435	7,749,521,435	7,785,618,231
Other Borrowed Funds	-	-	1,976,087,443	1,976,087,443	2,422,957,237
Lease Liabilities	-	-	326,450,520	326,450,520	301,870,904
	-	-	**12,493,943,766**	**12,493,943,766**	**13,287,396,580**

	31 March 2025				
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying Amount Rs.
Financial Assets					
Financial Investments at Amortised Cost	884,451,307	-	-	884,451,307	877,702,548
Financial Assets at Amortised Cost - Loans and Advances to Customers	-	-	10,064,599,253	10,064,599,253	10,449,577,561
	884,451,307	-	**10,064,599,253**	**10,949,050,560**	**11,327,280,109**
Financial Liabilities					
Due to Banks- Bank Borrowings	-	-	170,428,568	170,428,568	194,535,086
Due to other customers	-	-	7,428,729,702	7,428,729,702	7,160,617,321
Other Borrowed funds	-	-	1,003,770,346	1,003,770,346	1,017,052,009
Lease Liabilities	-	-	208,096,796	208,096,796	254,857,493
	-	-	**8,811,025,412**	**8,811,025,412**	**8,627,061,909**

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

	Carrying amount	
	2026 Rs.	2025 Rs.
Assets :		
Cash in Hand and Balances with Banks	485,880,047	286,462,350
Financial Assets	19,193,235	5,702,715
Liabilities :		
Due to Banks- Bank Overdraft	381,374,186	40,615,569
Financial Liabilities	191,837,997	210,457,745

36. RISK MANAGEMENT

36.1 Introduction

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the companies continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

The business risks such as changes in the environment, technology and industry are primarily addressed through the company's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the Management and are tabled at the Board Integrated Risk Management Committee (BIRMC).

36.2 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a Board Sub Committee called "Board Integrated Risk Management Committee (BIRMC)" which has the responsibility to monitor the overall risk process within the company.

The BIRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. BIRMC is also responsible for managing risks and monitoring risk levels and reports on monthly/quarterly basis to the Board.

Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

Asset Liability Committee (ALCO) are responsible for managing the company's assets and liabilities and the overall financial structure.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

36.3 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Integrated Risk Committee. These reports include aggregate credit exposures, credit concentration, operational risk, market risk and liquidity ratios. Management assess the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Company.

Risk related policies are documented and made available to all staff at all levels for a comprehensive understanding of the Company's risk appetite and the overall risk management of the Company. Workshops are held to share knowledge of potential risk events and keep the staff abreast with the latest changes. Briefings are also given to other relevant members of the company on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

36.4 Risk mitigation

As part of its overall risk management, the company uses various instruments to manage exposures resulting from credit risks, changes in interest rates, equity risks, and exposures arising from transactions.

The company actively uses collateral to reduce its credit risks.

36.5 Excessive risk concentration

In order to avoid excessive concentrations of risk, the company monitors concentration levels to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36. RISK MANAGEMENT (Cont'd...)

36.6 Credit Risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Company uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardized credit appraisal and approval process is in place. Credit Authority lies with the Board of Directors, Board Credit Committee and members of the management as per the assigned limits on delegated credit authority. Company's systems for credit evaluation and decision making are independent from collateralization albeit collateral helps to mitigate credit risk.

Credit Operation Department reviews credit facilities before and after sanctioning of facilities. A Credit Policy approved by the Board of Directors is in place.

In the post sanctioning review of credit facilities, the Board Credit Committee reviews among other things, the disbursements, perfection of collaterals and repayments are in accordance with the terms of approval.

36.7 Impairment Assessment

The methodology of the impairment assessment is explained in the note 2.3.6.1 under summary of material accounting policies.

36.8 Significant Changes in the Gross Carrying amount of financial assets

Following table provides an explanation of how significant changes in gross carrying amount of financial instruments contributed to changes in Expected Credit Loss,

	31 March 2026 Impact: Increase / (Decrease)	31 March 2025 Impact: Increase / (Decrease)
Financial Assets at Amortised Cost - Loans and Advances Receivables		
Increase in Lending Portfolio	100,699,289	72,595,236
Loans and Advances Recoveries	(171,510,405)	(214,535,123)
Write-off	(116,841,199)	(90,244,871)

36.9 Credit Quality by Class of Financial Assets

The company manages the credit quality of financial assets by categorising its credit exposure by class of financial asset, line of business and geographic region. It is the company's policy to maintain accurate and consistent risk profile across the credit portfolio. The table below shows the credit quality for all financial assets exposed to credit risk, based on the company's internal credit rating system.

As at 31 March 2026	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	485,880,047	-	-	485,880,047
Financial Investments at amortised cost	697,333,023	-	-	697,333,023
Financial Assets at Amortized Cost - Loans and Advances to Customers	9,686,509,683	5,670,781,656	529,844,389	15,887,135,728
Financial Assets measured at Fair Value through Other Comprehensive Income	50,038,551	-	-	50,038,551
Other Financial Assets	19,193,235	-	-	19,193,235
Total Financial Assets	**10,938,954,539**	**5,670,781,656**	**529,844,389**	**17,139,580,584**

36. RISK MANAGEMENT (Cont'd...)

36.10 Credit Quality by Class of Financial Assets (Cont'd…)

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Individually Impaired *				
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	Total
Loans and receivables from customers	4,669,534,846	258,387,191	57,170,441	685,689,177	5,670,781,656

As at 31 March 2025 Assets	Neither Past Due Nor Individually Impaired Rs.	Past Due But Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	286,462,350	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at amortized cost - Loans and Receivables to Customers	6,257,192,272	3,548,897,753	643,487,536	10,449,577,561
Financial assets measured at fair value through Other Comprehensive Income	36,299,617	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	5,702,715
Total Financial Assets	**7,968,458,882**	**3,548,897,753**	**643,487,536**	**12,160,844,171**

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Individually Impaired *				
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	Total
Loans and receivables from customers	2,611,216,532	109,401,500	49,541,609	778,738,112	3,548,897,753

* Past due but not Individually Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

36.11 Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, letters of guarantees, properties. The fair value of collateral is generally assessed, at a minimum, at inception.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

The table below represents Company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31 March 2026, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

36. RISK MANAGEMENT (Cont'd...)

36.11 Analysis of Credit Risk Exposure (Cont'd...)

As at 31 March	2026 Maximum Exposure to Credit Risk Rs.	2026 Net Exposure Credit Risk Rs.	2025 Maximum Exposure to Credit Risk Rs.	2025 Net Exposure Credit Risk Rs.
Cash in Hand and Balances with Banks	485,880,047	485,880,047	286,462,350	286,462,350
Financial Investments at amortised cost	697,333,023	697,333,023	877,702,548	877,702,548
Financial Investments at fair value through profit or loss	-	-	505,099,380	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	15,887,135,729	648,272,162	10,449,577,561	318,015,109
Financial Assets measured at Fair Value through Other Comprehensive Income	50,038,551	50,038,551	36,299,617	36,299,617
Other Financial Assets	19,193,235	19,193,235	5,702,715	5,702,715
Total Financial Assets	**17,139,580,585**	**1,900,717,018**	**12,160,844,172**	**2,029,281,719**

