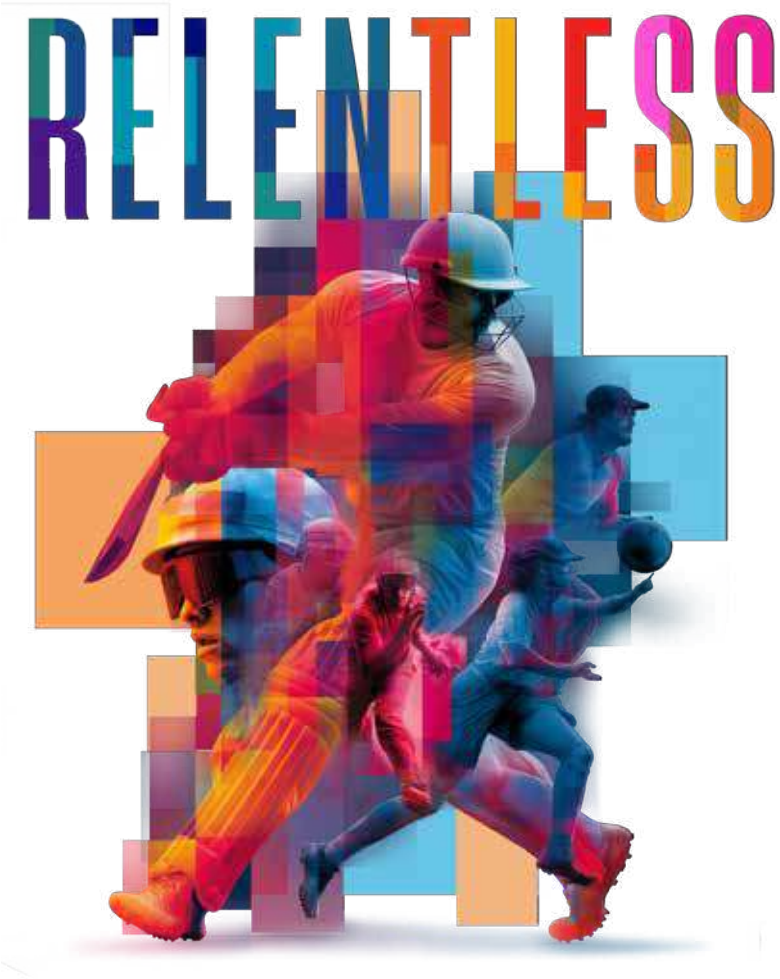
RELENTLESS



HNB ASSURANCE



For a quarter century, HNB Assurance has advanced with strategic precision, disciplined execution, and unwavering focus. From the outset, we set out to redefine the Country's insurance landscape, and today, we do not merely operate in the market; we lead, challenge, and dominate.

Our journey has been defined by discipline, ingenuity, and relentless delivery. In the face of shifting markets and evolving challenges, we have proven that resilience is earned, not granted; and we have earned it, consistently, year after year.

As we mark this milestone, our ambition is sharper, our purpose clearer, and our resolve stronger than ever. We are modernising at pace, integrating advanced digital ecosystems, embedding artificial intelligence into governance and decision-making, and reimagining the way we serve our customers. Every initiative is calculated, every transformation strategic, and every achievement a statement that HNB Assurance sets the benchmark for excellence within the industry.

Strong, confident, and united with our parent bank, HNB, relentlessness is our foundation, our method, and our resolve. It is how we arrived here, and it is how we will continue to rise, challenge, and lead.

HNB ASSURANCE

Relentless

Despite a challenging operating environment, the Group demonstrated relentless performance, strengthening profitability, enhancing value creation while safeguarding long term resilience.

Investor Confidence

43%
Growth in Share price

Nation

Rs.40 Bn
Economic Value Added

Rs.2.5 Bn
Total Taxes Paid

Market & Growth - HNBA

42%
Industry leading GWP Growth

8.58%
1.1 Percentage Point Growth
Market Share

Market & Growth - HNBGI

21%
Growth in GWP

6th Position
Improvement in industry ranking



Financial Performance

28%
Growth in Profit After Tax

18%
Return on Equity

Our Reach

82
Branches

2,689
Active Advisors

256
Bancassurance Officers







High Performing Sales Team

256
MDRT Winners

People and Culture

Within **Top 40**
Great Places to Work

Within **Top 20**
Best Workplaces for Women

Operational Performance - HNBA

83%
Cashless premium collection

96%
Health Claims Settlements <1 day



Risk and Stability

283%
Capital Adequacy Ratio of HNBA

190%
Capital Adequacy Ratio of HNBGI

A(lka)
Fitch Rating
Stable outlook with Strong Financial Position and Credit worthiness

Sustainability

4%
Reduction in Scope 1 and Scope 2 Carbon footprint

Rs. 1 Mn
Life Cover for policyholders who were impacted by Cyclone Ditwah

S1 & S2
Independent Assurance

01

ABOUT HNB ASSURANCE GROUP

06 Our Integrated Annual Report
09 Our Approach to Reporting
11 About HNB Assurance PLC
12 Our Journey
14 Our Commitment Towards a Sustainable Future
20 Approach to SLFRS S1 and S2 Sustainability Disclosure Standards
22 Digitalisation of Reporting
23 Contribution to National Economy
24 Performance Highlights
26 Awards & Accolades
28 Year at a Glance
30 Organisation Structure

STRATEGIC REPORTS

32 Chairman's Message
38 Chief Executive Officer's Review
44 Life Insurance - Business Review
50 General Insurance - Business Review



32 STUART CHAPMAN
Chairman's Message

38 LASITHA WIMALARATNE
Chief Executive Officer's Review

02

MANAGEMENT DISCUSSION AND ANALYSIS

CREATING VALUE TO OUR STAKEHOLDERS

56 Value Creation
58 Engaging with our Stakeholders
61 Operating Environment
64 Integrated PESTEL and SWOT Analysis
70 Determining Materiality
74 Purpose Driven Strategy
80 Sustainability in Action
89 Looking Ahead
91 SLFRS S1 and S2 Sustainability Related Financial Disclosures
126 Independent Limited Assurance on Integrated Reporting
129 Independent Limited Assurance on SLFRS S1 and S2 Sustainability Disclosure Standards

CAPITAL MANAGEMENT REVIEW

132 EESG Dashboard
133 Financial Capital
146 Human Capital
163 Manufactured Capital
168 Intellectual Capital
178 Social and Relationship Capital
204 Natural Capital

03

GOVERNANCE AND LEADERSHIP

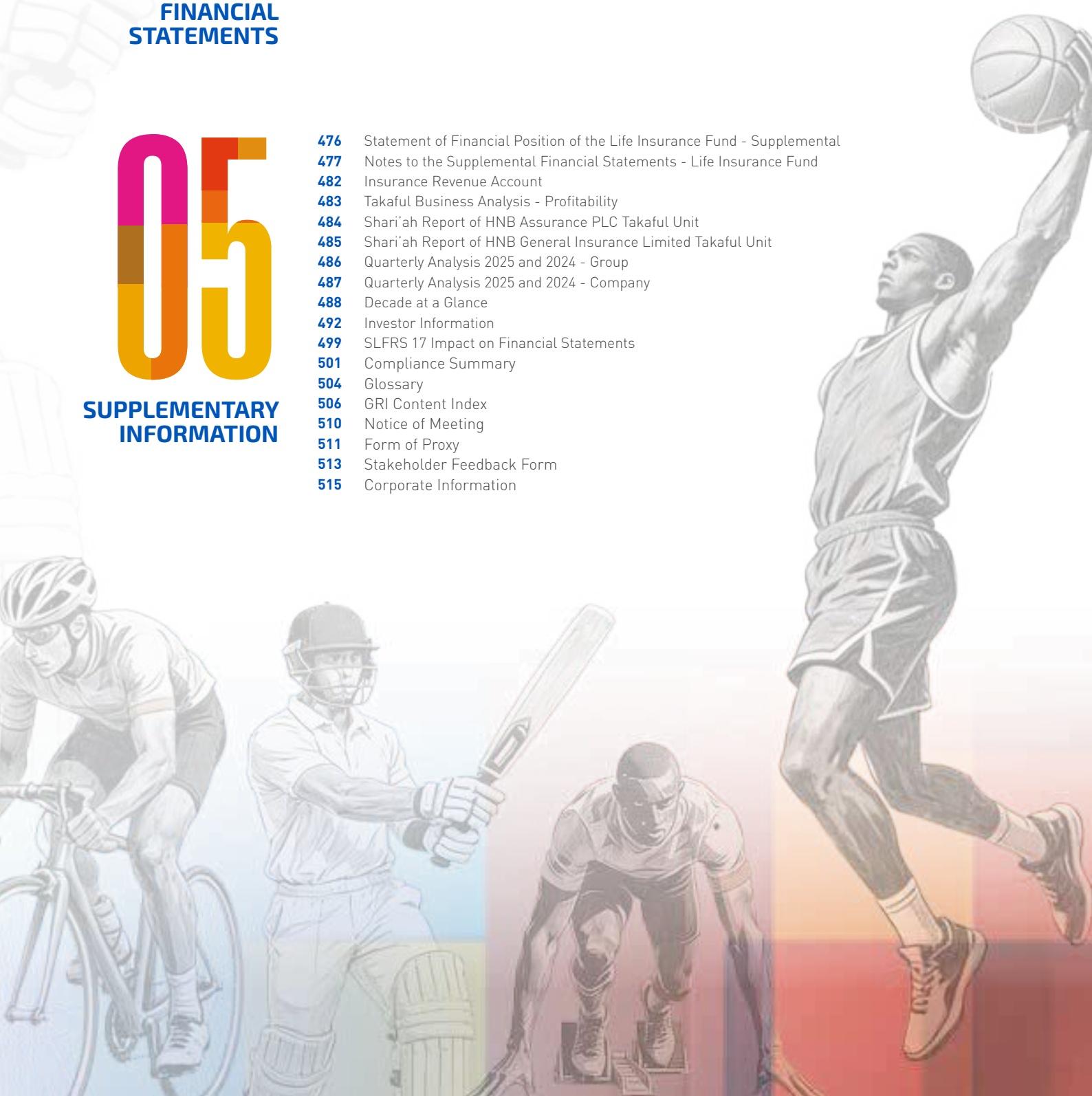
212 Board of Directors
220 Group Executive Committee
226 Corporate Management Team - HNBA
227 Senior Sales Management Team - HNBA
228 Corporate Management Team - HNBGI
229 Senior Sales Management Team - HNBGI
230 Governance Leadership
232 Senior Independent Director's Statement
233 Corporate Governance
268 Corporate Governance at HNB General Insurance Limited
272 Risk Management Review
291 Audit Committee Report
297 Remuneration and Human Resources Committee Report
299 Related Party Transactions Review Committee Report
301 Nominations and Governance Committee Report
303 Investment Committee Report
305 Risk Management Committee Report
307 Strategy Review Committee Report
309 Directors' Statement on Internal Control
311 Annual Report of the Board of Directors
319 Directors' Interests in Contracts with the Group/Company
322 Statement of Directors Responsibility for Financial Reporting
324 Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

04 FINANCIAL STATEMENTS

326 Report of the Life Actuary
327 Certification of Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) Claims Reserve
328 Financial Calendar
329 Independent Auditor's Report
333 Financial Statements - Table of Contents
334 Statement of Financial Position
335 Statement of Profit or Loss and Other Comprehensive Income
336 Statement of Changes in Equity - Group
337 Statement of Changes in Equity - Company
338 Statement of Cash Flows
339 Accounting Policies and Notes to the Financial Statements

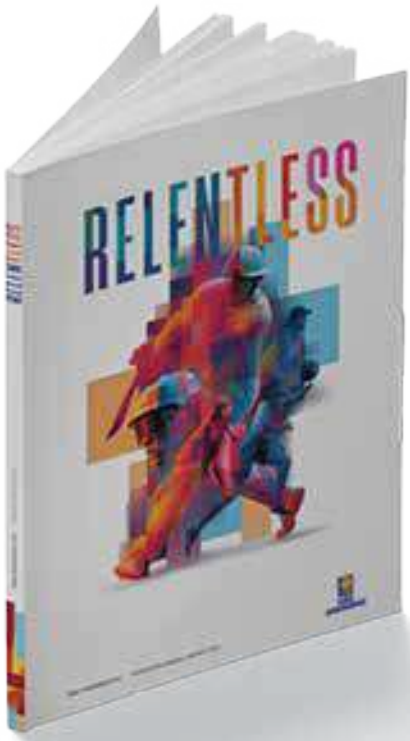
05 SUPPLEMENTARY INFORMATION

476 Statement of Financial Position of the Life Insurance Fund - Supplemental
477 Notes to the Supplemental Financial Statements - Life Insurance Fund
482 Insurance Revenue Account
483 Takaful Business Analysis - Profitability
484 Shari'ah Report of HNB Assurance PLC Takaful Unit
485 Shari'ah Report of HNB General Insurance Limited Takaful Unit
486 Quarterly Analysis 2025 and 2024 - Group
487 Quarterly Analysis 2025 and 2024 - Company
488 Decade at a Glance
492 Investor Information
499 SLFRS 17 Impact on Financial Statements
501 Compliance Summary
504 Glossary
506 GRI Content Index
510 Notice of Meeting
511 Form of Proxy
513 Stakeholder Feedback Form
515 Corporate Information



OUR INTEGRATED ANNUAL REPORT

We are pleased to present our 14th Integrated Annual Report, reflecting another year of disciplined execution of our integrated strategy and our continued commitment to sustainable, long-term value creation. This report has been prepared in alignment with the IFRS Foundation's International Integrated Reporting <IR> Framework and complies with SLFRS Sustainability Disclosure Standards, and adheres to the latest Global Reporting Initiative (GRI) Sustainability Reporting Standards, demonstrating our dedication to transparency, accountability, and responsible corporate stewardship.





