SMB FINANCE PLC

PUBLICATION OF AUDITED STATEMENT OF INCOME AND FINANCIAL POSITION IN TERMS OF SECTION 29 OF THE FINANCE BUSINESS ACT NO.42 OF 2011

Statement of Profit or Loss and Other Comprehensive Income

Rs. For the year ended December 31,	2025	2024
Interest income	625,632,230	513,030,192
Interest expenses	(217,903,059)	(164,598,531)
Net interest income	**407,729,171**	**348,431,661**
Fee and commission income	9,780,523	6,805,088
Net interest, fee and commission income	**417,509,694**	**355,236,749**
Other operating income (Net)	44,694,094	18,114,218
Changes in fair value of investment property	116,601,258	74,170,450
Total operating income	**578,805,046**	**447,521,417**
Allowance for expected credit loss - Reversal	91,004,658	113,668,178
Net operating income	**669,809,704**	**561,189,595**
Personnel expenses	(205,215,459)	(157,316,338)
Other expenses	(178,615,868)	(144,361,651)
Operating profit before taxes on financial services	**285,978,377**	**259,511,606**
Taxes on financial services	(72,474,163)	(61,632,960)
Profit after taxes on financial services	**213,504,214**	**197,878,646**
Share of profit of associate company	-	1,864,471
Profit before income tax	**213,504,214**	**199,743,117**
Income tax expense	(53,574,511)	(48,772,466)
Profit for the year	**159,929,703**	**150,970,651**
Other Comprehensive Income		
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on defined benefit plans	636,926	(3,967,753)
Deferred tax charge on actuarial gain	(191,078)	-
Equity investments at FVOCI – Net change in fair value	8,082,524	3,979,724
Other comprehensive income for the year (Net of taxes)	**8,528,372**	**11,971**
Total comprehensive income for the year	**168,458,075**	**150,982,622**

Figures in brackets indicate deductions.

Statement of Financial Position

Rs. As at 31st December	2025	2024
Assets		
Cash and cash equivalents	42,465,580	44,436,726
Placements with banks	3,020,384,995	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	2,311,705,071	1,782,535,495
Financial investments	170,530,307	120,351,765
Assets held for sale	-	41,699,000
Investment properties	996,750,000	708,050,000
Property, plant & equipment	67,744,690	59,654,628
Right-of-use assets	58,577,248	73,151,295
Intangible assets	264,127,391	268,246,256
Deferred tax assets	-	-
Other assets	78,317,146	80,152,769
Total assets	**7,010,602,428**	**6,102,745,126**
Liabilities		
Due to financial institutions	2,578,834,690	1,927,174,171
Financial liabilities at amortised cost - Deposits due to customers	268,393,940	166,816,577
Financial liabilities at amortised cost - Due to other customers	140,318,295	135,837,341
Retirement benefit obligations	28,310,377	21,786,312
Lease liabilities	55,018,753	63,547,836
Deferred tax liabilities	1,953,673	-
Other liabilities	131,573,636	149,841,900
Total liabilities	**3,204,403,364**	**2,465,004,137**
Equity		
Stated capital	3,062,681,524	3,062,681,524
Statutory reserve fund	63,272,414	55,275,929
Fair value reserve	76,607,071	68,524,547
Retained earnings	603,638,055	451,258,989
Total equity	**3,806,199,064**	**3,637,740,989**
Total equity and liabilities	**7,010,602,428**	**6,102,745,126**

Figures in brackets indicate deductions.

It is certified that the financial statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

(Sgd)
Sachini Wijesinghe ACA, ACMA (UK), ACCA (UK)
Financial Controller

(Sgd)
Supul Wijesinghe FCA, FCMA (UK), FCCA (UK)
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these financial statements.

Approved and signed on behalf of the Board by,

(Sgd)
Shahen Wijeratne
Director

(Sgd)
Lolitha Abeysinghe
Director

Colombo - March 30, 2026

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. 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

TO THE SHAREHOLDERS OF SMB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMB Finance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2025, and the 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 December 31, 2025, 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.

01. Allowance for Expected credit losses of loans and receivables to customers

Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to Customers, "Note 5.2.5.1 and 19" to the Financial Statements: Significant Accounting Judgments and Estimates, "Note 3.2.2" to the Financial Statements.

Risk Description	Our Response
As disclosed in Note 19 to these financial statements, the Company has recorded financial assets at amortized cost against loans and receivables to customers amounting to Rs. 2,311,705,071/- as at 31 December 2025. High degree of complexity and judgment are involved in estimating ECL of Rs. 450,210,067/- against loans and receivables to customers as at the reporting date. The Company uses the Expected Credit Loss (ECL) model to calculate the loss allowance in accordance with SLFRS 9 – Financial Instruments (SLFRS 9). 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).There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios used and the post-model adjustments including their weighting and judgments over the use of data inputs required. 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 on customers, increasing our audit effort thereon, Accordingly, allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances.	Our audit procedures included: • Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain volatile macro-economic environment; • Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of Management's key judgments and estimates; • Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; • Testing IT System Controls which record loan days past due, and non performing loan classification; • Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; • Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checking the accuracy of the provision for impairment for such identified individually significant exposures; • Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment; • Working with our Financial Risk Management (FRM) specialists, and evaluating and challenging the key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance; • Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

02. Valuation of Investment Property

Refer to the accounting policies in the Financial Statements: Investment Property, "Note 5.3.5 and 22".

Risk Description	Our Response
As at 31 December 2025, the Company's Investment Properties carried at fair value amount to Rs. 997 Mn. Further, the fair value gain recognized in the statement of profit or loss for the year, amounted to Rs. 117 Mn. The Company has engaged an independent external professional valuer with appropriate expertise in valuing properties, to determine the fair value of investment property in accordance with recognized industry standards. Estimating the fair value is a complex process which involves a significant degree of judgement and estimates in respect of price per perch of the land, capitalization rates, value per square feet, fair market rental and diversity of locations and nature of the land and buildings and investment properties. We identified this as a key audit matter because of the significant judgments and estimations in the selection of appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparable used, taking into consideration for difference such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.	Our audit procedures included: • Assessing the objectivity, independence, competence and qualifications of the external valuer; • Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal valuation specialist; • Inquiring how valuers had assessed the impact of the prevailing uncertain and volatile macro- economic environment to assess whether that it was appropriately considered in the measurement in valuing properties to determine the fair value of the investment property; • Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's 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 2599.

KPMG
Colombo, Sri Lanka

March 30, 2026