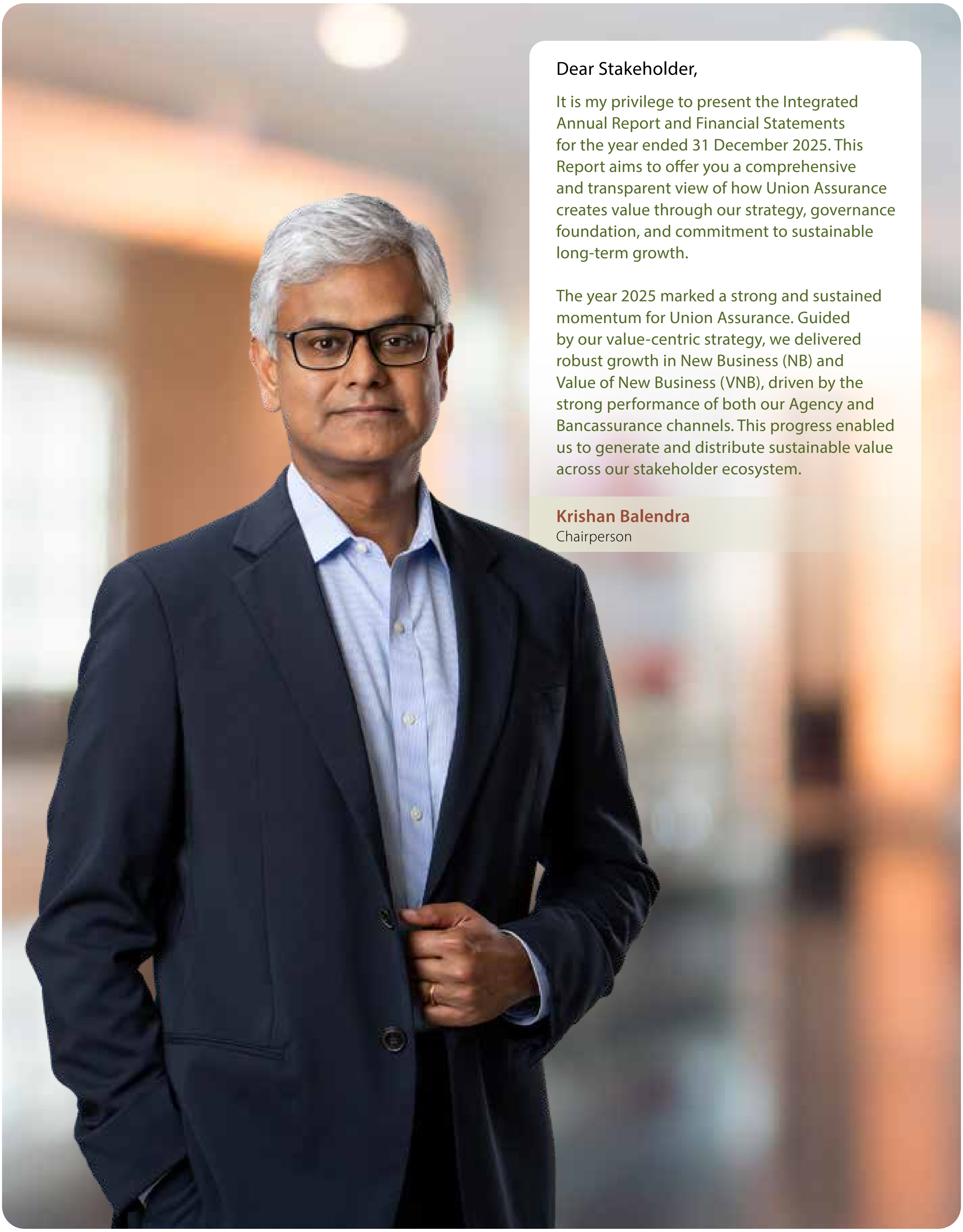
CHAIRPERSON'S MESSAGE



Dear Stakeholder,

It is my privilege to present the Integrated Annual Report and Financial Statements for the year ended 31 December 2025. This Report aims to offer you a comprehensive and transparent view of how Union Assurance creates value through our strategy, governance foundation, and commitment to sustainable long-term growth.

The year 2025 marked a strong and sustained momentum for Union Assurance. Guided by our value-centric strategy, we delivered robust growth in New Business (NB) and Value of New Business (VNB), driven by the strong performance of both our Agency and Bancassurance channels. This progress enabled us to generate and distribute sustainable value across our stakeholder ecosystem.

Krishan Balendra
Chairperson

Our overarching strategic focus remains on delivering sustainable earnings supported by disciplined risk management and operational efficiency, ensuring stable and consistent profitability in the years ahead, with reduced volatility and enhanced value creation for stakeholders.