36.12 Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment / expected credit losses held by the Company against those assets

Credit Quality Analysis

	2026 Stage 1 Rs.	2026 Stage 2 Rs.	2026 Stage 3 Rs.	2026 Total Rs.	2025 Total Rs.
Financial Assets at Amortised Cost : Loans and Advances					
Gross Loans and Advances	12,605,244,261	1,750,056,823	1,531,834,645	15,887,135,729	10,449,577,561
Expected Credit Loss Allowance	(75,403,729)	(59,606,371)	(767,289,405)	(902,299,505)	(931,440,415)
Total Net Loans and Advances	**12,529,840,532**	**1,690,450,452**	**764,545,240**	**14,984,836,224**	**9,518,137,146**
Financial Investments at amortised cost					
Securities under Reverse Repurchase Agreements	-	-	-	-	203,451,307
Investment in Treasury Bills	697,333,023	-	-	697,333,023	674,251,241
Total Financial Investments Measured at	**697,333,023**	-	-	**697,333,023**	**877,702,548**
Amortised Cost	-	-	-	-	-
Expected Credit Loss Allowance	**697,333,023**	-	-	**697,333,023**	**877,702,548**
Net Financial Investments Measured at Amortised Cost					
Financial investments at fair value through profit or loss	-	-	-	-	505,099,380
Investment in Units	-	-	-	-	-
Expected Credit Loss Allowance		-	-	-	**505,099,380**
Net Financial investments at fair value through profit or loss	-				
Financial assets measured at fair value through Other Comprehensive Income					
Equity securities	50,038,551	-	-	50,038,551	36,299,617
Expected Credit Loss Allowance	-	-	-	-	-
Net financial assets measured at fair value through other comprehensive Income	**50,038,551**	-	-	**50,038,551**	**36,299,617**
Other Financial Assets					
Other Financial Assets	19,193,235	-	-	19,193,235	5,702,715
Expected Credit Loss Allowance	-	-	-	-	-
Net Other Financial Assets	**19,193,235**	-	-	**19,193,235**	**5,702,715**
Cash and Cash Equivalents					
Cash in hand	56,826,151	-	-	56,826,151	43,461,230
Cash at Banks	429,053,896	-	-	429,053,896	243,001,120
Total Balances with Banks	485,880,047	-	-	485,880,047	286,462,350
Expected Credit Loss Allowance	-	-	-	-	-
Net Balances with Banks	**485,880,047**	-	-	**485,880,047**	**286,462,350**
Total Financial Assets	**13,857,689,116**	**1,750,056,823**	**1,531,834,645**	**17,139,580,584**	**12,160,844,171**
Total Expected Credit Loss Allowance	**(75,403,729)**	**(59,606,371)**	**(767,289,405)**	**(902,299,505)**	**(931,440,415)**
Net Financial Assets	**13,782,285,388**	**1,690,450,452**	**764,545,240**	**16,237,281,079**	**11,229,403,756**

36.13 Credit–related commitment risks

Such commitment risks are mitigated by regular review of unfunded limits and exposures similar to review of funded limits and exposures.

36.14 Credit Risk by Ratings

Financial asset at amortised cost - Loan and advances to other customers	12 Month ECL (Stage 1)	Lifetime ECL- Not Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)
Rating 0-4 : Investment grade	12,605,244,261	1,750,056,823	330,312,647
Rating 5-6 : Moderate risk	-	-	65,030,943
Rating 7-8 : High risk	-	-	190,111,591
Rating 9 : Extreme risk	-	-	946,379,463
Gross Carrying amount	12,605,244,261	1,750,056,823	1,531,834,644
Provision for impairment	75,403,727	59,606,373	767,289,405
Net Carrying amount	12,529,840,534	1,690,450,450	764,545,239

36.15 Collateral and other credit enhancements:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables etc
- For retail lending, mortgages over residential properties, absolute ownership of vehicles etc
- Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.
- It is the company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.
- The company also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken.

Although on the balance sheet netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realized
- The documentation are legally enforceable.

36.16 Fair Value of Collateral and Credit Enhancements held

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitor the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral. In general, Company has obtained cash deposits, machinery, equipment and vehicles as collateral. The Company uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such vehicles, letters of guarantees and fixed deposit certificates. The fair value of collateral is generally assessed at the inception based on the guidelines issued by the Central Bank of Sri Lanka. To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Repossession of collaterals is resorted to in extreme situations where the action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and transparent manner through public auctions, and the proceeds are used to reduce or recover the outstanding claims. The amount recovered in excess of the dues is refunded to the customer. The following table shows the fair value of collateral and credit enhancements held by the Company as at 31st March 2026.

36.16 Fair Value of Collateral and Credit Enhancements held (Cont'd...)

Fair value of collateral held and Net exposure of credit impaired assets as at 31 March 2026	Fair Value of Collateral Rs.	Net Exposure to Credit Risk Rs.
Net Exposure to Credit Risk (Rs.)	29,122,030,041	648,272,162
Credit impaired assets	2,886,700,069	207,344,138

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs. 2.8Bn and therefore, net exposure of those credit impaired assets as at 31 March 2026 is Rs.207.3Mn.

36.17 Collateral and Other Credit Enhancements - Loans and Receivables

The below tables provide an analysis of the values of collateral held and credit enhancements for Stage 03 assets. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery.

As at 31 March	2026 Rs.	2025 Rs.
Maximum Exposure to Credit Risk	15,887,135,729	10,449,577,561
Less - Collateral		
Movable Securities	10,309,238,147	6,574,795,253
Immovable Securities	706,419,162	737,550,925
Gold Loan & FD	4,304,763,833	2,909,209,370
Total Collateral	**15,320,421,141**	**10,221,555,547**
Net Exposure	566,714,588	228,022,013
Associated ECL	125,754,286	125,597,726

The table below sets out principal types of collateral that are held against different types of financial assets.

Product Type	Principal Type of Collateral Held for Secured Lending
Leasing / Hire Purchase	Motor vehicles
Term loans	Motor vehicles / Property / FD
Easy Draft	Motor vehicles / Property / FD
Gold Loans	Gold Articles
Factoring & Cheque Discounting	Motor vehicles / Property / Cheques / Invoices
Housing Loans	Property

Repossessed Collateral Details;

Nature of the Collateral	Quality of the Collateral	Loss Allowance
Movable Security (Repossessed vehicles.)	Good in condition	Impairment allowance made based on the CBSL direction for collateral.