STRATEGIC FOCUS & FUTURE ORIENTATION

This report aims to offer clear and transparent insight into how we implement our strategy to generate value across the short, medium, and long term

GUIDING PRINCIPLES OF THIS REPORT

STAKEHOLDER RELATIONSHIPS

This report offers insight into the character and strength of our relationships with key stakeholders



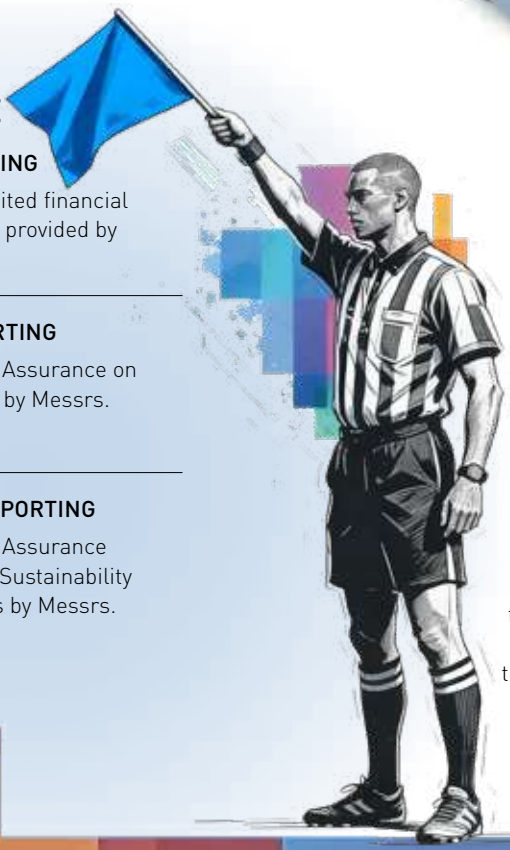
CONCISENESS

The combination of narrative content and visual elements in this report is intended to enhance overall clarity and ease of understanding.

MATERIALITY

This report outlines the material factors that influence our sustainable value-creation process and explains the methodology applied to determine their materiality

EXTERNAL ASSURANCE



FINANCIAL REPORTING

Assurance of the audited financial statements has been provided by Messrs. KPMG

INTEGRATED REPORTING

Independent Limited Assurance on Integrated Reporting by Messrs. KPMG

SUSTAINABILITY REPORTING

Independent Limited Assurance on SLFRS S1 and S2 Sustainability Disclosure Standards by Messrs. Ernst & Young



CONNECTIVITY
This report presents a comprehensive view of the interconnected factors, dependencies, and relationships that shape and influence our value-creation process

CONSISTENCY & COMPARABILITY
This report presents current-year performance alongside prior-year results and relevant industry benchmarks, where appropriate



RELIABILITY & COMPLETENESS
The information presented has been reviewed and validated, where applicable, by the Board of Directors, the Audit Committee, other Board sub-committees, and the Group Executive Committee

REPORTING FRAMEWORKS AND PRINCIPLES

FINANCIAL REPORTING

- Companies Act No.7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS)
- Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Regulations of Insurance Industry Act No.43 of 2000 and the subsequent amendments.
- Statements of Recommended Practices (SoRPs)
- Statement of Alternate Treatment (SoATs)

CORPORATE GOVERNANCE

- Code of Best Practices on Corporate Governance 2023 issued by CA Sri Lanka
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka
- Listing Rules of the Colombo Stock Exchange (CSE)

SUSTAINABILITY REPORTING

- Global Reporting Initiative Sustainability Reporting Standards
- SLFRS Sustainability Disclosure Standards
- Sustainable Development Goals (SDGs) of United Nations
- Sustainable Accounting Standards by Sustainability Accounting Standards Board
- Sustainability Guide of Colombo Stock Exchange
- Gender Parity Reporting issued by CA Sri Lanka

INTEGRATED REPORTING

- IFRS Foundation's International Integrated Reporting <IR> Framework





OUR INTEGRATED ANNUAL REPORT

SCOPE AND BOUNDARY

This report presents the financial and non-financial performance of HNB Assurance PLC and its wholly-owned subsidiary, HNB General Insurance Limited, for the financial year ending 31st December 2025. It follows our previous report for the year ended 31st December 2024, with comparative information included where relevant to ensure transparency and continuity.

During the reporting period, there were no material changes to the organisational structure or ownership of the Group. Additionally, there were no changes in reporting practices or restatements of previously disclosed information except for following.

» Moving to Capital based integrated Reporting from Strategy based integrated Reporting.

» Implementing SLFRS Sustainability Disclosure Standards.

FORWARD LOOKING STATEMENTS

This report includes forward-looking statements derived from our current views and assessments, informed by both internal and external sources. These statements are intended to illustrate the Group's potential for future value creation. As they relate to events and outcomes that are inherently uncertain and outside our control, their ultimate impacts can only be validated over time. Such uncertainties may influence the value-creation process.

We therefore advise readers to consider these uncertainties, particularly in light of rapidly changing market conditions and significant volatility in key economic indicators, and to rely on the most up-to-date information when forming their own evaluations.

All forward-looking statements are presented without recourse or liability to the Board or the preparers of this Annual Report, given the uncertainties outlined above.

ACCESSIBILITY AND FEEDBACK

This report is prepared primarily to inform our shareholders, while also meeting the expectations of other key stakeholders—regulators, employees, customers, business partners, and the wider community—by highlighting how we create value across our operations.

To ensure accessibility, the report is presented in multiple formats to suit the communication needs of our diverse stakeholder groups. The online version is available on the Company's website and the CSE. In line with our commitment to environmentally responsible practices, only a limited number of printed copies have been produced. Sinhala and Tamil translations of the Chairperson's Message, the Chief Executive Officer's Review, and the Financial Statements are available upon request.

Further, we have digitalised our annual report. The AI Analyser and Micro site of our Integrated annual report can be accessed as per instructions given in Page 22.

Forward any feedback to,

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www.hnbassurance.com
Tel: +94 114 793732
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Board Secretary
HNB Assurance PLC,
Legal and Company Secretarial Division,
Iceland Business Center,
No. 30, Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka.

ICONS NAVIGATION

CAPITALS	Financial Capital	Manufactured Capital	Social and Relationship Capital	Human Capital	Intellectual Capital	Natural Capital
STAKEHOLDERS	Customers	Employees	Business Partners	Governance and Regulators	Community	Investors
STRATEGIC PILLARS	Growth	Innovation	Profitability	Risk, Compliance & Governance Framework		



OUR APPROACH TO REPORTING

KEY ENHANCEMENTS IN THE 2025 INTEGRATED ANNUAL REPORT

The 2025 Integrated Annual Report reflects several enhancements compared to the previous year, strengthening alignment with evolving regulatory requirements, improving disclosure connectivity and enhancing overall stakeholder accessibility and usability.

ADOPTION OF SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

Enhancement:

Formal adoption and structured alignment with SLFRS S1 and SLFRS S2 Sustainability Disclosure Standards, supported by transitional relief provisions and independent external assurance over SLFRS-related disclosures.

Value Delivered:

Strengthens regulatory compliance, enhances credibility of sustainability disclosures and reinforces confidence in the integration of climate- and sustainability-related risks within governance, strategy and risk management frameworks.

TRANSITION TOWARDS CAPITAL-BASED REPORTING AND CAPITAL TRADE-OFF DISCLOSURE

Enhancement:

Greater emphasis on capital-based reporting aligned with the Integrated Reporting Framework, including clearer discussion of interdependencies and trade-offs between capitals.

Value Delivered:

Enhances transparency on how financial and non-financial resources are allocated and balanced to support sustainable value creation.

IMPROVED LINKAGE AND CONNECTIVITY ACROSS DISCLOSURES

Enhancement:

Strengthened alignment across strategy, risk, sustainability, governance and performance disclosures, reinforced through capital icon mapping and enhanced visual cross-referencing across sections.

Value Delivered:

Improves overall disclosure connectivity, enhances navigability and provides a clearer demonstration of how organisational decisions and capital interdependencies support long-term value creation.

ESG AND SUSTAINABILITY REPORTING ENHANCEMENTS

Enhancement:

Introduction of a comprehensive ESG and sustainability reporting section incorporating SDG-linked disclosures, economic value generation, progress updates on long-term sustainability initiatives and Environmental, Economic, Social and Governance (EESG) performance metrics.

Value Delivered:

Strengthens transparency around sustainability performance and demonstrates clearer linkage between ESG priorities and long-term value creation.

OUR APPROACH TO REPORTING

STRENGTHENING FORWARD-LOOKING DISCLOSURES

Enhancement:

Expanded forward-looking disclosures incorporating clearer articulation of short-, medium- and long-term priorities, with improved distinction between the Life and General Insurance growth strategies.

Value Delivered:

Provides greater visibility into business-specific strategic direction and strengthens transparency around future performance expectations.

ENHANCED GOVERNANCE TRANSPARENCY AND ESG OVERSIGHT

Enhancement:

Expanded governance disclosures including ESG skill and competency assessments at Board level, strengthened Director training and development initiatives, and clearer articulation of ESG and sustainability oversight within existing governance structures.

Value Delivered:

Provides improved visibility into Board capability development, governance maturity and oversight of sustainability-related priorities.

INTRODUCTION OF DIGITAL REPORTING ACCESSIBILITY

Enhancement:

Implementation of digital reporting initiatives including a dedicated Annual Report microsite and AI-enabled report analyser enabling interactive access to report disclosures.

Value Delivered:

Improves stakeholder accessibility, navigation and ease of information retrieval while enhancing overall reporting usability.

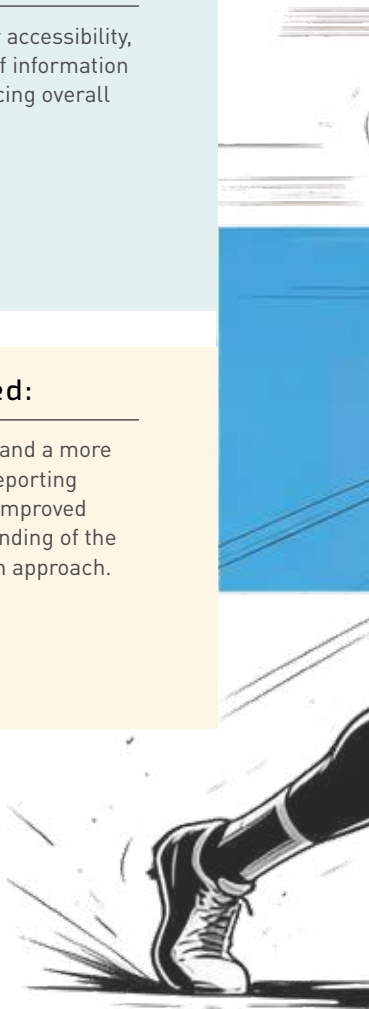
ENHANCED REPORT STRUCTURE AND NARRATIVE FLOW

Enhancement:

Refinement of content sequencing to provide a clearer progression from organisational overview and strategy through to sustainability, performance and governance disclosures.

Value Delivered:

Enhanced readability and a more cohesive integrated reporting narrative supporting improved stakeholder understanding of the Group's value creation approach.



ABOUT HNB ASSURANCE PLC

The HNBA Group, comprising HNB Assurance PLC (HNBA) and our fully owned subsidiary HNB General Insurance Limited (HNBGI), is a leading force in Sri Lanka's insurance industry, offering a comprehensive suite of life and general insurance solutions. Since its establishment in 2001, HNBA has served as the life insurance arm of the Group, while HNBGI has grown into a dynamic provider of general insurance coverage for individuals, corporates, and the takaful market. The Group benefits from the stability and brand strength of Hatton National Bank PLC (HNB), one of the country's largest and most respected financial institutions.

Recognised for financial resilience and a strong customer-centric ethos, the HNBA Group has steadily expanded its presence across both insurance sectors. Its disciplined risk management practices, robust capital position, and unwavering commitment to governance have underpinned consistent growth and value creation over the years. A key strength of the Group is its ongoing investment in technology, which has strengthened digital platforms, streamlined core processes, and enhanced overall service delivery. These initiatives support greater efficiency and accessibility, reinforcing the Group's position as a progressive and modern insurance provider.

Guided by a clear strategic agenda, the HNBA Group remains focused on expanding market share, strengthening distribution channels, and leveraging technology to deliver seamless customer experiences. Supported by a highly skilled and motivated workforce, the Group is well positioned to sustain its growth trajectory and continue delivering long-term value to our stakeholders.



VISION

To be Sri Lanka's most admired and trusted partner in meeting insurance needs professionally with a spirit of caring.

MISSION

Working together with a passion for excellence and a team spirit none can match, to provide innovative, customised solutions, exploring opportunities beyond conventional boundaries.

PURPOSE

Strengthening every step of your life

VALUES

- Treasure integrity and ethical conduct
- Show mutual respect in all our interactions
- Inculcate positive thinking
- Foster diversity as a corporate strength
- Empower people to strive for excellence



OUR JOURNEY

2001

The milestone year that we embarked on a steadfast journey to serve customers beyond their expectations.

