CHIEF EXECUTIVE OFFICER'S REVIEW

Union Assurance closed 2025 with exceptional results, strengthened by strategic decisions that enhanced our financial resilience and positioned the Company for sustained long term growth. In a year shaped by stability and evolving market conditions, we introduced several industry-first innovations and deepened our focus on stakeholder value. Our investments in expanding distribution channels, advanced digital capabilities, combined with our purpose "Protecting what matters most" continued to elevate the life insurance experience for our customers and reinforce our standing as one of Sri Lanka's most trusted brands.

Senath Jayatilake
Executive Director / Chief Executive Officer

Operating Environment

Sri Lanka's economy continued its recovery in 2025, supported by improving macroeconomic fundamentals and lower interest rates that stimulated consumer spending and sector-wide activity. Structural reforms and renewed investor confidence strengthened medium term stability, while inflation stabilised toward the end of the year. Equity markets performed robustly, reflecting improved sentiment and declining interest rates.

Cyclone Ditwah, which struck in late November 2025, caused widespread national damage, one of the most severe disasters in recent decades. While it affected several of our branch locations and temporarily disrupted services, the overall operational impact remained limited, and resulting financial impact from claims was minimal. Importantly, key economic institutions reaffirmed that the storm's broader macroeconomic impact would remain moderate, with GDP growth projections for 2026 largely unchanged.

The economic momentum drove increased demand for long term financial protection, enabling us to deliver 21% Regular Gross Written Premium (GWP) growth. At the same time, higher direct and indirect taxes placed pressure on disposable income, constraining the industry's full growth potential. Insurance penetration remains low at 0.6%, with fewer than one fifth of Sri Lankans holding a life insurance policy underscoring the significant untapped opportunity that lies ahead.

Value Centric Growth

In line with our value centric strategy, we continued shifting from singular volume-led growth to sustainable holistic long-term value creation. This disciplined approach delivered strong operational improvements across the business and increased value for policyholders, shareholders, distributors, and employees.

GWP reached Rs. 25.8 Bn, a 19% increase, driven by a 27% increase in new business premiums and a 17% growth in renewal premiums. Reflecting our deliberate shift away from shorter-term income streams, corporate and single-premium business declined by 9%.

Net investment income grew 5% to Rs. 12.4 Bn, supported by favourable equity market conditions and strategic asset allocation despite a persistent low-interest-rate environment. Net claims and benefits rose 17% to Rs. 7.8 Bn, reflecting higher maturities and surrender activity, while acquisition and underwriting expenses increased 23%, influenced by GWP growth and the one off cost associated with the strategic investment in an exclusive Bancassurance partnership.

Despite these pressures, disciplined cost management enabled us to maintain a stable cost ratio relative to 2024. Recurrent business profits rose 13%, reaching Rs. 3.4 Bn, reaffirming the success of our value centric strategy. Following the divestment of our 22% stake in Fairfirst Insurance Limited and drop in investment income due to strategic investments in an exclusive Bancassurance partnership, Profit Before Tax remained stable at Rs. 5.2 Bn.

Assets Under Management (AUM) surpassed Rs. 100 Bn, growing 13% to Rs. 108.3 Bn by year end, supported by strong inflows and mark-to-market gains. The Life Fund grew by 20% to Rs. 92.8 Bn, while policyholder confidence was strengthened through a competitive Universal Life dividend, which outperformed the market. Our capital position remained robust with a 215% Capital Adequacy Ratio (CAR), well above regulatory requirements.

Foundation for Future Growth

Year 2025 was pivotal in laying the groundwork for long-term expansion. Our exclusive partnership with Sampath Bank PLC marked a major strategic milestone, culminating in Sri Lanka's first core banking–integrated Bancassurance model, a breakthrough that sets a new industry benchmark in digital integration and operational excellence.

Our 3,000+ strong distribution team continued to protect over 340,000 Sri Lankans, delivering outstanding performance throughout the year. Union Assurance earned multiple recognitions at the 6th Indian Chamber Emerging Asia Conclave and Awards 2025, as joint winner of 'Best Life Insurance Company of the Year' for the second consecutive year, also recognised as joint winner for 'Best Strategies for Insurance Coverage for the Year' and 'Women in Insurance Leadership'. With 222 MDRT qualifiers, we remain a leader in developing world-class sales professionals in Sri Lanka.