There are no changes to Company's policy on collaterals

There are no significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period;

36.17 Collateral and Other Credit Enhancements - Loans and Receivables (Cont'd...)

Credit Quality By Class of Financial Assets

As at 31 March 2026	Not Subject to ECL Rs.	Subject to ECL Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	ECL Rs.	Carrying Amount Rs.
Cash and Cash Equivalents	485,880,047	-	-	-	-	485,880,047
Financial Assets Recognised Through Profit or Loss	-	-	-	-	-	-
Financial Investments at amortised cost	697,333,023	-	-	-	-	697,333,023
Financial Assets at Amortised Cost-Loans and Advances	-	12,605,244,261	1,750,056,823	1,531,834,645	(902,299,505)	14,984,836,224
Financial assets measured at fair value through Other Comprehensive Income	50,038,551	-	-	-	-	50,038,551
Other Financial Assets	19,193,235	-	-	-	-	19,193,235
Total Financial Assets	**1,252,444,856**	**12,605,244,261**	**1,750,056,823**	**1,531,834,645**	**(902,299,505)**	**16,237,281,080**

As at 31 March 2025	Not Subject to ECL Rs.	Subject to ECL Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	ECL Rs.	Carrying Amount Rs.
Cash and Cash Equivalents	286,462,350	-	-	-	-	286,462,350
Financial Assets Recognised Through Profit or Loss	505,099,380	-	-	-	-	505,099,380
Financial Investments at amortised cost	877,702,548	-	-	-	-	877,702,548
Financial Assets at Amortised Cost-Loans and Advances	-	7,722,744,080	1,144,601,778	1,582,231,703	(931,440,416)	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	36,299,617	-	-	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	-	-	5,702,715
Total Financial Assets	**1,711,266,610**	**7,722,744,080**	**1,144,601,778**	**1,582,231,703**	**(931,440,416)**	**11,229,403,755**

Age Analysis of Loans and Receivables

As at 31 March 2026	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Current	9,686,608,597	-	-	9,686,608,597
Overdue < 30 days	2,918,635,664	-	-	2,918,635,664
Overdue 30 to 90 days	-	1,750,056,823	-	1,750,056,823
Overdue > 90 days	-	-	1,531,834,645	1,531,834,645
Total	**12,605,244,261**	**1,750,056,823**	**1,531,834,645**	**15,887,135,729**

As at 31 March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Current	6,257,192,271	-	-	6,257,192,271
Overdue < 30 days	1,465,551,809	-	-	1,465,551,809
Overdue 30 to 90 days	-	1,144,601,778	-	1,144,601,778
Overdue > 90 days	-	-	1,582,231,703	1,582,231,703
Total	**7,722,744,080**	**1,144,601,778**	**1,582,231,703**	**10,449,577,561**

The following table summarizes the Credit quality of the cash at bank balances

Credit rating of the Bank/ Financial institutions	2026 Rs.	2025 Rs.
AA, AA-, A+, A, A-	201,840,976	144,637,863
BBB+, BBB, BBB-, BB+	227,212,920	98,363,257
	429,053,896	**243,001,120**

36. RISK MANAGEMENT (Cont'd...)

36.18 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of the financial assets.

As at 31 March 2026	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash in hand and balances with Banks	-	-	-	485,880,047	-	485,880,047
Financial Investments at amortised cost	-	-	-	697,333,023	-	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	1,304,313,419	2,078,375,184	3,145,405,658	5,064,594,157	3,392,147,806	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	50,038,551	-	50,038,551
Other Financial Assets	-	-	-	-	19,193,235	19,193,235
Total Financial Assets	**1,304,313,419**	**2,078,375,184**	**3,145,405,658**	**6,297,845,778**	**3,411,341,041**	**16,237,281,080**

As at 31 March 2025	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash in Hand and Balances with Banks	-	-	-	286,462,350	-	286,462,350
Financial Investments at amortised cost	-	-	-	877,702,548	-	877,702,548
Financial investments at fair value through profit or loss	-	-	-	505,099,380	-	505,099,380
Financial Assets at amortized cost - Loans and Receivables to other Customers	699,455,034	1,433,131,236	1,978,583,930	3,667,014,513	1,739,952,432	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	-	-	5,702,715	5,702,715
Total Financial Assets	**699,455,034**	**1,433,131,236**	**1,978,583,930**	**5,372,578,408**	**1,745,655,147**	**11,229,403,755**

36. RISK MANAGEMENT (Cont'd...)

36.19 Liquidity risk and funding management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through a Management Committee. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The company also has lines of credit that it can access to meet urgent liquidity needs. In addition, the company maintains Treasury bond investments with the Central Bank of Sri Lanka greater than 10% of customer deposits. Net liquid assets consist of cash, short–term company deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses to the Company.

Company Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Company Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to company to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company.

The Company relies on deposits from customers , and other debt securities and subordinated liabilities as its primary sources of funding.

The liquidity ratios during the year were, as follows:

Liquid Asset Ratios	**2026**	**2025**
Year End	14%	16%
Maximum	28%	29%
Minimum	12%	14%
Average	16%	20%

Advances to Deposit Ratios

The company stresses the importance of fixed deposit and savings accounts as sources of funds to finance lending to customers. (Advance to Deposit Ratio)

	2026	**2025**
Year End	2.0	1.5
Maximum	2.0	1.5
Minimum	1.5	1.1
Average	1.8	1.3

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows, including estimated interest payments of the company's financial assets and liabilities as at 31 March 2026. Contractual maturities of undiscounted cash flows of financial assets and liabilities are shown in the table below;

The table does not reflect the expected cash flow indicated by its deposit rention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to roll over of loans and advances and renewal of fixed deposits.