2003

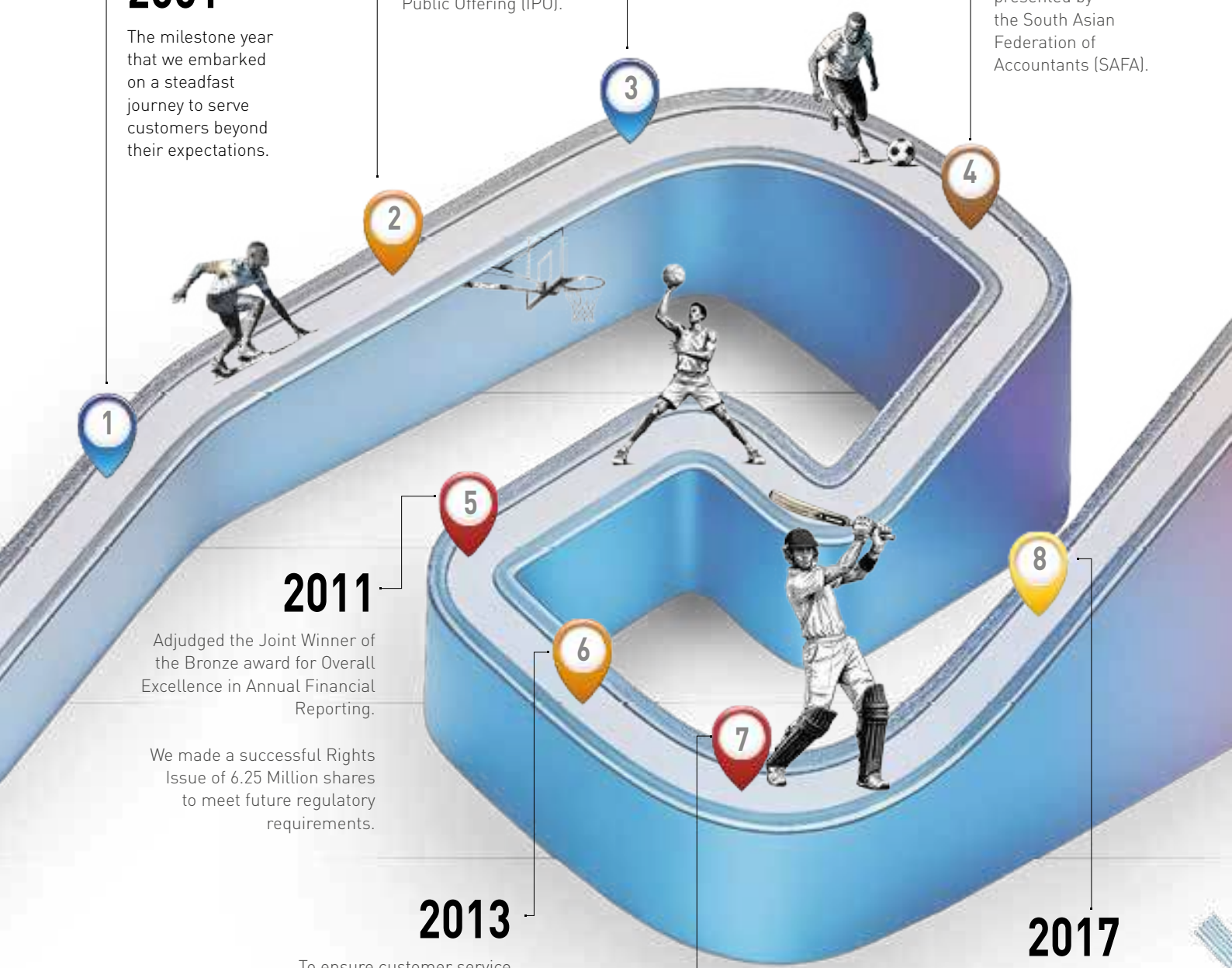
We became a Public Listed Company through an Initial Public Offering (IPO).

2007

We were accredited with an Insurer Financial Strength Rating of 'A(lka)' and National Long-Term Rating of 'A' by Fitch Ratings Lanka Ltd.

2009

We were crowned with the first and foremost international award for Best Presented Accounts Corporate Governance presented by the South Asian Federation of Accountants (SAFA).



2011

Adjudged the Joint Winner of the Bronze award for Overall Excellence in Annual Financial Reporting.

We made a successful Rights Issue of 6.25 Million shares to meet future regulatory requirements.

2013

To ensure customer service excellence we established a dedicated Customer Service Centre.

2015

Our General Insurance business was transferred to HNBGI, while we increased our focus on the Life Insurance business as we segregated the businesses as per regulations.

2017

Another unique feat to add to our hallmark of fame: Gold Award for 'Takaful Window / Unit of the Year' for HNB General Insurance Takaful unit at the Islamic Finance Forum of South Asia.

2020

HNB Assurance PLC and subsidiary HNB General Insurance Limited obtained the Great Place to Work® certification and were accredited among the Top 40 Great Places to Work in Sri Lanka.

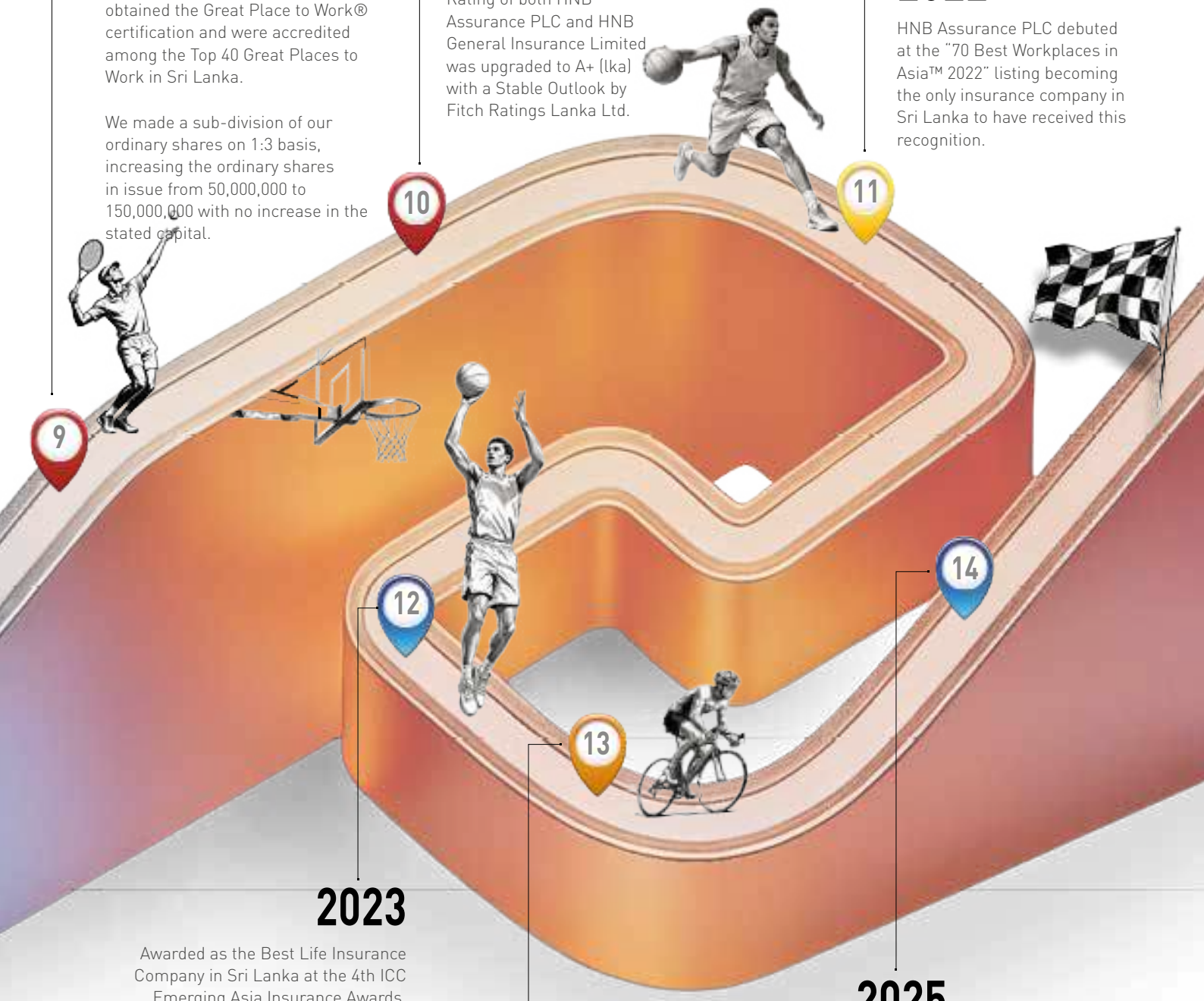
We made a sub-division of our ordinary shares on 1:3 basis, increasing the ordinary shares in issue from 50,000,000 to 150,000,000 with no increase in the stated capital.

2021

Insurer Financial Strength Rating of both HNB Assurance PLC and HNB General Insurance Limited was upgraded to A+ (lka) with a Stable Outlook by Fitch Ratings Lanka Ltd.

2022

HNB Assurance PLC debuted at the "70 Best Workplaces in Asia™ 2022" listing becoming the only insurance company in Sri Lanka to have received this recognition.



2023

Awarded as the Best Life Insurance Company in Sri Lanka at the 4th ICC Emerging Asia Insurance Awards.

Our Annual Report was adjudged the Best of Sri Lanka at the World's Best Annual Report Awards by ARC.

2024

From winning top awards for our people, training, brand and quality excellence to investing in cutting-edge systems, 2024 was a year of unprecedented growth for HNB Assurance, raising the bar higher than ever before.

2025

In 2025, HNB Assurance embraced technology, empowered our people, celebrated remarkable achievements, and made meaningful contributions to communities while expanding our reach and impact.

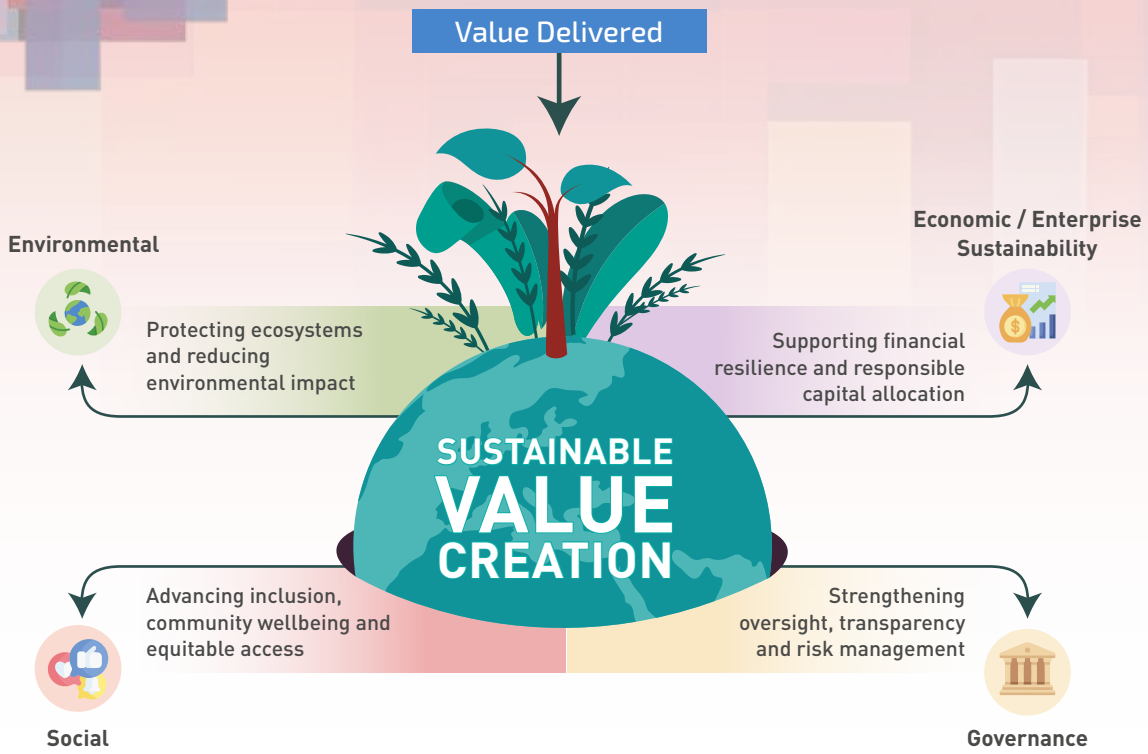
Being crowned as the Best Life Insurance Company by Global Brands Magazine during the year, was an important milestone that outlined our commitment to innovation, customer trust and excellence across every touchpoint.



OUR COMMITMENT TOWARDS A SUSTAINABLE FUTURE

As a life insurer entrusted with safeguarding the long-term financial security of individuals and families, HNB Assurance PLC recognises that sustainable value creation extends beyond financial performance.

Sustainability is anchored in structured governance, guided by clearly defined policies and progressively integrated into enterprise risk management and strategic decision-making processes.



SUSTAINABILITY GOVERNANCE AND OVERSIGHT

Sustainability governance operates at two complementary levels spanning enterprise integration and structured CSR oversight, which collectively reinforce long-term value creation and institutional accountability.

Enterprise Sustainability and ESG Governance

Sustainability and climate-related matters are governed through a structured oversight framework that integrates Board-level supervision with Management-level implementation and monitoring. This model ensures that environmental, social and economic considerations are embedded within strategic planning, risk management and reporting processes, reinforcing long-term resilience, economic stability and institutional accountability.

Sustainability Governance Architecture at a Glance

Board-Level Oversight

- Ultimate accountability for sustainability and climate-related matters
- Oversight exercised through established Board committees, including the Board Risk Management Committee (BRMC)
- Review of material sustainability and climate-related risks alongside other principal risks
- Alignment of sustainability considerations

Management-Level Integration

- Sustainability-related risks and opportunities managed within the Enterprise Risk Management (ERM) framework
- Climate-related risks identified, assessed and monitored through standard risk management processes
- Integration of sustainability considerations into underwriting, portfolio monitoring and enterprise risk reviews
- Regular reporting to the Board on material sustainability and climate-related exposures



Governance Enhancements During the Year

- Sustainability-related risks and opportunities managed within the Enterprise Risk Management (ERM) framework
- Climate-related risks identified, assessed and monitored through standard risk management processes
- Integration of sustainability considerations into underwriting, portfolio monitoring and enterprise risk reviews
- Regular reporting to the Board on material sustainability and climate-related exposures

Forward-Looking Sustainability Governance Framework

- To further strengthen governance oversight and disclosure robustness, HNB Assurance will implement a structured Sustainability Management Framework from 2026. This framework will support:
- Formalisation of a central Sustainability Team with defined roles and responsibilities
- Structured internal materiality assessments to identify priority sustainability topics
- Strengthened sustainability data governance and performance monitoring
- Development of sustainability KPIs, including Scope 1 and Scope 2 greenhouse gas emissions
- Progressive alignment with SLFRS S1 and SLFRS S2 disclosure requirements

Further details on sustainability-related governance, processes and disclosures are presented in the SLFRS S1 and SLFRS S2 sections of this Report. (Pages 91-125)

Sustainable Finance and Economic Contribution

As a life insurer and long-term capital steward, HNB Assurance contributes to sustainable development through financial inclusion initiatives and responsible investment practices.

