

CITIZENS DEVELOPMENT BUSINESS FINANCE PLC

Audited Financial Statements for the year ended 31st March 2026

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Citizens Development Business Finance PLC
Report on the Audit of Financial Statements



Opinion

We have audited the financial statements of Citizens Development Business Finance PLC (the Company), which comprise the statement of financial position as at 31 March 2026, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including those relating to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Allowance for Expected Credit Losses on Loans and Receivables from Customers Measured at Amortised Cost</p> <p>Allowances for expected credit losses of loans and receivables to customers measured at amortised cost as disclosed in Notes XX and XY respectively, are determined by management based on the accounting policies described in Note 10 to the financial statements.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> the significant management judgements, assumptions and high level of estimation uncertainty involved in assessing the future recoverability of Loans and receivables; and the materiality of the reported allowance for expected credit losses. <p>Key areas of significant judgements, assumptions and estimates used by management in the assessment of the impairment for expected credit losses included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity.</p> <p>Further information on the key estimates, assumptions and judgements is disclosed in Note 48.A.</p>	<p>In addressing the allowances for expected credit losses of loan and receivables to customers measured at amortised cost, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Assessed the alignment of the Company's allowances for expected credit losses computations with the underlying methodology and related accounting policies, based on the best available information up to the date of our report. Evaluated the design, implementation and operating effectiveness of controls over the estimation of expected credit losses. Assessed the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board of Directors and management. Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit losses computations by agreeing details to relevant source documents and accounting records of the Company. Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. <p>In addition to the above, the following procedures were performed:</p> <ul style="list-style-type: none"> Tested the key inputs and the calculations used in the allowances for expected credit losses. Assessed the reasonableness of judgements, assumptions and estimates used by the management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weightings assigned to each scenario. Assessed the adequacy of the related financial statement disclosures set out in Notes 23 and 48.A.
<p>Information Technology (IT) systems related internal controls over financial reporting</p> <p>The Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems and related internal controls over financial reporting were identified as a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. <p>Involved our internal specialised resources and:</p> <ul style="list-style-type: none"> Identified, evaluated and tested the design and operating effectiveness of internal controls related to IT systems, including those related to user access and change management, and Obtained a high-level understanding of the cybersecurity risks affecting the Company and the actions taken to address these risks primarily through inquiry. Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other Information Included in the Company's 2026 Annual Report

Other information consists of the information included in the Company's 2026 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information, and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 scepticism 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 to 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.

The CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4839.

Ernst & Young

05th June 2026
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 st March	2026 Rs. '000	2025 Rs. '000
Revenue	30,157,039	25,598,532
Interest income	26,905,169	22,884,998
Less: Interest expense	13,714,252	11,493,679
Net interest income	13,190,917	11,391,319
Fee and commission income	358,421	272,909
Other operating income	2,893,449	2,440,625
Total operating income	16,442,787	14,104,853
Less: Impairment charges / (Reversal) and other credit losses	556,376	(644,228)
Net operating income	15,886,411	14,749,081
Less: Operating expenses		
Personnel expenses	3,448,599	2,739,735
Premises, equipment and establishment expenses	3,424,289	3,390,872
Other expenses	795,302	696,105
Total operating expenses	7,668,190	6,826,712
Operating profit before taxes on financial services	8,218,221	7,922,369
Less: Taxes on financial services	1,975,537	2,171,700
Profit before tax	6,242,684	5,750,669
Less: Income tax expense	1,737,529	1,745,189
Profit for the year	4,505,155	4,005,480
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Change in fair value of hedge reserve (Net of tax)	(10,834)	12,432
Items that will not be reclassified to profit or loss		
Change in revaluation surplus (Net of tax)	-	483,743
Net change in fair value of Financial Investments at FVOCI	260,447	624,551
Change in defined benefit plan (Net of tax)	787,133	(567,257)
Total other comprehensive income	1,036,746	553,469
Total comprehensive income for the year	5,541,901	4,558,949
Earnings per share		
Basic earnings per share (Rs.)	6.28	5.65
Diluted earnings per share (Rs.)	6.19	5.50