36. RISK MANAGEMENT (Cont'd...)

36.19 Liquidity risk and funding management (Contd..)

As at 31 March 2026	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.	Carrying Amount Rs.
Assets							
Cash in hand and balances with Banks	485,880,047	-	-	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	-	-	-	697,333,023	-	697,333,023	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	-	5,134,966,341	4,825,977,229	9,230,362,205	164,223,128	19,355,528,902	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	-	50,038,551	50,038,551	50,038,551
Other Financial Assets	-	810,000	1,518,235	2,520,000	14,345,000	19,193,235	19,193,235
	485,880,047	**5,135,776,342**	**4,827,495,464**	**9,930,215,228**	**228,606,678**	**20,607,973,758**	**16,237,281,080**
Liabilities							
Due to banks	389,370,355	899,025,759	829,577,276	1,040,351,002	-	3,158,324,393	3,158,324,393
Due to other customers	346,427	1,248,324,460	2,032,078,476	3,141,500,290	1,391,850	6,423,641,502	7,785,618,231
Other Borrowed funds	171,650,749	734,950,033	1,441,162,953	434,718,393	-	2,782,482,129	2,422,957,237
Financial Liabilities	-	158,182,604	33,655,394	-	-	191,837,998	191,837,997
Lease Liability	-	6,643,608	13,580,805	138,914,374	142,732,117	301,870,904	301,870,904
	561,367,531	**3,047,126,463**	**4,350,054,904**	**4,755,484,060**	**144,123,967**	**12,858,156,926**	**13,860,608,763**

As at 31 March 2025	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Balances Rs.	Carrying Amount Rs.
Assets							
Cash in Hand and Balances with Banks	286,462,350	-	-	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	-	884,451,307	-	-	-	884,451,307	877,702,548
Financial investments at fair value through profit or loss	-	509,432,164	-	-	-	509,432,164	505,099,380
Financial Assets at amortized cost - Loans and Receivables to other Customers	-	3,972,638,311	2,549,153,286	6,430,349,384	35,989,315	12,988,130,296	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	36,299,617	36,299,617	36,299,617
Other Financial Assets	-	568,675	1,121,311	610,584	3,402,145	5,702,715	5,702,715
	286,462,350	**5,367,090,457**	**2,550,274,597**	**6,430,959,968**	**75,691,077**	**14,710,478,449**	**11,229,403,755**
Liabilities							
Due to Banks	41,400,655	23,281,548	67,129,767	127,509,192	-	259,321,162	235,150,655
Due to Other Customers	-	2,780,772,669	2,190,128,064	3,141,500,290	-	8,112,401,023	7,160,617,321
Other Borrowed Funds	-	2,817,342	360,495,784	790,952,740	-	1,154,265,866	1,017,052,009
Financial Liabilities	-	185,040,131	25,417,614	-	-	210,457,745	210,457,745
Lease Liability	-	13,160,649	38,058,431	192,768,082	197,983,298	441,970,460	254,857,493
	41,400,655	**3,005,072,340**	**2,681,229,660**	**4,252,730,303**	**197,983,298**	**10,178,416,256**	**8,878,135,223**

36.20 Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As such interest rate risk is a key risk exposure of the Company due to unanticipated movements in the future interest rates which arises from the core business activities, granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk is mitigated principally through minimizing the interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the company conducts periodic reviews and re-prices its assets particularly by the means of following.

- Effective policies and procedures designed to control the nature and amount of IRR, including clearly defined IRR limits and lines of responsibility and authority.
- Appropriate risk-measurement, monitoring, and reporting systems.
- Systematic internal controls that include the internal or external review and audit of key elements of the risk-management process.

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2026	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2026 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	672,587,575	-	-	-	24,745,448	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	4,239,677,219	3,520,346,075	7,089,265,235	135,547,695	-	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	-	50,038,551	50,038,551
Financial Assets	-	-	-	-	19,193,235	19,193,235
	4,912,264,794	**3,520,346,075**	**7,089,265,235**	**135,547,695**	**579,857,281**	**16,237,281,080**
Financial Liabilities						
Due to Banks	1,280,399,946	829,577,276	1,040,351,002	-	7,996,169	3,158,324,393
Due to Customers	1,929,271,323	2,501,923,604	3,354,423,304	-	-	7,785,618,231
Other Borrowed funds	697,307,288	1,202,500,000	351,499,200	-	171,650,749	2,422,957,237
Financial Liabilities	-	-	-	-	191,837,997	191,837,997
Lease Liability	6,643,608	13,580,805	138,914,374	142,732,117	-	301,870,904
	3,913,622,164	**4,547,581,685**	**4,885,187,880**	**142,732,117**	**371,484,916**	**13,860,608,762**
Interest Sensitivity Gap	**998,642,630**	**(1,027,235,609)**	**2,204,077,355**	**(7,184,422)**	**208,372,365**	**2,376,672,318**

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

As at 31 March 2025	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2025 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	852,957,100	-	-	-	24,745,448	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	-	505,099,380
Financial Assets at amortised cost - Loans and Advances to Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	-	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	36,299,617	36,299,617
Financial Assets	-	-	-	-	5,702,715	5,702,715
	4,536,533,275	**1,677,515,344**	**4,632,958,995**	**29,186,011**	**353,210,130**	**11,229,403,755**
Financial Liabilities						
Due to Banks	39,726,610	67,129,767	127,509,192	-	785,086	235,150,655
Due to Customers	2,636,651,876	1,976,318,972	2,547,646,473	-	-	7,160,617,321
Other Borrowed funds	-	321,000,000	679,000,000	-	17,052,009	1,017,052,009
Financial Liabilities	-	-	-	-	210,457,745	210,457,745
Lease Liability	13,160,649	38,058,431	192,768,082	197,983,298	-	441,970,460
	2,689,539,135	**2,402,507,170**	**3,546,923,747**	**197,983,298**	**228,294,840**	**9,065,248,190**
Interest Sensitivity Gap	**1,846,994,140**	**(724,991,826)**	**1,086,035,248**	**(168,797,287)**	**124,915,290**	**2,164,155,565**

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.2 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's Net Interest Income.

Net Interest Income (NII) Sensitivity by Interest Rate Change

	2026		2025	
Parallel Increase / Decrease of Rate	(+/-) 1%	(+/-) 2%	(+/-) 1%	(+/-) 2%
Annual Impact on NII (Rs.)	(+/-) 23,472,278	(+/-) 46,944,556	(+/-) 2,097,319	(+/-) 4,194,639

36.20.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 March 2026	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Balances Rs.
Assets					
Cash in hand and balances with Banks	485,880,047	-	-	-	485,880,047
Financial Investments at amortised cost	697,333,023	-	-	-	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	4,239,677,219	3,520,346,075	7,089,265,235	135,547,695	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	50,038,551	50,038,551
Investment in Real Estate	5,000,000	12,972,789	-	-	17,972,789
Other Assets	56,428,489	55,839,622	111,654,867	14,573,069	238,496,047
Intangible assets	-	-	-	40,338,287	40,338,287
Property, plant and equipment	-	-	-	550,869,756	550,869,756
Right of Use Asset	931,987	1,545,316	37,879,137	224,358,566	264,715,006
Deferred tax assets	-	-	-	-	-
	5,485,250,766	**3,590,703,802**	**7,238,799,239**	**1,015,725,923**	**17,330,479,730**
Liabilities					
Due to banks	1,288,396,116	829,577,276	1,040,351,002	-	3,158,324,393
Due to other customers	1,929,271,323	2,501,923,604	3,354,423,304	-	7,785,618,231
Other Borrowed funds	868,958,037	1,202,500,000	351,499,200	-	2,422,957,237
Financial Liabilities	158,182,604	33,655,394	-	-	191,837,998
Lease liability	6,643,608	13,580,805	138,914,374	142,732,117	301,870,904
Other Non Financial Liabilities	68,112,669	134,281,438	-	-	202,394,107
Post Employment Liability	-	15,751,714	23,419,449	9,386,905	48,558,068
	4,319,564,356	**4,731,270,231**	**4,908,607,329**	**152,119,022**	**14,111,560,937**
Equity	-	-	-	3,218,918,793	3,218,918,793
Total Equity & Liabilities	**4,319,564,356**	**4,731,270,231**	**4,908,607,329**	**3,371,037,815**	**17,330,479,730**