Economic & Industry Landscape

The Sri Lankan economy, maintained stability throughout 2025, supported by ongoing fiscal reforms, debt restructuring initiatives, and the continuation of the IMF-backed stabilisation programme. Encouraging improvements in macroeconomic indicators, including moderating inflation and strengthened external balances, restored confidence and positioned the country on a renewed path of economic expansion. These developments contributed to a more favourable environment for the financial services industry.

For the insurance sector, growth was underpinned by persistent low penetration levels, rising public awareness, product innovation and growth in Bancassurance led insurance distribution. Collectively, these factors strengthened demand and reach across key market segments.

During the year, the Central Bank maintained its policy rates in line with stable inflation trends. While the reduction in interest rates supported broader economic activity, it presented challenges to sustain higher investment returns.

Business Performance & Strategic Progress

Despite operating within a dynamic and evolving environment, Union Assurance delivered strong and resilient results in 2025. Disciplined execution of our strategic priorities together with premium growth, improvements in new business margins, distribution excellence, prudent investment management, and a robust capital posture continued to strengthen the Company's long-term value creation capacity.

Gross Written Premiums grew by 19%, supported by a 27% increase in First Year Premiums, reflecting strong traction in our core Life Insurance business. Our diversified product portfolio and strengthened distribution strategies reinforced our competitive market position. The Agency Channel remained focused on expanding reach, enhancing quality of distribution and driving premium persistency, ensuring stable and recurring new business premiums.

A key milestone of the year was the establishment of an exclusive bancassurance partnership with Sampath Bank PLC, a leading private commercial bank in Sri Lanka. This agreement strengthens our position within the bancassurance sector and is expected to significantly broaden our customer base while driving sustained growth in GWP over the medium to long term.

Moreover, the Company recorded a Life Insurance surplus of Rs. 3.4 Bn, an increase from Rs. 3.0 Bn in the previous year. This growth was driven by strong premium inflow, improved new business margins, disciplined cost management, and prudent risk selection.

In September 2025, Union Assurance divested its 22% stake in Fairfirst Insurance Limited, aligning with our long-term strategic focus on value-centric growth in Life Insurance. While this divestment resulted in a one-off impact on Profit Before Tax for the year, our continued investments in strengthening core business fundamentals and expanding distribution channels significantly enhance our ability to generate sustainable long term value. The divestment of our associate shareholding also reinforced our Capital Adequacy Ratio supporting the Company's long-term financial resilience.

Strategic investments in exclusive bancassurance partnerships, though moderating investment income in the short term, provide a robust platform for expanding our reach and distribution architecture over the medium to long term. As these partnerships mature, they are expected to significantly enhance market penetration and further strengthen our ability to create sustained long term value.

Our overarching strategic focus remains on delivering sustainable earnings supported by disciplined risk management and operational efficiency, ensuring stable and consistent profitability in the years ahead, with reduced volatility and enhanced value creation for stakeholders.

The Life Fund, backed by a high quality asset base, grew by 20% to Rs. 92.8 Bn, while we maintained a Capital Adequacy Ratio (CAR) of 215% as at 31 December 2025, well above the regulatory minimum of 120%. This reflects our solid solvency position and ability to support future growth.

Empowering Our People

Our people continue to be the driving force behind everything we achieve as an organisation. In 2025, we strengthened this foundation by launching our new Employee Value Proposition (EVP), "Grow Beyond Limits." This initiative is designed to cultivate a dynamic, future-ready workforce and reinforce an empowering, purpose-led organisational culture. Our ability to attract, develop, and retain exceptional talent has long been one of our greatest strengths. As we move forward, this commitment will remain a key differentiator for Union Assurance.

Governance & Ethical Stewardship

I am pleased to report that there were no violations of the Company's Code of Conduct or the Code of Business Conduct and Ethics, as outlined under the Code of Best Practice on Corporate Governance

CHAIRPERSON'S MESSAGE

We continued to advance our long term sustainability agenda, reinforcing the importance of responsible operational management and aligning our efforts with the evolving expectations of both local and global stakeholders.

27%
Growth in First Year Premium

Rs. 3.4 Bn
Surplus from Life Insurance Fund
(2024: Rs. 3.0 Bn)

Rs. 92.8 Bn
Life Fund
(2024: Rs. 77.5 Bn)

2023 jointly issued by CA Sri Lanka and the Securities Exchange Commission of Sri Lanka. We remain steadfast in our commitment to the highest standards of ethical behaviour, legal compliance, and maintaining a safe, inclusive, and harassment-free workplace. These principles continue to underpin our culture and reinforce stakeholder confidence.

Reflecting our commitment to transparency, regulatory alignment, and responsible long-term value creation, we further strengthened our governance and risk management frameworks during the year. Key progress areas included advancing alignment with SLFRS 17, enhancing compliance with the Personal Data Protection Act, establishing robust governance structures for SLFRS S1 and S2, and further strengthening AML/CFT/CPF processes. Collectively, these efforts demonstrate our dedication to sound governance, sustainable business integrity, and long-term stakeholder trust.