Financial Inclusion and Protection Access

- Expanding access to insurance solutions across diverse communities
- Financial literacy and SME engagement initiatives
- Strengthening household and business resilience through protection planning
- Mobilisation of long-term savings

Sustainable Investment and Capital Stewardship

- Participation in green bonds and sustainable debentures
- Responsible portfolio allocation considering environmental and regulatory risks
- Integration of climate-related considerations into investment monitoring
- Long-term capital deployment supporting economic stability

CORPORATE SOCIAL RESPONSIBILITY AT HNB ASSURANCE

Corporate Social Responsibility Governance

Community impact initiatives at HNB Assurance are governed through a structured CSR framework, ensuring accountability, measurable outcomes and alignment with the Company's sustainability priorities. HNB Assurance delivers community and environmental impact through three structured CSR pillars, each aligned with long-term sustainability priorities and measurable social outcomes



OVERSIGHT AND ACCOUNTABILITY

- CSR Committee chaired by the Chief Executive Officer
- Cross-functional executive representation
- Review and approval of annual CSR strategy, plans and budgets
- Periodic reporting to the Board

IMPLEMENTATION AND MONITORING

- Operational coordination through the Marketing Department
- Structured planning and budgeting processes
- Monitoring of project outcomes and impact delivery
- Stakeholder engagement with community partners

POLICY FRAMEWORK

- CSR Policy defining scope, pillars and governance responsibilities
- Biennial policy review to ensure continued relevance and effectiveness
- Alignment with broader sustainability objectives

OUR COMMITMENT TOWARDS A SUSTAINABLE FUTURE

GUIDING PHILOSOPHY

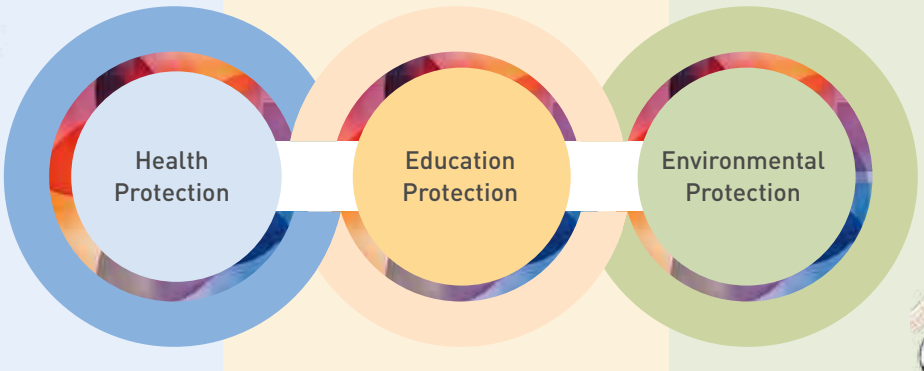
Ayubowan — Protecting Life Beyond Financial Security

"Ayubowan" — a wish for a long life — reflects our commitment to protecting and nurturing life beyond financial security.

Guided by this philosophy, HNB Assurance undertakes sustained initiatives in health, education and environmental protection, supporting the long-term resilience of communities and ecosystems alike.









PURPOSE

Health Protection	Education Protection	Environmental Protection
Supporting long and healthy lives through access to safe water and preventive care.	Enabling children to build fulfilling futures through equitable access to education.	Safeguarding natural ecosystems to ensure life can thrive for generations.

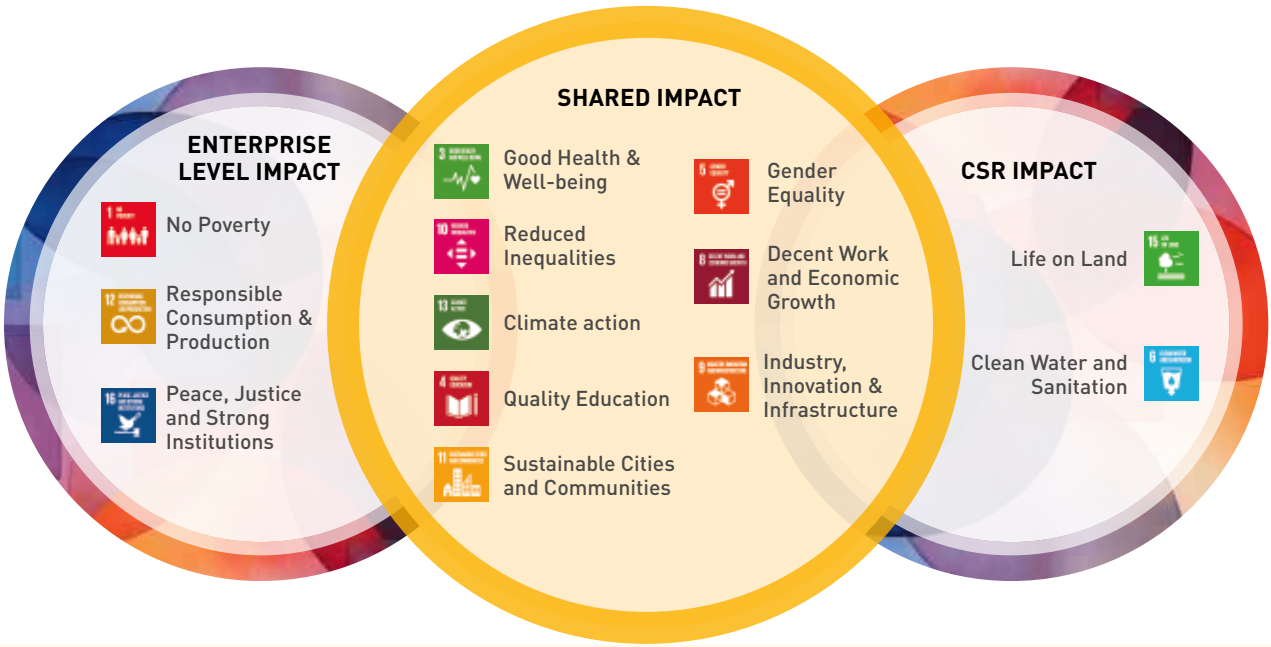
KEY AREAS OF IMPACT

Health Protection	Education Protection	Environmental Protection
» Clean drinking water systems in rural schools and communities » Medical and screening camps » Non-communicable disease awareness initiatives » Maternal and community health support	» School infrastructure upgrades and classroom renovations » Scholarships and student support » Digital literacy and technology access initiatives » Support to special education institutions	» Invasive plant species removal and habitat restoration » Biodiversity conservation partnerships » Community-based environmental and urban revitalisation initiatives » Operational environmental responsibility measures

ALIGNMENT WITH THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

HNB Assurance contributes to the Sustainable Development Goals through an integrated approach combining enterprise sustainability, governance oversight and structured CSR initiatives. Our priority SDGs, relevant targets and the manner in which both enterprise and CSR activities contribute to measurable impact are outlined below.

CONTRIBUTING TO 14 OF 17 SDGS



ENABLER: Partnerships for the Goals

SDG and Relevant Target(s)	Focus Area	Enterprise Contribution	CSR Contribution	More Details
1.4 Access to financial services	Financial resilience	» Insurance protection reducing household vulnerability » Claims and benefit payments supporting income continuity Micro-insurance expansion	» Disaster relief and recovery support for vulnerable communities » Educational scholarships strengthening long-term financial stability	198, 87-88 and 184-186
3.8 Universal health coverage	Health protection and resilience	» Life insurance protection vulnerability » Financial resilience against health-related risks	» Reverse osmosis water purification systems » Medical camps » Preventive health awareness initiatives	86 and 200-202
4.1 Quality primary education **4.4** Relevant skills for employment	Access to quality education	» Employee training and professional development » Financial literacy initiatives	» School infrastructure upgrades » Scholarships and student support » Digital literacy initiatives	154-156 and 202

OUR COMMITMENT TOWARDS A SUSTAINABLE FUTURE

SDG and Relevant Target(s)	Focus Area	Enterprise Contribution	CSR Contribution	More Details
 **5.5** Women's participation and leadership	Inclusive workplace	» Inclusive workplace policies » Leadership pathways for women » Gender parity reporting alignment	» Supporting female entrepreneurship through supplier engagement » Liya Harasara campaign	28 and 146-162
 **6.1** Safe and affordable drinking water	Safe water access	• Not applicable at enterprise level	» Installation of safe drinking water systems in underserved schools and communities	84-85 and 201
 **8.5** Full and productive employment **8.10** Access to financial services	Employment and economic value creation	» Employment generation » Commissions to advisors and brokers » Economic value distributed to stakeholders » Mobilisation of long-long-term capital	» SME capacity-building initiatives where applicable	146-162 and 88
 **9.3** Access to financial services for enterprises **9.4** Upgrade infrastructure for sustainability	Digital transformation and sustainable finance	» Participation in green bonds and sustainable debentures » Investment in digital capital » Technology-enabled insurance solutions	» Not applicable at CSR level	207 and 171-176
 **10.2** Social and economic inclusion	Financial inclusion	» Expanding access to insurance in underserved communities » Inclusive product offerings	» Community-based engagement initiatives	200-202 and 198
 **11.6** Reduce environmental impact of cities	Urban environmental stewardship	» Optimising branch footprint to reduce resource intensity per location	» Community mobilisation for cleaner and greener public spaces	163-166 and 206-207
 **12.2** Sustainable resource use **12.5** Waste reduction	Resource efficiency	» Paperless initiatives » Digitalisation of reporting » Operational energy management	» Environmental awareness initiatives within CSR programmes	84 and 91-125

SDG and Relevant Target(s)	Focus Area	Enterprise Contribution	CSR Contribution	More Details
 **13.1** Climate resilience and adaptation **13.2** Climate policies and integration	Climate governance and resilience	» Climate risk integration within ERM » Alignment with SLFRS S1 and S2 disclosures » Cyclone index-based insurance product supporting post-disaster recovery » Participation in green bonds and climate-aligned investment instruments	» Environmental restoration initiatives » Ecosystem resilience programmes	84 and 91-125
 **15.1** Conservation of ecosystems **15.5** Halt biodiversity loss	Biodiversity and ecosystem protection	• Not applicable at enterprise level	» Invasive plant species removal » Ecosystem rehabilitation initiatives » Biodiversity conservation partnerships	80-81
 **16.6** Effective, accountable institutions	Governance, transparency and trust	» Board and management sustainability oversight » Enterprise Risk Management integration » Alignment with SLFRS S1 and S2 disclosures » Cybersecurity governance and digital resilience frameworks » Data privacy and controlled information management protocols	» Not applicable at CSR level	233-271
 **17.17** Multi-stakeholder partnerships	Multi-stakeholder collaboration	» Strategic partnerships with financial institutions and regulators » Sustainability reporting alignment	» Collaboration with conservation bodies and community stakeholders	178-202 and 80-88

Sustainability in Action (pp. 80-88), together with the relevant Capital Reports (pp. 133-210), provides detailed insights into the initiatives, performance indicators and value creation outcomes outlined above.

APPROACH TO SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

HNB Assurance PLC has introduced structured consideration of sustainability- and climate-related matters within its governance, risk management and disclosure processes in line with the implementation of the SLFRS Sustainability Disclosure Standards.

Given the nature of insurance operations, climate-related risks are primarily evaluated in the context of underwriting exposure, investment oversight and long-term financial resilience.

TRANSITIONAL ADOPTION APPROACH

HNB Assurance PLC adopted the SLFRS Sustainability Disclosure Standards during the reporting year ended 31 December 2025, applying applicable transitional relief provisions available to first-time adopters as issued by the Institute of Chartered Accountants of Sri Lanka.

In preparing these disclosures, the Group has applied the principle of proportionality, using reasonable and supportable information available at the reporting date without undue cost or effort, reflecting the evolving maturity of data, systems and analytical capabilities supporting the preparation of sustainability-related financial disclosures.

Key transitional considerations applied include:

- **Climate-first reporting:** Initial focus on climate-related disclosures under SLFRS S2, with broader sustainability-related risks and opportunities to be progressively incorporated under SLFRS S1.
- **Progressive value chain assessment:** Phased enhancement of value chain analysis, including the expansion of greenhouse gas disclosures to incorporate Scope 3 emissions within the applicable transitional relief period.
- **Phased enhancement of financial impact assessment:** Progressive development of methodologies supporting the assessment and disclosure of anticipated financial effects of climate-related risks and opportunities.





- Board oversight of climate-related risks and opportunities through the Board Risk Management Committee (BRMC).
- Management-level coordination supported through the ESG / Sustainability Management Committee.
- Sustainability considerations addressed within existing risk, compliance and operational governance structures.
- Established internal reporting processes supporting SLFRS sustainability disclosures.

- Climate-related risks monitored through the Enterprise Risk Management (ERM) framework.
- Risk assessment processes consider climate-related exposures relevant to insurance operations.
- Cross-functional coordination supports identification and reporting of climate-related matters.

- Climate-related considerations incorporated within enterprise risk and strategic oversight processes.
- Sustainability matters considered in relation to underwriting exposure and long-term business resilience.
- Initial alignment undertaken to support adoption of SLFRS sustainability disclosure requirements.

- Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with SLFRS S2 transitional provisions.
- Climate-related metrics form the primary focus during the initial phase of SLFRS adoption.
- Industry-relevant metrics have been considered with reference to applicable sector guidance

REPORTING CONSIDERATIONS

Time Horizons

Sustainability- and climate-related risks and opportunities are assessed across the following planning horizons:

- Short term: 1–3 years (2026–2028)
- Medium term: 3–5 years (2028–2030)
- Long term: Beyond 5 years (2031 and beyond)

These horizons are aligned with the Company's strategic planning, risk management and capital allocation timeframes.

Sources of Guidance Applied:

In preparing these sustainability-related financial disclosures, the Group applied the SLFRS Sustainability Disclosure Standards issued by the Institute of Chartered Accountants of Sri Lanka. Industry-specific guidance under the SASB Insurance Industry Standard and relevant disclosures under the GRI Standards were also considered in identifying sustainability- and climate-related risks and opportunities and in developing related disclosures.

Location of Disclosures

Detailed sustainability-related financial disclosures prepared in accordance with SLFRS Sustainability Disclosure Standards are presented within the SLFRS Sustainability-Related Financial Disclosures section of this Annual Report (pages 91-125), with related information integrated across governance, risk management and strategy disclosures.