36. RISK MANAGEMENT (Cont'd...)

36.20.3 Current and Non Current Analysis of Assets and Liabilities (Contd..)

As at 31 March 2025	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Balances Rs.
Assets					
Cash in hand and balances with Banks	286,462,350	-	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	-	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	505,099,380
Financial Assets at amortised cost - Loans and Advances to Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	36,299,617	36,299,617
Investment in Real Estate	5,000,000	15,000,000	19,270,759	-	39,270,759
Other Assets	33,101,243	172,147,513	12,505,112	3,402,154	221,156,023
Intangible assets	-	-	-	8,412,690	8,412,690
Property, Plant and Equipment	229,251	5,581,004	45,449,193	286,032,652	337,292,100
Right of Use Asset	49,184	1,878,935	7,195,589	213,362,243	222,485,950
Deferred tax assets	-	23,905,430	-	-	23,905,430
	4,886,120,752	**1,896,028,226**	**4,717,379,648**	**576,695,367**	**12,076,223,992**
Liabilities					
Due to banks	60,150,655	56,250,000	118,750,000	-	235,150,655
Due to other customers	2,636,651,876	1,976,318,972	2,547,646,473	-	7,160,617,321
Other Borrowed funds	17,052,009	321,000,000	679,000,000	-	1,017,052,009
Financial Liabilities	185,040,131	25,417,614	-	-	210,457,745
Lease Liability	4,488,722	12,981,938	80,772,481	156,614,352	254,857,493
Other Non Financial Liabilities	23,443,124	35,260,350	-	-	58,703,474
Post Employment Liability	-	12,357,270	20,779,990	6,267,891	39,405,151
	2,926,826,517	**2,439,586,144**	**3,446,948,944**	**162,882,243**	**8,976,243,848**
Equity	-	-	-	3,099,980,144	3,099,980,144
Total Equity & Liabilities	**2,926,826,517**	**2,439,586,144**	**3,446,948,944**	**3,262,862,387**	**12,076,223,992**

37. EVENTS AFTER THE REPORTING PERIOD

There were no material events that took place since 31 March 2026, that require adjustment to, or disclosure in the Financial Statements.

38. ASSETS PLEDGED

The following assets have been pledged as secuirty for banking and loan facilities

Name of the bank/Institution	Nature of the facility	Facility Amount Rs.	Facility outstanding as at 31 March 2026 Rs.	Securities / mortgages	Exposure Requirement
Commercial Bank of Ceylon PLC	Term Loan	225,000,000	118,750,000	Lease Receivables	1.50
DFCC Bank PLC	Term Loan	650,000,000	501,515,152	Lease Receivables	1.50
Cargills Bank PLC	Term Loan	150,000,000	112,500,000	Lease Receivables	1.50
Bank of Ceylon	Term Loan	500,000,000	430,555,556	Lease Receivables	1.50
People's Bank	Term Loan	1,000,000,000	974,800,000	Lease Receivables	2.00
SANASA Development Bank PLC	Term Loan	500,000,000	458,333,333	Gold Receivables	1.30
Union Bank of Colombo PLC	Term Loan	172,500,000	172,500,000	Lease Receivables	1.20
Commercial Bank of Ceylon PLC	Overdraft	25,000,000	25,000,000	Lease Receivables	1.50
DFCC Bank PLC	Overdraft	50,000,000	48,114,865	Lease Receivables	1.50
Union Bank of Colombo PLC	Overdraft	172,500,000	171,382,408	Property Mortgage	1.50
M Power Capital Securities Limited	Securitization	1,100,000,000	797,418,402	Lease Receivables / Gold Receivables	1.30
Think Capital Partners (Pvt) Ltd	Securitization	1,250,000,000	1,150,000,000	Lease Receivables	1.30

39. CAPITAL ADEQUACY

Capital adequacy is a measure of financial institution's financial strength and stability. This is a widely accepted concept, tries to specify the limit up to which a business can expand in terms of its risk-weighted assets. Finance Companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on Company's exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

Capital Adequacy ratio
As at 31 March 2026

	2026	2025
Tier 1 Capital ratio	21.98%	28.72%
Total Capital ratio	21.98%	28.72%

40. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of business with related parties. Details of significant related party disclosures are as follows.

40.1 Transactions with Key Management Personnel

Related party include Key Management Personal defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

40.2 Key Management Personnel Compensation

	2026 Rs.	2025 Rs.
Short-term employment benefits	67,381,052	44,499,433
Post Employment Benefit	9,545,720	6,197,874
Directors' emoluments	10,004,200	10,370,000
	86,930,972	**61,067,307**

Contribution to defined contribution plan in 31 March 2026 is Rs. 20,340,804/- (in 2025 - Rs.12,253,653/-).

In addition to the above, the Company has also provided non cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Company.

40. RELATED PARTY DISCLOSURES (Cont'd..)

40.3 Transactions, arrangements and agreements with Key Management Personnel and their close members of the family of the company

The company enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

Statement of Financial Position	Reported Under	2026 Rs.	2025 Rs.
Assets			
Loans and Receivables	Financial Assets at amortised cost - Loans and Advances to Customers	932,978	2,365,000
Liabilities			
Fixed Deposits	Due to Customers	64,810,644	28,259,108
Statement of Comprehensive Income			
Interest Income	Interest Income	187,443	541,083
Interest Expense on Customer Deposits	Interest Expenses	4,288,689	4,199,056

40.4 Transactions with Other Related Parties

40.4.1 Transactions with parent company - Union Bank of Colombo PLC

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with Parent Company

Statement of Financial Position	Reported Under	2026 Rs.	2025 Rs.
Liabilities			
Borrowings *	Other Borrowed Funds	172,555,578	-
		172,555,578	-
Statement of Comprehensive Income			
Interest Expense on Borrowings	Interest Expense	6,419,203	2,728,026
Interest Income	Interest Income	4,611,130	2,905,701
Borrowings from Parent Company			
Borrowings Obtained during the Year		322,500,000	600,000,000
Borrowings settled during the Year		(150,000,000)	(600,000,000)