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31 st March	2026 Rs. '000	2025 Rs. '000
Assets		
Cash and cash equivalents	3,350,154	4,582,802
Derivative financial assets	236,550	31,712
Financial assets recognised through profit or loss	830,134	-
Securities purchased under resale agreements	5,529,918	3,671,842
Deposits with financial institutions	17,461,937	18,069,873
Loans and receivables to customers	169,204,400	110,866,909
Other investment securities	5,147,172	9,498,082
Investment properties	31,000	558,091
Property, plant and equipment	5,962,346	4,657,677
Right-of-use assets	1,120,452	955,841
Intangible assets	427,576	333,470
Goodwill on amalgamation	-	-
Net retirement benefit asset	252,808	-
Net deferred tax assets	171,812	-
Other assets	4,957,958	3,710,047
Total assets	214,684,217	156,936,346
Liabilities		
Due to banks and financial institutions	77,345,550	32,142,375
Deposits from customers	91,331,352	86,849,204
Debt securities issued and subordinated debt	11,112,457	6,969,330
Lease liabilities	1,123,617	982,001
Current tax liabilities	1,729,652	1,466,376
Net deferred tax liabilities	-	565,271
Net retirement benefit obligation	-	553,890
Other liabilities	3,624,760	3,471,610
Total liabilities	186,267,388	133,000,057
Equity		
Stated capital	2,743,565	2,550,492
Reserves	6,992,998	7,352,802
Retained earnings	18,680,266	14,032,995
Total equity	28,416,829	23,936,289
Total liabilities and equity	214,684,217	156,936,346
Net assets value per share (Rs.)	39.62	33.78
Contingencies and commitments	7,857,065	5,252,610

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements. Approved and signed for and on behalf of the Board.

Ruwana Chandrajith

Ruwana Chandrajith
Chief Financial Officer

J R Alastair Corera

J R Alastair Corera
Chairman
05th June 2026 Colombo

C M Nanayakkara

C M Nanayakkara
Managing Director/CEO

Selected Performance Indicators as per regulatory requirements	Company	
	As at 31-03-2026	As at 31-03-2025
Asset Quality (Rs. 000)		
Gross Non-Performing Accommodations	6,493,310	7,139,900
Gross Non-Performing Accommodations Ratio	3.78%	6.32%
Net Non-Performing Accommodations Ratio	1.53%	3.10%
Net Non-Performing Loans to Core Capital Ratio	11.04%	19.02%
Provision Coverage Ratio	60.43%	52.53%
Liquidity (Rs. 000)		
Required Minimum Amount of Liquid Assets	12,233,534	10,572,131
Available Amount of Liquid Assets	15,510,888	20,256,078
Required Minimum Amount of Government Securities	7,174,338	5,731,512
Available Amount of Government Securities	7,804,124	9,381,123
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	126.79%	191.60%
Liquid Assets to External Funds *	8.63%	16.08%
Capital Adequacy (Rs. 000)		
Core Capital (Tier 1 Capital)	22,550,074	17,821,571
Total Capital Base	31,239,729	22,276,671
Core Capital to Risk Weighted Assets Ratio (Minimum 10%)	13.23%	14.47%
Total Capital to Risk Weighted Assets Ratio (Minimum 14%)	18.32%	18.09%
Capital Funds to Total Deposit Liabilities Ratio (Minimum 10%)	34.99%	25.65%
Profitability		
Net Interest Margin	7.10%	7.97%
Return on Average Assets-After Tax	2.42%	2.80%
Return on Average Equity-After Tax	17.21%	18.15%
Cost to Income Ratio	46.64%	48.40%
Memorandum information		
Number of Employees	2,308	1,939
Number of Branches	71	71
External Credit Rating (Fitch Ratings Lanka Ltd.)	BBB (Ika)/ Stable	BBB (Ika)/ Stable

* External funds includes deposits and borrowings