ROADMAP TO IMPLEMENTATION

In line with transitional relief provisions available under SLFRS S1 and SLFRS S2, HNB Assurance PLC will progressively enhance the scope, depth and maturity of sustainability-related disclosures over the implementation period.

Please refer page 91-125 for the detailed S1 and S2 disclosures

FY2025 — Initial Application	FY2026 — Framework Development and Expansion	FY2027 — Full Transitional Implementation
» First-year adoption of SLFRS Sustainability Disclosure Standards. » Climate-related risks and opportunities disclosed in accordance with SLFRS S2. » Disclosure of Scope 1 and Scope 2 greenhouse gas emissions. » Establishment of governance structures supporting sustainability oversight.	» Implementation of a structured Sustainability Management Framework supported by an external consultant. » Identification and formal introduction of Sustainability-Related Risks and Opportunities (SRROs). » Completion of internal materiality assessment to identify priority sustainability themes. » Development of a Sustainability Roadmap including performance indicators and targets. » Strengthening integration of sustainability considerations within enterprise risk management processes.	» Completion of Scope 3 greenhouse gas emissions disclosure. » Introduction of comparative information for climate-related disclosures. » Enhancement of climate resilience and scenario analysis disclosures. » Progressive incorporation of anticipated financial effects of climate-related risks and opportunities. » Strengthening disclosure consistency and assurance readiness.

DIGITALISATION OF REPORTING

HNB Assurance enhanced stakeholder access to its Annual Report by transforming the 2025 Integrated Annual Report into a more interactive digital experience. Enhanced navigation and intelligent tools now enable stakeholders to explore information more conveniently and efficiently.

The enhanced digital features improve readability, enable faster access to performance highlights, and provide a more user-centric experience. This digitalisation initiative not only strengthens transparency and stakeholder engagement but also supports environmentally responsible reporting by reducing reliance on printed materials, reflecting the Company's continued commitment to innovation and sustainability.



Annual Report Microsite

A dedicated digital microsite provides stakeholders with an intuitive and mobile-friendly platform to provide seamless access the Annual Report across devices.

Key Benefits:

- Easy navigation across report sections and disclosures
- Improved accessibility across devices and user groups
- Faster access to performance highlights and sustainability information
- Enhanced readability in comparison to static document formats



Scan the QR code to access the microsite



AI-Powered Report Analyser

An AI-enabled analyser allows stakeholders to interact directly with the Annual Report through a conversational interface.

Key Benefits:

- Enables users to ask questions and receive instant responses based on report content
- Faster identification of key disclosures and data points
- Improved understanding of strategy, performance and sustainability initiatives
- Consistent interpretation of organisational performance using verified Annual Report information

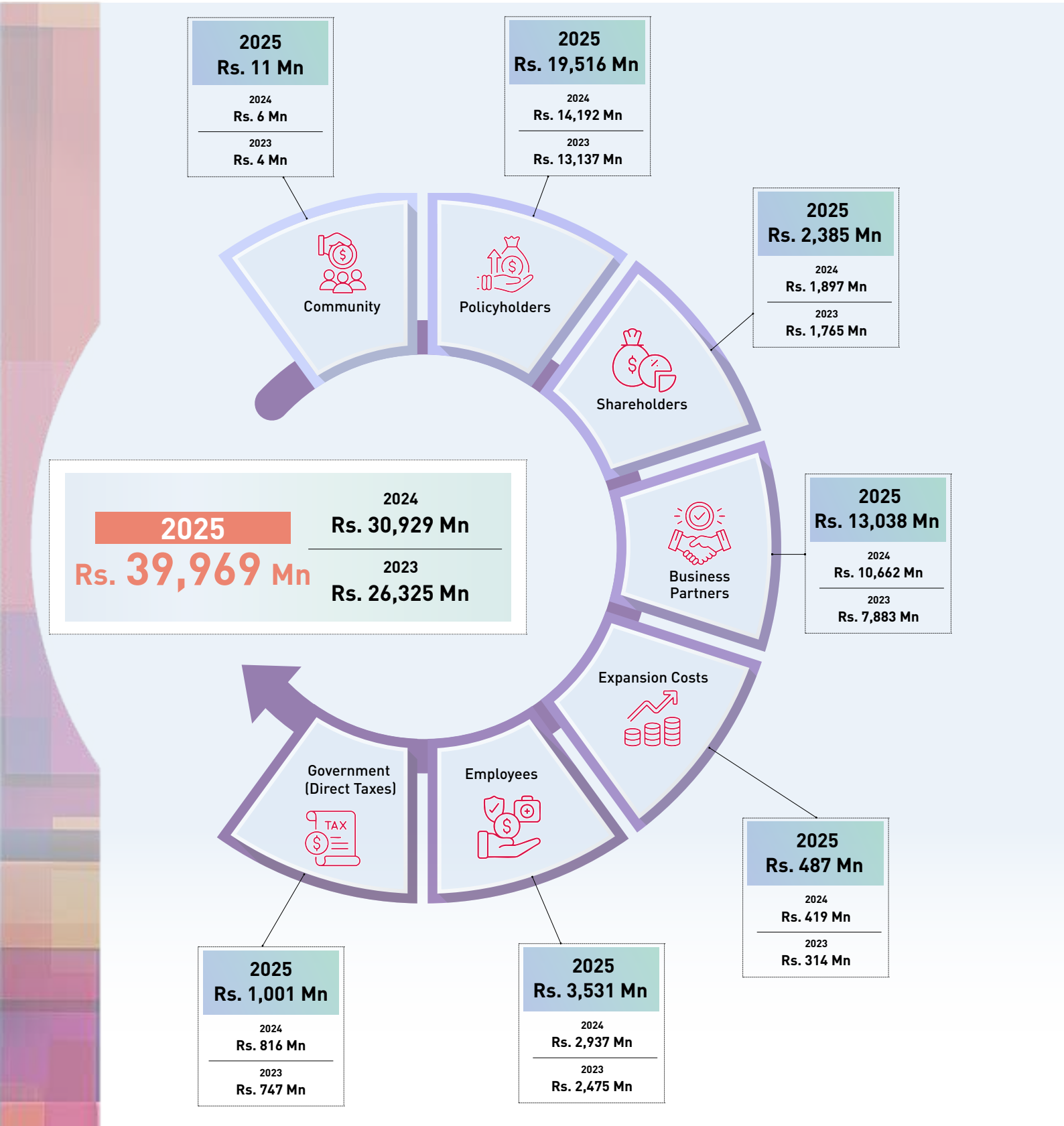


CONTRIBUTION TO NATIONAL ECONOMY

Direct Economic Value Generated and Distributed GRI 201-1

In 2025, the Group generated total economic value of Rs. 39,969 Mn, reflecting sustained growth in underwriting performance and policyholder fund expansion. This represents a continued upward trajectory compared to Rs. 30,929 Mn in 2024 and Rs. 26,325 Mn in 2023, demonstrating the Group's expanding economic footprint within the national financial ecosystem.

Economic value generated was distributed across key stakeholder groups, reinforcing the Group's role as a responsible insurer, employer, taxpayer and long-term institutional investor.



PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Units	Status	2025	2024	2023	%
Financial Performance						
Gross Written Premium (GWP)	Rs. Mn.	↑	30,450	22,738	18,760	34
Investment Income	Rs. Mn.	↑	9,010	7,727	7,236	17
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	Rs. Mn.	↑	3,960	3,232	2,881	23
Profit After Tax	Rs. Mn.	↑	2,385	1,897	1,765	26
Dividend Paid	Rs. Mn.	—	585	585	547.5	-
Underwriting Margin /Gross Profit/ Operating Profit Margin	%	↑	41.5	38.3	36.7	8
Return on Assets	%	—	3.3	3.3	3.8	-
Financial Position						
Total Assets	Rs. Mn.	↑	80,651	62,449	51,263	29
Funds Under Management (FUM)	Rs. Mn.	↑	69,968	55,288	44,507	27
Equity and Reserves	Rs. Mn.	↑	14,133	12,517	10,277	13
Retained Earnings	Rs. Mn.	↑	12,151	10,352	9,040	17
Insurance Contract Liabilities	Rs. Mn.	↑	56,037	43,155	35,640	30
Total Liabilities	Rs. Mn.	↑	66,518	49,932	40,986	33
Equity to Asset Ratio	%	↓	17.5	20.0	20.0	(13)
Returns to Investors						
Net Assets Value Per Share	Rs.	↑	94.2	83.4	68.5	13
Return on Equity	%	↑	17.9	16.6	19.5	8
Earnings Per Share	Rs.	↑	15.9	12.6	11.8	26
Dividends Per Share	Rs.	↑	5.00	3.90	3.90	28
Market Price Per Share	Rs.	↑	114.75	80.10	56.60	43
P/E Ratio	Times	↑	7.2	6.3	4.8	14
Price to Book Value	Times	↑	1.22	0.96	0.83	27
Earnings Yield	%	↓	14	16	21	(13)
Market Capitalisation	Rs. Mn.	↑	17,213	12,015	8,490	43
Life Insurance						
Market Share	%	↑	8.58	7.48	7.20	15
Gross Written Premium (GWP)	Rs. Mn.	↑	19,490	13,710	10,923	42
Insurance Contract Liabilities	Rs. Mn.	↑	48,870	38,337	30,676	27
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	↓	283	379	339	(25)
Lapse Ratio (1st Year)	%	↓	40.0	42.5	50.0	(6)
Premium Persistency Ratio (1st Year)	%	↑	84.0	80.3	82.0	5
Claim Ratio (with maturities)	%	↑	23.9	23.3	25.9	3
Claim Ratio (without maturities)	%	↓	8.6	10.1	12.0	(15)
Expense Ratio	%	↓	47.8	53.5	52.8	(11)
Combined Ratio	%	↓	71.6	76.8	78.7	(7)
Combined Ratio without Maturity & Surrenders	%	↓	53.4	58.3	57.4	(8)
General Insurance						
Market Share	%	↑	7.30	6.99	6.64	4
Gross Written Premium (GWP)	Rs. Mn.	↑	11,005	9,122	8,036	21
Insurance Contract Liabilities	Rs. Mn.	↑	6,789	4,507	4,694	51
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	↓	190	219	208	(13)
Claim Ratio	%	↑	70.4	67.2	72.7	5
Expense Ratio	%	↓	37.2	41.1	38.6	(9)
Combined Ratio	%	↓	107.6	108.3	111.3	(1)

NON-FINANCIAL HIGHLIGHTS

	Units	Status	2025	2024	2023	%
Employees	Count	↑	1,609	1,541	1,453	4
GWP per Employee	Rs. Mn.	↑	18.9	14.8	12.9	28
Profit per Employee	Rs. Mn.	↑	1.5	1.2	1.2	25
Training Hours per Employee	Hours	↓	14.7	17.4	10.1	(15)
Investment in Training	Rs. Mn.	↑	43.2	35.6	18.3	21
Employee Turnover	%	—	24	24	23	-
Business Partners						
Active Advisors	Count	↓	2,689	2,726	2,496	(1)
Commissions Paid	Rs. Mn.	↑	3,064	2,287	1,790	34
Brokers	Count	↑	73	70	67	4
Assessors	Count	—	54	54	61	-
GWP Per Advisor	Rs. Mn.	↑	3.9	3	2.7	30
Acquisition cost as a % of GWP	%	↓	11.7	12.1	12.1	(3)
Customers						
Claims and Benefits	Rs. Mn.	↑	8,446	6,711	6,666	26
% of Customer Complaints Settled	%	↓	94.4	97.0	90.4	(3)
Customer Retention Ratio	%	↑	60	58	50	3
Bonus for Participatory Policyholders	Rs. Mn.	↓	48	62	68	(23)
New Policies Life Insurance	Count	↑	91,350	59,154	44,188	54
Community						
Micro Insurance Policies	Count	↑	43,075	24,803	8,005	74
Micro Insurance Claims Paid	Rs. Mn.	↑	10	6	0	67
School Water Projects Completed During the Year	Count	—	4	4	4	-
Investment in CSR Activities	Rs. Mn.	↑	11	6	4	83
Capital Expenditure	Rs. Mn.	↑	643	382	424	68
New Products	Count	—	3	3	3	-
Investment in Digital Capital	Rs. Mn.	↑	988	763	683	29
Number of Branches	Count	↑	82	79	78	4
GWP Per Branch	Rs. Mn.	↑	371	288	241	29
Investment in PPE & Intangible Assets	Rs. Mn.	↑	643	382	424	68
Fuel Consumption	Litres	↑	1,708,497	1,513,327	1,247,980	13
Electricity Consumption	kWh	↓	1,854,188	2,041,445	1,582,469	(9)
Water Consumption	Units	↓	11,154	14,494	12,510	(23)
Paper Recycled	kg	↑	7,150	5,003	13,376	43
GHG Emissions	tCO2e	↓	5,083	5,315	N/A	(4)

↑ ↓ Improved ↑ ↓ Deteriorated — Unchanged

AWARDS & ACCOLADES



HNB ASSURANCE 2025 ACHIEVEMENTS:

1	The Best Life Insurance Company at the Global Brand Awards 2025.	9	The Silver Awards under the Digital Category for "Virtual Avurudu Village" Campaign at the Dragons of Sri Lanka 2025
2	The Top 40 Best Workplaces in Sri Lanka by Great Place to Work 2025.	10	The Bronze Effie Award in the Insurance Category for the "Dola Duka" Campaign.
3	The National level silver award for Business Growth at the National Business Excellence Awards 2025.	11	Recognised at the Fatherhood Forum by Parenthood Global for promoting an inclusive workplace.
4	The Insurance Sector Gold award at the National Business Excellence Awards 2025.	12	One of the Best Workplaces for Women by Great Place to Work in 2025
5	The Best Life Bancassurance Provider in Sri Lanka for the 5th consecutive year by the prestigious Global Banking and Finance Review, UK.	13	The Gold Award for Best Campaign – Lifestyle & Entertainment at the MOB-EX Awards 2025.
6	The Leadership Excellence Award at the CLA Great Managers Award	14	A Merit Award for excellence in People Strategy and Culture at the Great HR Awards 2025
7	The Most Outstanding Mom-inclusive workplace at the Mom Leaders Conference 2025 by Parenthood Global.	15	The Best Well-being Initiative for Working Parents by Parenthood Global.
8	The Most Outstanding Woman Friendly Workplaces at the Women Friendly Workplace Awards 2025 by Satyn Magazine	16	The Gold Award Winner for LSS - Branch Petty Cash Automation and Gold Award Winner for QIP - Implementation of EDI Integration with HNB and HNBA at the National Convention on Quality and Productivity 2025.