41. SEGMENT INFORMATION

For the Management purposes, the company is organised in to three operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2026	Leasing Rs.	Loans & Advances Rs.	Others Rs.	Total Rs.
Interest Income	1,004,458,118	1,444,791,878	105,312,373	2,554,562,369
Interest Expenses	(346,384,328)	(839,987,105)	(59,728,066)	(1,246,099,499)
Net Interest Income	**658,073,790**	**604,804,773**	**45,584,307**	**1,308,462,870**
Fee and Commission Income	34,698,355	108,729,754	7,259,745	150,687,854
Fee and Commission Expenses	(5,331,654)	(1,723,507)	-	(7,055,161)
Net Fee and Commission Income	**29,366,701**	**107,006,247**	**7,259,745**	**143,632,693**
Other Operating Income (Net)	14,580,859	37,146,079	27,344,272	79,071,210
Total Operating Income	**702,021,350**	**748,957,099**	**80,188,324**	**1,531,166,773**
Impairment Charges on Loans and Advances	(58,184,064)	(29,516,225)	-	(87,700,289)
Impairment Charge on Non Financial Assets	-	-	(19,031,563)	(19,031,563)
Net Operating Income	**643,837,287**	**719,440,873**	**61,156,761**	**1,424,434,921**
Operating Expenses	(278,154,478)	(674,528,713)	(47,962,993)	(1,000,646,184)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	**365,682,809**	**44,912,160**	**13,193,768**	**423,788,737**
Value Added Tax on Financial Services (VAT on FS)	-	-	-	(146,383,291)
Social Security Contribution Levy (SSCL)	-	-	-	(21,163,453)
Profit / (Loss) Before Taxation	**365,682,809**	**44,912,160**	**13,193,768**	**256,241,993**
Tax Expense	-	-	-	(144,444,179)
Profit/(Loss) for the Year	**365,682,809**	**44,912,160**	**13,193,768**	**111,797,814**
Segment Assets	**4,817,437,591**	**11,682,357,232**	**830,684,907**	**17,330,479,730**
Segment Liabilities	**3,861,653,634**	**9,343,783,330**	**906,123,971**	**14,111,560,936**

41. SEGMENT INFORMATION

2025	Leasing Rs.	Loans & Advances Rs.	Others Rs.	Total Rs.
Interest Income	834,815,187	1,048,310,987	142,966,055	2,026,092,229
Interest Expenses	(370,304,181)	(595,765,922)	(147,912,847)	(1,113,982,950)
Net Interest Income	**464,511,006**	**452,545,065**	**(4,946,792)**	**912,109,279**
Fee and Commission Income	31,373,623	53,765,960	6,385,780	91,525,363
Fee and Commission Expenses	(13,271,090)	(17,434,200)	-	(30,705,290)
Net Fee and Commission Income	**18,102,533**	**36,331,760**	**6,385,780**	**60,820,073**
Other Operating Income (Net)	12,102,052	27,034,907	82,710,411	121,847,370
Total Operating Income	**494,715,591**	**515,911,732**	**84,149,399**	**1,094,776,722**
Impairment Charges on Loans and Advances	(111,018,546)	25,132,908	-	(85,885,638)
Impairment Charge on Non Financial Assets	-	-	(16,666,000)	(16,666,000)
Net Operating Income	**383,697,045**	**541,044,640**	**67,483,399**	**992,225,084**
Operating Expenses	(269,432,712)	(433,478,304)	(107,621,144)	(810,532,160)
Operating Profit before Value Added Tax (VAT) on Financial Services	**114,264,333**	**107,566,337**	**(40,137,745)**	**181,692,924**
Value Added Tax (VAT) on Financial Services	-	-	-	(90,165,483)
Social Security Contribution Levy (SSCL)	-	-	-	(12,522,984)
Profit / (Loss) Before Taxation	**114,264,333**	**107,566,337**	**(40,137,745)**	**79,004,457**
Tax Expense	-	-	-	(39,010,383)
Profit for the Year	**114,264,333**	**107,566,337**	**(40,137,745)**	**39,994,074**
Segment Assets	**4,014,313,000**	**6,458,449,585**	**1,603,461,407**	**12,076,223,992**
Segment Liabilities	**2,963,755,893**	**4,763,499,186**	**1,248,988,770**	**8,976,243,848**

SUPPLEMENTARY INFORMATION

TEN YEAR STATISTICAL SUMMARY

	2025 / 2026	2024/ 2025	2023 / 2024	2022 / 2023	2021 / 2022	2020/ 2021	2019/ 2020	2018/ 2019	2017/ 2018	2016/ 2017
Rs. Mn Operating Result										
Gross income	2,784	2,239	2,300	2,127	1,648	1,608	1,944	2,153	2,011	1,579
Interest income	2,555	2,026	2,143	2,013	1,522	1,521	1,822	2,067	1,905	1,403
Interest expenses	(1,246)	(1,114)	(1,399)	(1,274)	(679)	(929)	(1,228)	(1,345)	(1,292)	(926)
Net interest income	1,308	912	743	739	843	592	593	721	613	478
Non interest income	223	183	140	101	94	75	112	65	73	146
Impairment and other losses	(107)	(103)	(59)	(333)	(264)	(213)	(173)	(214)	(132)	(91)
Other operating expenses	(1,001)	(811)	(685)	(582)	(448)	(377)	(432)	(473)	(414)	(406)
Profit/(Loss) before taxes (PBT)	424	182	139	(74)	225	77	101	99	140	126
Tax expenses	(312)	(142)	(138)	(40)	(143)	(119)	(96)	(79)	(68)	(59)
Profit/(Loss) after tax (PAT)	112	40	1	(113)	81	(41)	5	20	72	68
Earning per share (Rs.)	0.035	0.013	0.001	(0.042)	0.067	(0.058)	0.002	0.009	0.040	0.040
Financial Position Assets										
Cash,balances with banks	486	286	229	510	232	250	222	474	455	516
Investments in government treasury bills and bonds	697	1,383	2,131	848	647	349	594	547	456	453
Loans & receivables	14,985	9,518	7,761	8,089	8,633	6,901	7,739	8,785	9,453	8,502
Property, plant and equipment	551	337	297	333	240	276	298	245	189	204
Deferred tax assets	-	24	63	146	150	232	297	330	188	199
Other assets	612	528	486	179	180	179	200	746	411	221
Total	17,330	12,076	10,967	10,107	10,083	8,187	9,350	11,127	11,151	10,096
Liabilities and Shareholder's Funds										
Due to Banks & Other Borrowings	5,581	1,252	21	497	2,022	2,699	2,148	2,882	2,378	2,877
Deposits from customers	7,786	7,161	7,528	6,509	4,892	4,441	6,160	7,220	7,237	6,063
Other liabilities	745	563	614	406	357	309	274	255	355	339
Total equity	3,219	3,100	2,805	2,695	2,811	738	768	770	1,181	816
Total	17,330	12,076	10,967	10,107	10,083	8,187	9,350	11,127	11,151	10,096

SHARE INFORMATION

The ordinary shares of the Company were listed on the Diri Savi Board of the Colombo Stock Exchange on 14 August 2023.