> **Our exclusive partnership with Sampath Bank PLC marked a major strategic milestone, culminating in Sri Lanka's first core banking–integrated Bancassurance model, a breakthrough that sets a new industry benchmark in digital integration and operational excellence.**

Rs. 25,750 Mn
GWP
(2024 - Rs. 21,647 Mn)

Rs. 12,351 Mn
Net Investment Income
(2024 - Rs. 11,757 Mn)

Rs. 108.3 Bn
Asset Under Management
(2024 - Rs. 95.6 Bn)

The Agency Channel, contributing over 70% of GWP, strengthened its market presence through strategic recruitment and the opening of five new branches. Performance improvements across case size, non-monthly acquisition, and persistency translated into double-digit ANBP growth.

To reinforce our advisors' financial security and well-being, we introduced the industry's first Advisor welfare scheme, providing meaningful support to our advisor community and their families.

CHIEF EXECUTIVE OFFICER'S REVIEW

> **With a stable macroeconomic outlook, strategic expansions in our distribution architecture and a strong strategic foundation, we are well positioned to continue to deliver unparallel value to our shareholders, policyholders, distributors and employees.**

The Bancassurance channel delivered exceptional growth, with an 80% increase in new business premiums, supported by exclusive partnerships with Sampath Bank, NTB, and Union Bank. Enhancements in case size, persistency, and productivity underscored the effectiveness of our Bancassurance strategy.

Advancing Our Digital Journey

Customer-centric digital transformation remained central to our strategy in 2025. We accelerated several industry-first initiatives that strengthened service excellence, operational efficiency, and distributor empowerment.

A key achievement was launching Sri Lanka's first core banking integration, enabling automated lead generation, real-time proposal flows, performance dashboards, and end-to-end visibility. This digital model significantly enhanced speed, transparency, and governance across the Bancassurance value chain.

We also introduced Sri Lanka's first fully digital Agent Life Cycle Management system, reducing onboarding time from four days to 15–20 minutes and digitising over 3,000 advisor code issuances annually. Real-time exam verification and digitised service requests streamlined advisor support and reduced processing times from days to minutes.

To elevate customer well-being, we became the first Sri Lankan insurer to integrate digital health services into a life insurance mobile app through Clicklife, offering free medical consultations via our partnership with Flash Health.

Reinforcing our commitment to data security, Union Assurance became the first life insurer in Sri Lanka to achieve ISO/IEC 27001:2022 certification.

Product and Brand Differentiation

We were recognised among the 100 Most Valuable Brands 2025 and ranked within Sri Lanka's Top 50 Most Valuable Brands, reflecting strong brand equity and future value potential.

Our campaign "Exit Insurance. Enter Progress." won Gold at the Dragons of Sri Lanka 2025, demonstrating our commitment to bold storytelling and meaningful engagement.

We also launched Union Assurance FlexLife, a highly personalised, flexible life insurance solution designed to meet evolving consumer lifestyles and financial aspirations, representing a major milestone in our product innovation roadmap.

Sustainability and ESG Ambitions

In 2025, we commenced reporting under SLFRS S1 and S2, strengthening transparency in climate-related disclosures. Our efforts remained aligned with the broader ESG direction of the John Keells Group, reinforcing our long-term commitment to responsible business.

Key environmental initiatives included transitioning our entire vehicle fleet to electric and hybrid models and commencing the installation of solar photovoltaic systems at one of our facilities to support renewable energy generation.

Commitment to Our Communities

Our flagship CSR initiative, Suwamaga, continued its nationwide impact, advancing into its third phase with the "Diabeater" movement. Through 263 screening camps across all 25 districts, we provided free diabetes screenings to over 23,000 individuals, identifying 30% as previously undiagnosed diabetics.

We also supported Cyclone Ditwah relief efforts in partnership with John Keells Holdings PLC and extended flood relief support to affected communities and our own agents and their families.

Looking Ahead

With a stable macroeconomic outlook, strategic expansions in our distribution architecture and a strong strategic foundation, we are well positioned to continue to deliver unparallel value to our shareholders, policyholders, distributors and employees. The strong growth platform of the Company is further amplified by the significant long term growth potential of Sri Lanka's under penetrated life insurance industry, driven by rising awareness, evolving consumer needs, and continued innovation.

Our investments in digital transformation have also advanced our readiness for SLFRS 17, ensuring full compliance by 2026 and strengthening the Company's future financial reporting and resilience.

We remain committed to becoming a fully digital, customer centric insurer, delivering value, trust, and protection to every Sri Lankan we serve.

Appreciation

In closing, I extend my sincere appreciation to all our employees for their outstanding performance and unwavering dedication. My gratitude also goes to our customers, partners, intermediaries, stakeholders, and the Regulator for their continued trust and support. Your confidence remains central to our success.

We look forward to building on this momentum and achieving even greater progress in 2026 and beyond.

Senath Jayatilake
Executive Director /
Chief Executive Officer

27 February 2026