Sustainability & Responsible Growth

This Report outlines Union Assurance's sustainability performance in accordance with the Global Reporting Initiative (GRI) Standards, reflecting our integrated and holistic approach to sustainable business practices. In 2025, we continued to advance our long term sustainability agenda, reinforcing the importance of responsible operational management and aligning our efforts with the evolving expectations of both local and global stakeholders.

During the year, we further strengthened our governance framework to support the implementation of SLFRS S1 and S2, ensuring high-quality, consistent, and transparent sustainability disclosures. These initiatives are closely aligned with the broader sustainability direction of the John Keells Group, enabling a unified and accountable approach to ESG governance across the organisation.

As operations expanded and new branches were established, Union Assurance's environmental footprint increased in 2025, with corresponding rise in carbon emissions, energy consumption, and water withdrawal. We continued to advance our efforts to enhance resource efficiency, accelerate sustainable practices, and integrate environmental responsibility into our long term strategy.

Community Impact & Social Responsibility

Our commitment to social responsibility remained a defining pillar of our identity during the year. Our flagship initiatives namely, the 'Suwamaga' programme and the 'Diabeater' movement, continued to advance national well-being, expanding their reach and deepening their impact across the country. We also strengthened our engagement on global platforms, reflecting the growing recognition of our contributions to public health and community upliftment.

In times of national adversity, we stood alongside the communities we serve, offering meaningful support toward relief and rebuilding efforts. These actions reaffirm our unwavering dedication to being a responsible corporate citizen, one that responds with compassion, acts with integrity, and remains steadfast in its duty to the nation.

Delivering Value to Policyholders

In 2025, we continued to enhance value for our policyholders through our comprehensive product portfolio and digitally enabled service platforms. The Company declared a competitive Universal Life policyholder dividend, outperforming market rates.

Delivering Value to Shareholders

Driven by our commitment to delivering consistent returns to our shareholders, the Board declared a first and final dividend of Rs. 5.00 per share, amounting to a total payout of Rs. 2,946 Bn, payable in March 2026. Our dividend policy remains firmly aligned with profit growth, prudent capital management, and the need to fund strategic investments that support sustainable long-term expansion.

Board Transitions & Governance Enhancements

During the year, the Board saw important transitions in its composition, reflecting our commitment to strong governance and continued leadership strength. Having served 14 years on the Union Assurance Board, Mr. S. Rajendra, Non-Executive Director, retired from the Board effective 31 December 2025. On behalf of the Board, I extend our sincere appreciation for his invaluable contribution and steadfast guidance throughout his tenure.

We were also pleased to welcome Ms. C. M. L. Dias Bandaranaike as an Independent, Non-Executive Director, effective 28 April 2025 and Mr. S. A. J. S. W. Jayatilake, the Chief Executive Officer of Union Assurance PLC, as an Executive Director, effective 23 February 2026. Their extensive experience and insights will add significant value to the Board and to the Company's future direction.

Future Outlook & Strategic Direction

As we look toward 2026 and beyond, we do so with confidence and clarity, supported by a more stable macroeconomic environment and strong strategic foundations within the Company. Sri Lanka is expected to maintain a stable growth trajectory, underpinned by ongoing structural reforms and continued alignment with the IMF programme, thereby reinforcing investor confidence and supporting broader economic recovery.

Our strategic direction remains focused on creating sustainable value for all stakeholders. The Agency Channel will continue to elevate quality standards, enable reach through our islandwide branch presence and enhance productivity, while Bancassurance, our key engine of growth will leverage existing partnerships and pursue new avenues to broaden market reach. Our ongoing investments in digital transformation will further enhance service excellence, deepen customer engagement, and enable the Company to fully leverage advancements in national digital infrastructure.

Sustainability will remain integral to our long-term agenda, guided by the JKH Group's broader ESG aspirations and our commitment to responsible, future-ready business practices. These priorities position us to deliver resilient, long-term growth while continuing to create meaningful value across our stakeholder ecosystem.

Appreciation

In closing, I express my deep appreciation to the Board of Directors for their strategic direction, insightful counsel, and commitment to strong governance, all of which have been instrumental in steering the Company forward.

I am grateful to all our stakeholders, including customers, shareholders and business partners for their continued trust, collaboration, and loyalty. Your confidence in us empowers Union Assurance to grow, innovate, and serve the nation with purpose.

I also extend my sincere gratitude to the Chairman, Director General, and the team at the Insurance Regulatory Commission of Sri Lanka for their steadfast guidance and support throughout the year.

To the team of Union Assurance, I offer my heartfelt appreciation. Your dedication, resilience, and unwavering commitment have been the driving force behind our achievements in 2025.

Together, we remain committed to building a stronger, more resilient, and future ready organisation that continues to create meaningful value for all.

Krishan Balendra

Krishan Balendra
Chairperson

27 February 2026