Number of Ordinary Shares as at 31 March 2026: 3,178,485,367 (2025 - 3,178,485,367)

(Stated Capital of the Company solely represents voting ordinary shares)

Share Trading Information

Share Price	2025/26	2024/25
Highest (Rs.)	4.50	0.80
Lowest (Rs.)	0.60	0.60
Last Traded (Rs.)	2.70	0.70
Number of Transactions during the year	47,598	1,693
Number of Shares traded during the year	1,106,876,681	30,598,816
Value of shares traded during the year (Rs.)	2,826,706,190.10	22,316,473.30

Market Capitalization

	2025/26	2024/25
Float adjusted market capitalization (Rs.)	1,142,648,391.60	191,741,854.20

The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (i) (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Public Holding

	2025/26	2024/25
No of shareholders	7962	5094
Public Holding %	13.3146%	10.0542%

Composition of Ordinary Shareholders

As at 31st March 2026	No of Shares	%	No of Shareholders	%
Resident Individuals	332,954,223	10.48	7,686	96.51
Resident Institutions	2,828,089,578	88.98	223	2.80
Non-Resident Individuals	16,550,850	0.52	53	0.67
Non-Resident Institutions	890,716	0.03	2	0.03
Total	**3,178,485,367**	**100.00**	**7,964**	**100.00**

Distribution of Shareholders

Shareholding	As at 31st March 2026				As at 31st March 2025			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1-1,000	2,582	32.42	809,025	0.03	1,530	30.02	478,338	0.02
1,001-10,000	2,467	30.98	10,897,866	0.34	1,654	32.45	7,318,478	0.23
10,001-100,000	2,279	28.62	79,450,607	2.50	1,594	31.27	54,255,565	1.71
100,001-1,000,000	592	7.43	167,527,355	5.27	289	5.67	79,672,277	2.51
Over 1,000,000 shares	44	0.55	2,919,800,514	91.86	30	0.59	3,036,760,709	95.54
Total	**7,964**	**100.00**	**3,178,485,367**	**100.00**	**5,097**	**100.00**	**3,178,485,367**	**100.00**

Top 20 Shareholders of the Company

No	Name	As at 31st March 2026	
		No. of Shares	%
1	Union Bank of Colombo PLC	2,755,219,959	86.683
2	MR. D.A.J. Warnakulasuriya	51,400,345	1.617
3	MR. A.N. Handunpathirana	15,000,000	0.472
4	MR O.I. Sheunn	14,605,884	0.460
5	Associated Electrical Corporation Ltd	7,551,017	0.238
6	Ranavav Holdings (Pvt) Ltd	5,000,000	0.157
7	Sampath Bank PLC / Ceylon Capital One Investment (Pvt) Ltd	4,400,295	0.138
8	MR. J.M.J. Prasanna	4,010,000	0.126
9	People's Leasing & Finance PLC / L.H.L.M.P. Haradasa	3,741,126	0.118
10	People's Leasing & Finance PLC / N. Anoshan	3,700,000	0.116
11	Seylan Bank PLC / MR. Manikkavasagar Thiyagaraja	3,436,441	0.108
12	DR. A.A.M. Dharmadasa	3,056,269	0.096
13	MR. K.A.D.R. Shayantha	2,345,448	0.074
14	People's Leasing & Finance PLC / R.H. Abeygoonewardena & V.F. Abeygoonewardena	2,334,516	0.073
15	MR. W.E.S. Rodrigo	2,330,000	0.073
16	MR. S.H.I.R. De Silva	2,051,856	0.065
17	People's Leasing & Finance PLC / L.H.L. Noris De Silva & Son (Pvt) Ltd	2,050,000	0.064
18	MR. S. Kirishanth	2,000,432	0.063
19	MR. N.W.V. Ruwan Kumara	1,985,300	0.062
20	MR. S.C. Manage	1,800,000	0.057
	Others	**290,466,479**	**9.140**
	Total	**3,178,485,367**	**100.000**

No	Name	As at 31st March 2025	
		No. of Shares	%
1	Union Bank of Colombo PLC	2,858,791,010	89.942
2	MR. D.A.J. Warnakulasuriya	51,400,345	1.617
3	MR O.I. Sheunn	14,605,884	0.460
4	MR. S. Ramanathan	13,811,004	0.435
5	MR. A.N. Handunpathirana	12,108,672	0.381
6	People's Leasing & Finance PLC / Suhada Gas Distributors (Pvt) Ltd	11,466,099	0.361
7	MS. H.T.S. Soysa	7,800,000	0.245
8	Associated Electrical Corporation Ltd	7,551,017	0.238
9	Est.of Lat K.C. Vignarajah	7,495,990	0.236
10	Senkadagala Finance PLC / C.B.R.Fernando	6,923,423	0.218
11	MR. A.M. Irfan	5,878,992	0.185
12	Assetline Finance Limited / Suhada Gas Distributors (Pvt) Ltd	5,090,354	0.160
13	Sampath Bank PLC / Ceylon Capital One Investment Private Ltd	4,248,102	0.134
14	People's Leasing & Finance PLC / N. Anoshan	3,900,000	0.123
15	Seylan Bank PLC / Mr. Manikkavasagar Thiyagaraja	3,436,441	0.108
16	MR. V.R.A. Perera	3,400,000	0.107
17	MR. N.W.V. Ruwan Kumara	1,985,300	0.062
18	MR. M.G.Y.A. Udawatte	1,752,569	0.055
19	MR C.P.A. Wijesekera	1,547,262	0.049
20	MR. R.P. Kaluarachchi	1,500,000	0.047
	Others	**153,792,903**	**4.837**
	Total	**3,178,485,367**	**100.000**

Directors' and CEO's Share Holdings

Name	Position	No of Shares as at 31-03-2026	% Holding	No of Shares as at 31-03-2025	% Holding
Mr. Sabry Ghouse	Chairman	-	-	-	-
Mr. Mohan Ratnayake	Director	-	-	-	-
Mr. Sanjay Prokhrel	Director	-	-	-	-
Mr. Raj Moahan Balendra	Director	-	-	-	-
Mr. Jayendra Setukavalar	Director	-	-	-	-
Prof. Ajantha Dharmasiri	Director	-	-	-	-
Mr Dilshan Peter Nirosh Rodrigo	Director	-	-	-	-
Mr. S. Yapa Abeywardene (Resigned w.e.f 30.04.2026)	Director	-	-	-	-
Mr. Ransith Karunaratne	Director/CEO	62,300	0.002%	62,300	0.002%

