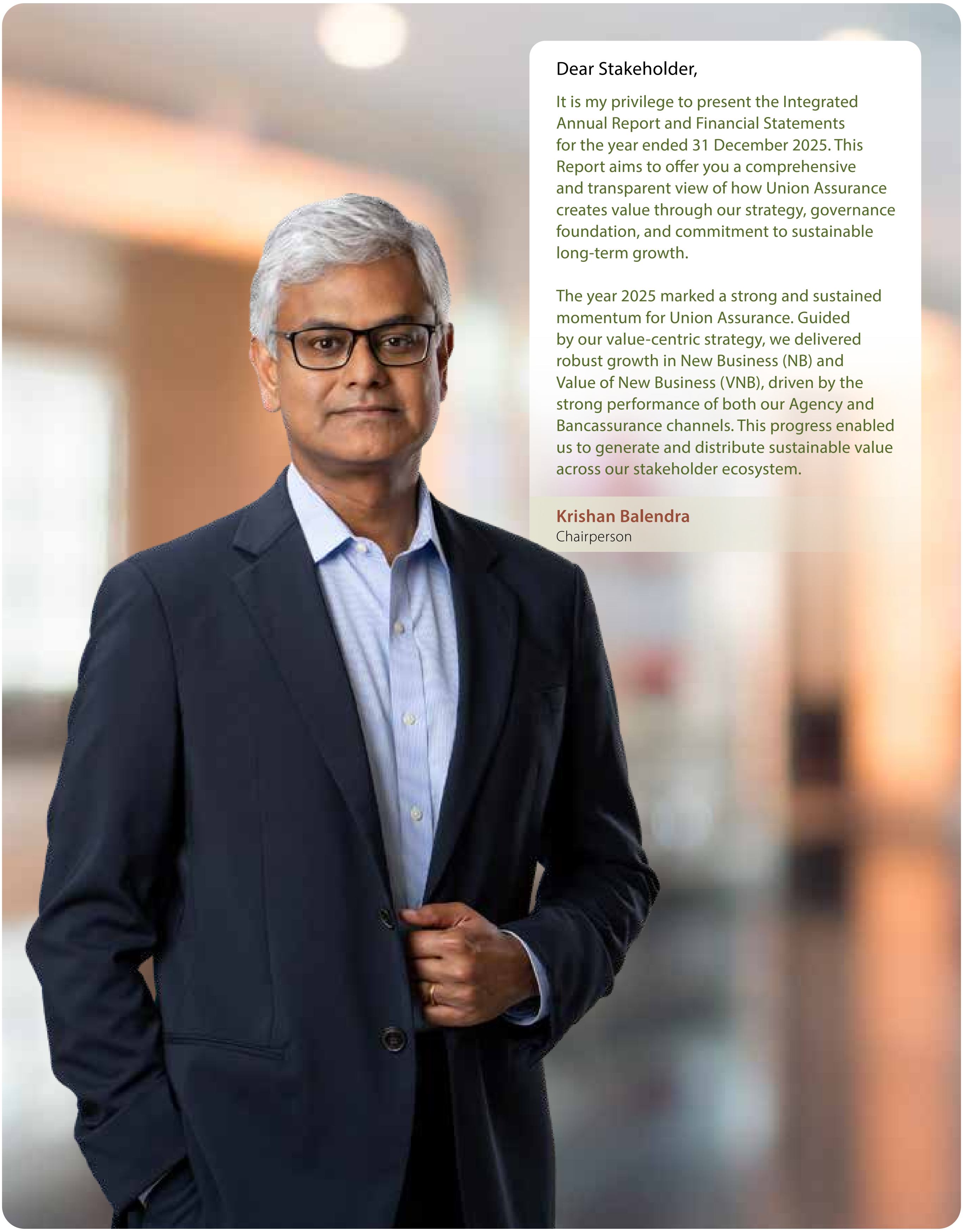
THE MOST RESPONSIBLE

In the year under review, Union Assurance remained the most responsible in the execution of our strategic priorities. Every initiative we pursued, decision we made, and step we took was guided by careful reflection, disciplined governance, and consistent efforts to safeguard the long term interests of our customers, shareholders, and stakeholders. Our responsibility is not only in the actions we take, but in the thoughtful choices that shape our journey ahead.

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

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,

"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)

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.

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