HNB GENERAL INSURANCE 2025 ACHIEVEMENTS:

1	The Gold Award for Management Excellence in Insurance Sector at National Management Excellence Awards 2025	5	One of the Most Outstanding Mom-Inclusive Workplaces at the Mom Leader Conference 2025 by Parenthood Global
2	Certified as a Great Workplace by Great Place to Work®	6	Recognition at the Fatherhood Forum 2025 by Parenthood Global
3	The Best General Bancassurance Provider Sri Lanka 2025 by Global Banking & Finance Review	7	Companies with Great Managers by Colombo Leadership Academy at Great Managers Award 2024
4	A Merit Award in Insurance Sector at National Business Excellence Awards 2025	8	Female Focused Insurance Products at Women Friendly Workplace Awards 2025 by Satyn Magazine



YEAR AT A GLANCE



January

We brought our distribution teams together to align on our vision and strategy for the year 2025, while successfully rolling out key business launches that sparked fresh energy across the network. A confident start to a promising year.



February

We unveiled our new Customer Experience Center, redefining how we connect, support, and engage with our customers.



March

March marked the launch of Liyaharasara, a special program dedicated to recognising, empowering and celebrating women.





April

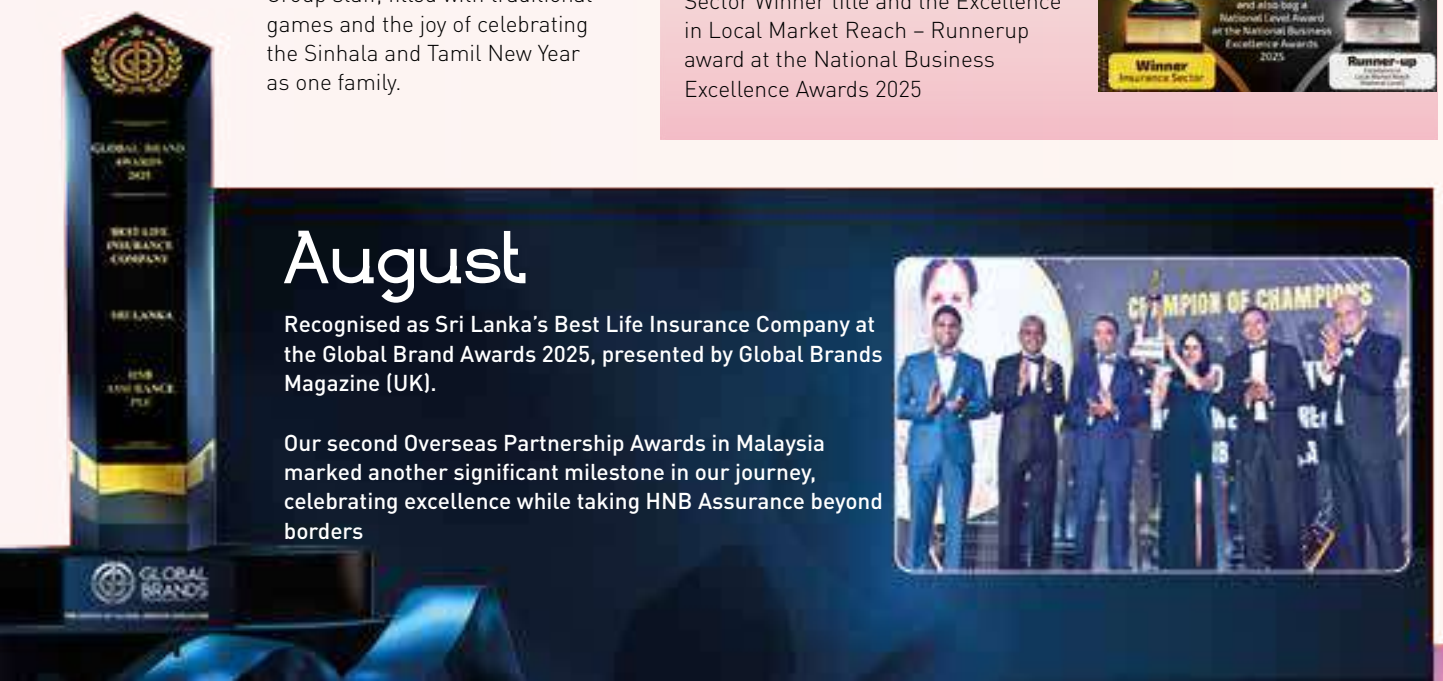
Our Avurudu celebration was a vibrant gathering of HNBA Group staff, filled with traditional games and the joy of celebrating the Sinhala and Tamil New Year as one family.

July

We brought our HNBA family together at our Annual Staff Conference, marking our place among the Great Places to Work with fun, camaraderie and memories.

National Business Excellence Awards - We proudly received the Insurance Sector Winner title and the Excellence in Local Market Reach – Runnerup award at the National Business Excellence Awards 2025





August

Recognised as Sri Lanka's Best Life Insurance Company at the Global Brand Awards 2025, presented by Global Brands Magazine (UK).

Our second Overseas Partnership Awards in Malaysia marked another significant milestone in our journey, celebrating excellence while taking HNB Assurance beyond borders

September

The "PINNACLE" Leadership Development Program brought together emerging leaders of HNBA and equipped them with essential tools, mindset, and exposure, enabling them to broaden their perspectives, strengthen leadership capabilities, and lead with confidence.

Our school water projects were completed, ensuring children have access to clean drinking water and a healthier learning environment.





October

We launched FitQuest, kicking off an exciting 21-day step challenge designed to inspire our teams to move more, feel better, and embrace a healthier lifestyle, together.

Launched HANA, an AI based virtual assistant who responds to general customer inquiries enhancing customer experience.





November

We hosted an Evening with Assurance, a special gathering that brought together our valued customers and stakeholders for meaningful conversations, stronger connections, and shared aspirations for the future.

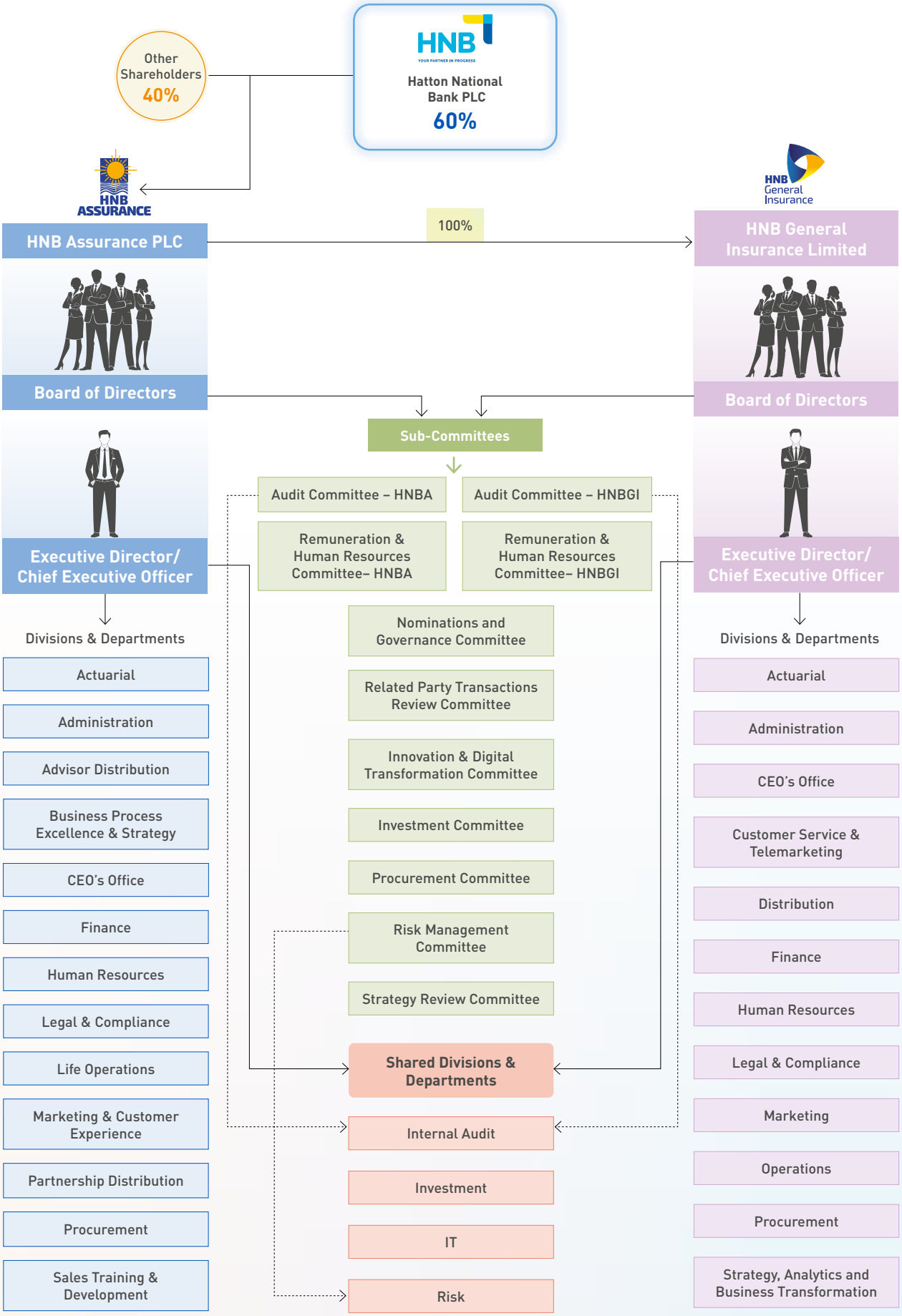




December

In partnership with the Sri Lanka Navy, we joined hands to distribute dry rations to communities affected by Cyclone Ditwah, extending timely support and relief to families in need.

ORGANISATION STRUCTURE





RELENTLESS FORESIGHT

Chess is the pursuit of strategic advantage through disciplined calculation and foresight. Every move is deliberate, shaped by anticipation, risk assessment, and the ability to see beyond the immediate. To succeed in the game, it demands relentless focus, careful planning, and determination for victory.

At HNB Assurance, our strategy is driven by a commitment to foresight and disciplined decision-making. We continuously assess emerging risks, anticipate market shifts, and position the organisation for sustained growth. Through strategic clarity and forward thinking, we strengthen our ability to lead in a dynamic and competitive landscape.

CHAIRMAN'S MESSAGE

BUILT TO PROGRESS PURPOSEFULLY



YEAR 2025 STANDS AS A DEFINING YEAR FOR OUR GROUP—ONE IN WHICH WE DELIVERED ONE OF THE STRONGEST PERFORMANCES IN OUR HISTORY AND REAFFIRMED OUR POSITION AS ONE OF SRI LANKA'S MOST RESILIENT, FAST-GROWING, AND FUTURE-READY INSURANCE GROUPS.

STUART CHAPMAN
Chairman

Dear Stakeholder,

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 December 2025.

I trust our Report will provide you with an in-depth understanding of the Group's value creation process, the strategies in place to drive Life Insurance business and General Insurance business towards sustainable growth, the governance philosophy and underlying principles in which the Group conducts its affairs and the way forward for the Group.

A DEFINING YEAR OF STRENGTH AND MOMENTUM

I am extremely delighted with the continued progress and resilience demonstrated by HNB Assurance Group. Year 2025 stands as a defining year for our Group—one in which we delivered one of the strongest performances in our history and reaffirmed our position as one of Sri Lanka's most resilient, fast-growing, and future-ready insurance groups. In a year marked by economic stabilisation and heightened regulatory scrutiny, we exceeded revenue and earnings expectations across both Life and General Insurance businesses, expanded our distribution capabilities, strengthened operational efficiency, and enhanced customer experience via technology. Our performance translated directly into value creation, reflected in a 43% increase in share price, record earnings, and accelerated progress across our strategic priorities. This year demonstrated the true strength of HNBA— a business built on robust fundamentals, a high-performance culture, and a strategy capable of delivering sustained growth even in the most challenging conditions.

NAVIGATING CHANGE WITH STRATEGIC FOCUS

The operating environment in 2025 was shaped by a steady rebound in economic activity and improved macro-stability, supported by fiscal reforms, debt restructuring, and IMF-backed measures. Inflation moderated, exchange rate stabilised, and the economy returned to a stable growth trajectory, creating more conducive conditions for the financial services sector. For the insurance industry, low penetration levels, increased public awareness, stronger banking and construction activity, and the removal of vehicle import restrictions collectively drove demand across Life and General Insurance businesses. At the same time, a lower-interest-rate environment and regulated investment opportunities placed pressure on investment returns. Regulatory and compliance expectations increased materially, elevating operational complexity but strengthening the sector's governance standards—developments we welcome as a Group built on high ethics, discipline, and transparency.