Key Ratios

Ratio	31-03-2026	31-03-2025
Dividend per share	-	-
Dividend Payout Ratio	-	-
Net Asset Value Per Share (Rs.)	1.01	0.98

BRANCH INFORMATION

LOCATION	ADDRESS	TELEPHONE	FAX
Head Office	No. 10, Daisy Villa Avenue, Colombo 04.	+94 (0) 114 - 468 888	+94 (0) 112 - 508 517
Premier Business Center	No. 33, Lauris Road,Colombo 04.	+94 (0) 114 - 745 100	+94 (0) 112 - 508 517
Ambalangoda	No. 27, Wickramasooriya Road, Ambalangoda.	+94 (0) 917 - 634 600 +94 (0) 917 - 634 601	+94 (0) 917 - 634 602
Galle	No. 30, Sri Dewamiththa Mawatha, Cheena Koratuwa, Galle.	+94 (0) 917 - 634 577 +94 (0) 917 - 634 576	+94 (0) 917 - 634 575
Gampaha	No. 20, Rest House Road, Gampaha.	+94 (0) 334 - 501 520 +94 (0) 334 - 501 521	+94 (0) 334 - 501 522
Kadawatha	No. 143/B. Kandy Road, Kadawatha.	+94 (0) 117 - 634 577 +94 (0) 117 - 634 576	+94 (0) 117 - 634 575
Kalmunai	No. 114/B, Main Street, Kalmunai.	+94 (0) 674 - 501 011 +94 (0) 674 - 501 012	+94 (0) 674 - 501 013
Kandy Premier	No. 206, Katugasthota Road, Kandy.	+94 (0) 817 - 634 577 +94 (0) 817 - 634 576	+94 (0) 817 - 634 575
Kurunegala	No. 60, Colombo Road, Kurunegala.	+94 (0) 377 - 634 577 +94 (0) 377 - 634 576	+94 (0) 377 - 634 575
Matara	No. 268, Dharmapala Mawatha, Matara.	+94 (0) 417 - 634 577 +94 (0) 417 - 634 576	+94 (0) 417 - 634 575
Mawanella	No. 150, Colombo - Kandy New Road, Gunarathna Building, Mawanella.	+94 (0) 357 - 634 577 +94 (0) 357 - 634 576	+94 (0) 357 - 634 575
Negombo	No. 539, Colombo Road, Kurana, Negombo	+94 (0) 317 - 634 577 +94 (0) 317 - 634 576	+94 (0) 317 - 634 575
Nuwara Eliya	No. 32/1, Park Road, Nuwaraeliya.	+94 (0) 524 - 650 300 +94 (0) 524 - 650 301	+94 (0) 524 - 650 302
Panadura	No. 297, Galle Road, Panadura.	+94 (0) 387 - 634 577 +94 (0) 387 - 634 576	+94 (0) 387 - 634 575
Polonnaruwa	No. 05, Batticaloa Road, Polonnaruwa.	+94 (0) 277 - 634 577 +94 (0) 277 - 634 576	+94 (0) 277 - 634 575
Rathnapura	No. 105/1, Colombo Road, Rathnapura.	+94 (0) 454 - 650 300 +94 (0) 454 - 650 301	+94 (0) 454 - 650 302
Thissamaharama	No. 116, Main Street, Tissamaharama.	+94 (0) 477 - 634 577 +94 (0) 477 - 634 576	+94 (0) 477 - 634 575

BRANCH NETWORK

CORPORATE INFORMATION

Company Name	:	UB Finance PLC
Statutory Status	:	Public Limited Liability Company
Incorporated On	:	12-07-1961
Company Reg.No	:	PQ 00283806 (Previously PB 113)
Stock Exchange Listing	:	The Company was listed on the Colombo Stock Exchange on 14th August 2023
Credit Rating	:	The company has been assigned a National Long-term rating of BB(lka) with a Negative Outlook by Fitch Rating Lanka Limited
Financial Year End	:	31st March
Governed By	:	The Companies Act No.07 of 2007,(as Amended) The Finance Business Act No.42 of 2011, The Finance Leasing Act No. 56 of 2000 & Listing Rules of Colombo Stock Exchange
Principal Activities	:	Mobilizing fixed and savings deposits and providing a range of financial services, including leasing and loan facilities, gold loans, working capital financing, and mortgage loans.
Registered Office	:	No. 10, Daisy Villa Avenue, Colombo 04
Head Office	:	No. 10, Daisy Villa Avenue, Colombo 04
Telephone	:	+94 (0) 11 4 468 888
Fax	:	+94 (0) 11 2 508 517
E-mail	:	info@ubf.lk
Website	:	www.ubf.lk
External Auditors	:	M/s KPMG, Chartered Accountants
Legal Consultants	:	M/S Nithya Partners, Attorneys-at-Law
Company Secretary	:	Ms. Tharanga Nandasena
Company Registrars	:	Central Depository Systems (Pvt) Ltd
Bankers	:	Union Bank of Colombo PLC Commercial Bank of Ceylon PLC DFCC Bank PLC Hatton National Bank PLC Nations Trust Bank PLC National Development Bank PLC Sanasa Development Bank PLC Pan Asia Banking Corporation PLC People's Bank Sampath Bank PLC Seylan Bank PLC Bank of Ceylon Cargills Bank
Tax Payer Identification No	:	104019404

BOARD OF DIRECTORS (As at 31st March, 2026)

Mr. Sabry Ghouse – Chairman - Independent Non-Executive Director
(Appointed as the Chairman with effect from 6th November, 2025)

Mr. Ransith Karunaratne – Director/Chief Executive Officer

Mr. Raj Moahan Balendra – Independent Non-Executive Director

Mr. R. M. Mohan J Ratnayake – Independent Non-Executive Director

Mr. Jayendra A. Setukavalar – Independent Non-Executive Director

Mr. Sanjay Pokhrel – Non-Independent Non-Executive Director

Prof. Ajantha Sujeewa Dharmasiri – Independent Non-Executive Director

Mr. Dilshan Peter Rodrigo – Non-Independent Non-Executive Director

Mr. Shankanada Yapa Abeywardene – Non-Independent Non-Executive Director
(Appointed w.e.f. 25th July, 2025. Resigned w.e.f. 30th April, 2026)

Mr. Lathika Sampath Weerasinghe - Non-Independent Non-Executive Director
(Appointed w.e.f. 4th August, 2026)

UB Finance PLC
No.10, Daisy Villa Avenue, Colombo 04.
T +94 114 468 888 F +94 112 508 517 E info@ubf.lk W ubf.lk

Reach us