Customer expectations continued to shift toward convenience, digital access, and embedded insurance, reinforcing the relevance of our investments in bancassurance expansion, digital partnerships, and a broader omni-channel distribution model. However, the operating landscape was also marked

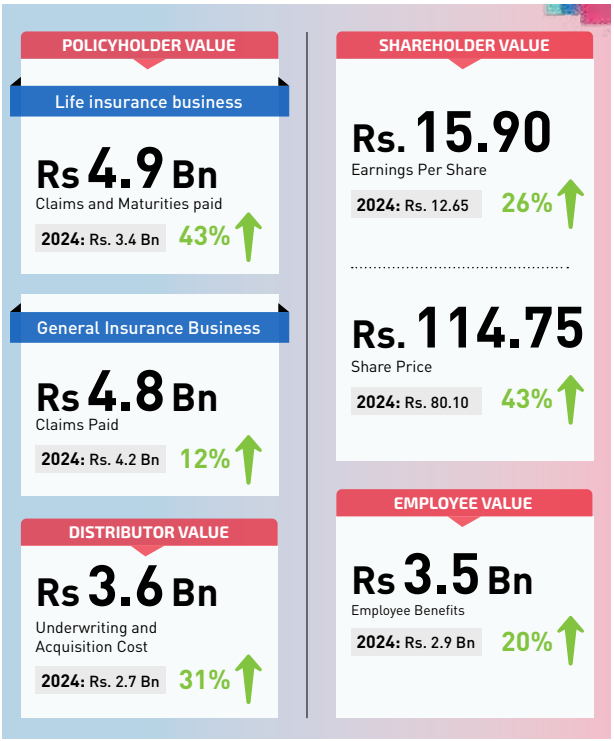
CHAIRMAN'S MESSAGE

by Cyclone Ditwah, which resulted in elevated claims and catastrophe-related losses and underscored the rising influence of climate volatility particularly on the general insurance business. Our response was immediate and purpose-driven. We proactively reached out to affected customers, accelerated the claim settlement process, and ensured continuity of protection. Strong reinsurance arrangements helped minimise the financial impact on the Group. Overall, while the environment presented both opportunities and challenges, it validated the strength of our strategy, our operating discipline, and our ability to adapt to evolving conditions.

A YEAR OF MEANINGFUL IMPACT

The Group continued to create meaningful and measurable value across all stakeholder groups, underscoring the strength of our operating model and the discipline with which we manage growth and risk. For Life policyholders, we enhanced value through universal life dividends and a 43% increase in claims and maturity benefit payments, ensuring that our promises were honoured promptly and consistently. In the General Insurance business, claims paid increased by 12%, reflecting strong underwriting discipline and the support of robust reinsurance arrangements that allowed us to respond effectively even amidst cyclone Ditwah.

Snapshot of Stakeholder Value



For shareholders, 2025 was a year of exceptional value creation. Earnings per share rose 26%, while the share price increased 43%, closing at Rs. 114.75— clear evidence of investor confidence in the Group's financial strength, strategic direction, and long-term prospects.

Your Board recommended a first and final dividend of Rs. 5.00 per share amounting to a total payout of Rs. 750 Mn subject to the approval of shareholders at AGM on 30th March 2026. The Company follows a dividend policy corresponding to earnings, whilst maintaining adequate funds for business continuity and strategic investments.

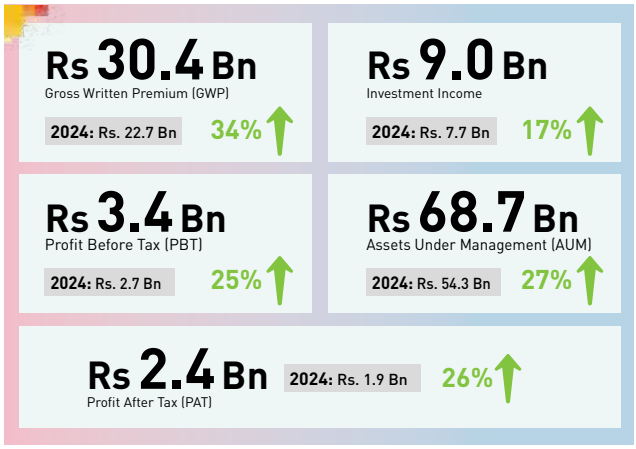
Beyond financial performance, we also strengthened the value delivered to distribution partners, employees, and the wider ecosystem, driven by continued investments in capability development and capacity building, productivity enhancements, and expanded earning opportunities for our distribution partners. Furthermore, the Group's contribution to national development remained significant, generating Rs. 40 billion in economic value and contributing Rs. 2.5 billion in taxes, underscoring our commitment to national progress and stability.

STRONG, BROAD BASED AND RESILIENT GROWTH

During the financial year, the Group delivered strong broad-based growth, reflecting the continued confidence of our policyholders and shareholders, relentless strategy execution, and prudent financial management. This momentum enabled the Group to record another year of robust growth, with Gross Written Premium (GWP) rising to Rs. 30.4 billion, a 34% YoY increase. Profit Before Tax reached Rs. 3.4 billion, marking 25% growth, supported by a strong core business expansion and enhanced operational efficiencies.

Despite operating in a low-interest environment, we recorded a 17% increase in investment income, underscoring the effectiveness of our asset allocation strategy together with growth in size of the investment portfolio. Assets Under Management grew by 27% via cash generated by our business as well as marked to market valuation of our investments, while total assets expanded by 29%, reaffirming the Group's solid financial foundation.

Snapshot of Group Performance



LIFE INSURANCE BUSINESS

Our Life Insurance business delivered an outstanding performance, achieving industry-leading growth. GWP increased by 42% to Rs. 19.5 billion, the highest growth in the sector for the year. Profit Before Tax rose 28% to Rs. 3 billion, driven by strong contributions from increased GWP, Investment Income growth and optimisation of expenses. Profit After Tax grew by 28% to Rs. 2.1 Bn in line with growth in Profit Before Tax. Investment Income increased by 19%, and Assets Under Management grew by 28%, reflecting robust cash and return generation. Life Fund, backed by a high-quality asset base expanded by 27% to Rs. 49.2 billion.

A noteworthy achievement was the 41% increase in Life fund surplus, supported by growth in business, improvement in quality parameters and effective cost management. The Capital Adequacy Ratio of 283% as of 31st December 2025 was well above regulatory requirements, complemented by an A(lka) Fitch rating with a Stable Outlook, reaffirming our financial strength, strong solvency position and creditworthiness.

GENERAL INSURANCE BUSINESS

The General Insurance business also made steady progress, with GWP rising 21% to Rs. 11 billion, supported by strong performances across the motor, fire, engineering, and marine segments, enabling the business to achieve 6th place in the industry. Profit After Tax grew by approximately 9%, reflecting robust underwriting practices in the face of reduction in investment income and the adverse impact from cyclone Ditwah.

Assets Under Management increased by 7%, while the General Insurance Fund expanded by a significant 51% to Rs. 6.8 billion. The Capital Adequacy Ratio remained at a strong 190%, substantially exceeding regulatory thresholds. The business further strengthened its financial standing with an upgraded A(lka) Fitch rating with Stable Outlook, underscoring its resilience and financial soundness.

GOVERNANCE AND RISK STEWARDSHIP

The Group strengthened its governance and risk management framework significantly during the year, guided by our firm commitment to the Code of Best Practice on Corporate Governance and full compliance with all regulatory requirements, including those of the Insurance Regulatory Commission of Sri Lanka and Security and Exchange Commission. We continued to reinforce a culture of integrity, maintaining zero tolerance for bribery, corruption, discrimination, or workplace harassment, supported by robust policies and strict Board oversight. Our governance structures were further enhanced through the establishment of an ESG Committee reporting to the Board Risk Management Committee (BRMC), ensuring alignment with emerging ESG standards and timelines. We also sharpened our focus on Anti Money Laundering (AML), CFT, and Know Your Customer (KYC) compliance through comprehensive training, strengthened reporting protocols, and greater regulatory engagement. Board subcommittees were streamlined for enhanced effectiveness, with mandates, policies, and terms of reference formally reviewed and updated during the year. Moreover, we made strong progress in our preparation to implement SLFRS 17 and SLFRS 9, supported by the required technology and governance processes.

In risk management, we continued to invest in a disciplined enterprise wide approach, with a dedicated Board Risk Committee overseeing key exposures across climate, catastrophic events, cyber security, and operational risk among others. To strengthen cyber resilience, we established a managed Security Operations Centre (SOC) and deployed advanced data loss prevention and monitoring systems. We also enhanced transparency by reinforcing internal controls, tightening data protection measures, and promoting an ethical culture through codes of conduct, regular staff training, and a well articulated whistleblower mechanism with confidential reporting and Board level oversight.

CHAIRMAN'S MESSAGE

SUSTAINABILITY AND ESG

Sustainability remained central to our strategy, embedded within our operations and long-term value-creation model. Through the initiatives we implemented, sustainability continued to shape how we operate, guide our investment decisions, and strengthen the trust of the communities we serve.

The establishment of a Management- level ESG Committee and the Limited Assurance on SLFRS S1 & S2 Sustainability disclosure standards obtained from Ernst & Young underscored our commitment. Our environmental initiatives focused on digitalisation, reduced paper usage, eliminating manual cashiering, and adopting energy-efficient infrastructure. Our long-standing conservation programme to mitigate human–elephant conflict continued to display meaningful outcomes, while social empowerment efforts were strengthened through the IN-SHE programme focused on women-at-work and extensive health-related initiatives supporting cancer patients and medical infrastructure. We also expanded climate resilience solutions, including pioneering parametric insurance for extreme weather events.

LOOKING AHEAD

Looking ahead to 2026 and beyond, we remain optimistic about the opportunities ahead, supported by further economic stabilisation achieved in 2025 and the continued reform agenda underway. With GDP growth expected to remain healthy and inflation and interest rates stabilising, we anticipate a more favourable environment for Insurance industry. While global uncertainties, structural constraints, and trade headwinds may pose challenges, overall conditions remain positive for the industry, and we believe the Group is well-positioned to capture these opportunities.

Our growth momentum will be further reinforced by the strategic partnerships forged with leading financial institutions. Although Cyclone Ditwah may have a temporary economic impacts, it has also heightened public awareness of risk protection, prompting individuals and businesses to reassess their level of insurance cover—an encouraging shift supporting industry growth. At the same time, we expect the risk of climate volatility and extreme weather events to continue, driving both higher claims and increased demand for solutions such as parametric insurance, crop cover, and flood protection.

A central pillar of our future strategy is technology. With both Life and General core systems now fully modernised and cloud-based, our focus for 2026 is to accelerate digital transformation across customer touchpoints, ensuring faster, seamless, and more intuitive experiences. This digital push will be complemented by our continued investment in people—enhancing capability, productivity, and leadership depth to sustain high performance across the group.

In terms of priorities, the Life business is firmly focused on achieving its goal of 10% market share in 2026, a target for which we remain on track. The General Insurance business has already improved its industry ranking in the year 2025, and we are committed to continuing this upward trajectory. With strengthened technology, empowered teams, and a clear sense of purpose, we enter 2026 with confidence, disciplined ambition, and a focus on driving sustainable, long-term value for all stakeholders.

APPRECIATION

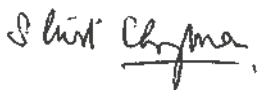
In closing, I wish to extend my sincere gratitude to our Executive Director / CEO of HNB Assurance Mr. Lasitha Wimalaratne, and the Executive Director / CEO of HNB General Insurance, Mr. Sithumina Jayasundara and their teams for their dedication, resilience, and unwavering commitment which was central to our success throughout the year.

I am also pleased to formally welcome Mr. Lasitha Wimalaratne and Mr. Sithumina Jayasundara to the Boards of HNB Assurance and HNB General Insurance, respectively, following their appointments during the year 2025. We are confident that their leadership will continue to play a pivotal role as we advance into the next phase of our growth journey. In addition, we warmly welcome Mrs. Poornima Ranawaka to the Board and look forward to her valuable expertise.

On behalf of the Board and all our employees, I extend our deep appreciation to our parent company, Hatton National Bank, our business partners, investors, and regulators for their continued trust and collaboration. I also thank my fellow Directors for their insightful guidance, professional independence, and the depth of expertise they bring to Board deliberations—qualities that meaningfully shape the Group's strategic direction and long term success.

Finally, on behalf of the Board, I wish to express our heartfelt condolences to the family of Mr. Rimoe Saldin on his passing. We remain grateful for his dedicated service to the Company and valuable contribution as a Non-Independent, Non-Executive Director of HNB Assurance PLC.

As we look to the future, we do so with confidence, purpose, and a steadfast commitment to creating enduring value for our policyholders, shareholders, employees, Distributors and the Nation. Together, we will continue to build a stronger, resilient, and future-ready HNB Assurance Group.



Stuart Chapman
Chairman

Colombo, Sri Lanka
24th February 2026

CHIEF EXECUTIVE OFFICER'S REVIEW

It is with great pleasure that I present the year 2025 review—a truly outstanding year in which Group delivered one of the strongest performances in our 24 year journey. Amid a challenging and evolving macroeconomic environment, we achieved market leading growth in Life business and improved our standing in General Insurance business, strengthened profitability of the Group, and accelerated our digital and operational transformation roadmap. With Life Gross Written Premium (GWP) expanding by 42%, General Insurance growing at 21%, Group Profit After Tax (PAT) rising by 26%, and Return on Equity (ROE) reaching 18%, 2025 stands as a defining milestone for the Group—reflecting relentless strategy execution, prudent financial management, and the strength of a well diversified distribution model.

More importantly, this performance marks a powerful step forward in positioning the Group for its next phase of growth and Industry Leadership. The progress and recognition we earned throughout the year are a testament to the dedication and passion of our people, whose collective efforts have created strong momentum for the future. Our journey continues to be guided by a simple but powerful principle—keeping our customers at the heart of everything we do, while embracing innovation and building trust across every interaction.

CHALLENGING OPERATING CONTEXT

Sri Lanka's economy continued to stabilise through 2025 on the back of fiscal reforms, debt restructuring, and IMF-supported measures, creating a more conducive operating backdrop with controlled inflation and improved external finances. The insurance sector benefited from low penetration, increased awareness, a strong banking sector performance, the removal of vehicle import restrictions and expansion of construction. However, the low-interest-rate environment and limited investment opportunities impacted investment returns resulting a challenge in driving profitability. Regulatory expectations increased, raising the bar on governance, compliance, and operational discipline. Moreover, the year was notable for Cyclone Ditwah, which elevated claims activity and catastrophe-related losses—highlighting the intensifying influence of climate volatility on insurance operations and the importance of robust underwriting and reinsurance arrangements.

GROUP PERFORMANCE: ANOTHER YEAR OF STRONG, BROAD BASED GROWTH

Group delivered another year of exceptional financial performance, reinforcing its position as one of Sri Lanka's fastest growing and most resilient insurance groups. The Group GWP grew by a strong 34% to Rs. 30.4 Bn (2024: Rs. 22.7 Bn), driven by strong contributions from both Life insurance and General insurance businesses. This momentum reflects the Group's relentless execution of growth strategy, and continued success in strengthening distribution capabilities.

Investment income increased by 17% to Rs. 9.0 Bn, supported by effective asset allocation strategy together with significant increase in Asset Under Management (AUM). Profit Before Tax rose 25% to Rs. 3.4 Bn, while Profit After Tax increased to Rs. 2.4 Bn, underscoring the Group's ability to translate growth into sustained value creation. Total Assets expanded 29% to Rs. 80.7 Bn, and Asset Under Management (AUM) grew 27% to Rs. 68.7 Bn, reflecting strong cash generation from both the Life insurance business and General Insurance business together marked-to-market gains from our investments.

AMID A CHALLENGING AND EVOLVING MACROECONOMIC ENVIRONMENT, WE ACHIEVED MARKET LEADING GROWTH IN THE LIFE BUSINESS AND IMPROVED OUR STANDING IN THE GENERAL INSURANCE BUSINESS, STRENGTHENED PROFITABILITY OF THE GROUP, AND ACCELERATED OUR DIGITAL AND OPERATIONAL TRANSFORMATION ROADMAP

LASITHA WIMALARATNE

Executive Director /
Chief Executive Officer
HNB Assurance PLC

BUILDING THE WAY AHEAD



CHIEF EXECUTIVE OFFICER'S REVIEW

LIFE INSURANCE BUSINESS: RECORD-BREAKING REVENUE GROWTH, STRENGTHENED FUNDAMENTALS AND SIGNIFICANT EARNINGS GROWTH

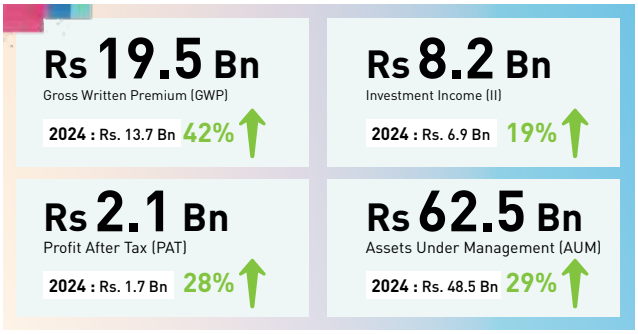
Underscoring the strength of our strategy, the depth of our distribution network, value-driven product portfolio and our commitment to delivering sustainable value to all stakeholders, HNBA delivered an exceptional year of performance—transforming the momentum of 2025 into one of the most successful years in its history.

The Life Business made significant progress with its 4 strategic pillars such as Growth, Innovation, Profitability and Risk, Compliance & Governance. The Agency Channel expanded and strengthened its market presence by enhancing the distribution network while focusing on quality parameters of the business. The Channel recorded an outstanding growth in GWP of 28%. The Bancassurance Channel with its strong growth potential, consolidated its position as a leading bancassurance provider by solidifying existing relationships and improving quality parameters of the business. The Channel recorded incredible growth in GWP of 51%. The Alternate Channel recorded an exceptional 71% growth by adding new partnerships to increase volumes and supported by outstanding performance in the mortgage protection segment stemming from a low-interest rate environment.

Our Life business is at the forefront of digital transformation by leveraging emerging technologies and consistently investing in enhancing the digital advisor journey, digital customer journey and enhancing scalability of the policy administration system. A dedicated Transformation vertical now drives business-wide efficiency. We completed major core system upgrades, advanced SLFRS 17 transition, and deployed Analytics, Artificial Intelligence (AI), and Robotic Process Automation (RPA) to streamline processes—creating a modernised operating model built for next phase growth and enhancing customer experience.

The launch of HANA, our AI-powered virtual assistant, provided instant responses to general customer inquiries, improving accessibility and responsiveness. These initiatives strengthened transparency, consistency, and efficiency—ensuring faster, simpler, and more reliable customer service.

Snapshot of Life Business Performance



The Life business achieved record-breaking growth, with GWP rising by 42% to Rs. 19.5 Bn, fuelled by strong new business generation, healthy renewal growth, deeper penetration across corporate and mortgage protection segments. All distribution channels contributed enormously, with the Agency, Bancassurance, and Alternate Channels delivering outstanding results supported by expanding distribution networks, strong performance in banking sector, strengthened business quality, and enhanced customer engagement. Our ability to scale-up was strengthened by implementation an advanced policy admin system.

Investment Income grew by 19% to Rs. 8.2 Bn, supported by effective asset allocation strategies and an increase in AUM to Rs. 62.5 Bn, despite a low interest rate environment. Importantly, disciplined cost management and operational efficiencies enabled us to translate top-line momentum into sustainable profitability, with Profit Before Tax rising 28% to Rs. 3.0 Bn and Profit After Tax increasing to Rs. 2.1 Bn.

The Company's financial position remained strong, with Total Assets expanding to Rs. 68.4 Bn and the Life Fund strengthening by 27% to Rs. 49.2 Bn, reflecting the long-term stability of policyholder obligations. Capital Adequacy remained well above regulatory thresholds, reinforcing our ability to absorb volatility, support future growth, and honour the promises made to our policyholders. Further the Life business continues to maintain 'A(lka)' rating by Fitch Ratings with a stable outlook, reflecting stronger financial strength and improved creditworthiness.

The progress we achieved this year make us more relentless as we enter the final phase of our 10-in-5 strategic journey. Recognition as Best Life Insurance Company at the Global Brand Awards 2025, the National-level Silver Award for Local Market Reach, the Insurance Sector Gold Award at the National Business Excellence Awards, and Best Life Bancassurance Provider in Sri Lanka for the fifth consecutive year reflect the strength of our strategy and the commitment of our people.

GENERAL INSURANCE BUSINESS; STRONG EXPANSION, FINANCIAL RESILIENCE, AND INNOVATION LED MOMENTUM

While in its 10th Anniversary year, HNBGI surpassed Rs. 10 Bn GWP, delivered 21% growth and improved its ranking in the industry, underscoring resilient strategy execution, prudent financial management and unwavering commitment of our people, Our core system went-live across all lines, as well as SLFRS 17 implementation—a sector-leading accomplishment among local peers were among the key milestones achieved during the year.

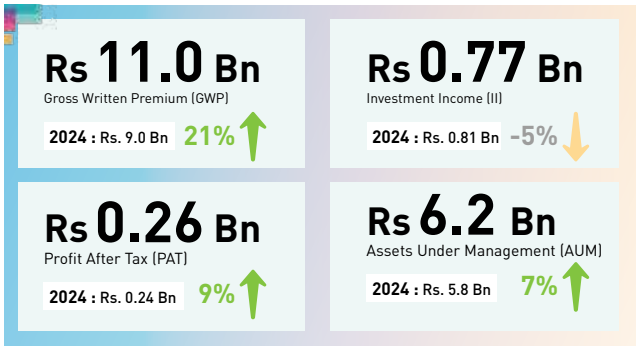
The General Insurance Business made significant progress in its strategic pillars such as driving growth and portfolio diversification, operational excellence and resilience, and

innovation and digital transformation. Our General business achieved strong growth in 2025 by targeting underserved markets, accelerating product innovation, and acting as a solutions-driven partner. Highlights included a landmark bancassurance partnership with a financial institution and launches in parametric, crop, cyber, and renewable energy solutions. Portfolio diversification reduced reliance on motor while growing non-motor lines and expanding reach through partnerships with SMEs, banks, and employment agencies. Notable milestones—such as parametric insurance for day-boat fishermen (via the Sayuru app with Dialog Axiata) and the first franchise Business Development Office in Karapitiya—extended inclusion and access.

Operational resilience improved via digital system upgrades that streamlined underwriting, policy management, and claims; strengthened reinsurance partnerships; and enhanced retention. In 2025, our General business accelerated digital transformation with AI/RPA for auto-underwriting, a managed SOC for cybersecurity, and an Innovation Hub to drive continuous improvement—cementing its position as one of Sri Lanka's most technologically progressive and customer-focused general insurers.

Cyclone Ditwah resulted in elevated claims and catastrophe-related losses and underscored the rising influence of climate volatility particularly on the general insurance business. Our response was immediate and purpose-driven we proactively reached out to affected customers, accelerated the claim settlement process, and ensured continuity of protection. Strong reinsurance arrangements helped minimise the financial impact on our general business.

Snapshot of General Business Performance



Our General business GWP increased by 21% to Rs. 11.0 Bn, driven by broad-based improvements across motor, fire, engineering, and marine lines, enabled by the recovery in economic activity and the easing of import restrictions.

Despite low investment yields during the year, the general business-maintained Investment Income of Rs. 0.8 Bn through effective asset allocation strategies and growth in Assets Under Management (AUM). Profitability remained stable, with Profit Before Tax at Rs. 0.35 Bn and Profit After Tax increasing by 9% to Rs. 0.26 Bn, despite elevated Cyclone Ditwah related claims.

Financial strength of the General Insurance Business improved further, with Total Assets rising to Rs. 13.4 Bn and AUM increasing to Rs. 6.2 Bn. The General Insurance Fund expanded by 51% to Rs. 6.8 Bn, reflecting continued portfolio expansion and cyclone Ditwah claims. Capital adequacy remained strong at 190%, significantly above regulatory requirements and providing a substantial buffer to support growth and absorb market volatility.

The upgrade of our General business Fitch rating to A(lka) with a Stable Outlook further validates the company's strong financial position, disciplined risk management, and resilient risk profile.

EMPOWERING PEOPLE AND BUILDING A HIGH-PERFORMANCE, INCLUSIVE CULTURE

We continued to invest in capability building, leadership development, achieving high-performance culture and ensure transparency in all employee related matters. We drive focused expansion and elevation of the sales force—through structured training, strengthened governance, and enhanced advisory quality—lifted productivity across all channels.

Employee engagement, well-being, and flexibility remained priorities. Continuous listening and targeted initiatives helped attract, retain, and motivate top talent. Digitalisation improved HR effectiveness, with automation and analytics enhancing decision-making and process consistency. At the core of our people philosophy is a simple belief: our colleagues deserve a workplace that honours their whole lives—not just their titles.

Our people were at the heart of our success in 2025, enabling record performance while navigating a fast-evolving environment. We were recognised among Sri Lanka's Top 40 Great Places to Work and the Top 20 Best Workplaces for Women and named Sri Lanka's Most Outstanding Women-Friendly Workplace and a Company with Great Managers—affirming our inclusive, supportive culture. Our exceptional cohort of MDRT achievers included record Top of the Table (TOT) and Court of the Table (COT) qualifiers—the highest in our history.

CHIEF EXECUTIVE OFFICER'S REVIEW

High Performing Sales Team

8 qualifiers	33 qualifiers	215 qualifiers
Top of the Table (TOT)	Court of the Table (COT)	Million Dollar Round Table (MDRT)
2024 : 06	**2024 :** 24	**2024 :** 192

STRENGTHENING GOVERNANCE, CLIMATE RESILIENCE AND LONG TERM IMPACT

We continued to strengthen our sustainability agenda during the year with the establishment of a dedicated ESG and Sustainability Management Committee chaired by the CEO, reporting to Board Risk Management Committee ensuring strong Board level alignment and oversight. Moreover, we advanced Scope 1 and Scope 2 measurements of Carbon footprint, integrated ESG principles into strategic planning, and continued high-impact initiatives across health, education, and environmental protection. During the year, the Company commenced the development of a comprehensive sustainability framework and initiated the process of aligning with the SLFRS S1 and S2 Sustainability Standards. This initiative represents a key milestone in strengthening transparency and embedding globally aligned sustainability reporting practices, with full implementation planned from 2026 onwards. We remain committed to embedding ESG into our strategy, driving climate resilience through innovative solutions, and ensuring that sustainable value creation remains central to our long term direction.

The Company's initiatives focused on digitalisation of operation, reduced paper usage, eliminating manual cashiering, and adopting energy-efficient infrastructure in all expansions. Our collaborated conservation programme of removing invasive plant species in 45 hectares of Lunugamvehra National Park envisaged to mitigate human–elephant conflict continued to display meaningful outcomes. We conducted 24 activities under the In. She programme to foster and recognise women's contribution in the workforce. Environmental stewardship was highlighted by the launch of HNBGI's "Better Tomorrow" programme—driving clean-ups, urban safety initiatives, and community engagement—amplified by a sustainability-focused digital campaign that raised awareness among 30,000 of Sri Lankans. Our General business expanded climate resilience solutions, including pioneering parametric insurance for extreme weather events.

The Group obtained independent limited assurance over disclosures prepared in accordance with the SLFRS Sustainability Disclosure Standards (SLFRS S1 - General Requirements for Disclosure of sustainability related information and SLFRS S2 – Climate related Disclosures) for the Annual Report 2025 affirming its commitment to transparency and best-in-class sustainability reporting,

UPLIFTING COMMUNITIES AND STRENGTHENING NATIONAL RESILIENCE

Our CSR efforts reflect our belief that responsible insurance extends beyond providing protection—towards uplifting communities and strengthening national resilience. Guided by our CSR pillars of Health Protection, Environmental Protection, and Education Protection, we continued to deliver meaningful and measurable impact across the nation. During the year, we expanded access to clean water for 04 rural schools, supported critical healthcare needs worth Rs. 2.4 Mn and strengthened rural schools through targeted infrastructure development worth of Rs. 0.7 Mn. These initiatives not only address immediate community needs but also build long-term capacity and resilience, reinforcing our commitment to creating shared value for society.

Aftermath of Cyclone Ditwah, we extended a free life cover of Rs. 1 million to affected life policyholders—demonstrating our purpose in action. The Group supported 580 families who were affected by cyclone Ditwah by donating dry rations and sanitary items worth of Rs. 1.5 Mn.

Moreover, we intensified nationwide programmes: support for cancer patients, upgrades to hospital infrastructure, expanded breast cancer awareness, and community health camps that improved access to essential care. In education, we supported special-needs schools, provided sponsorships, and donated digital devices to enhance access and connectivity.

SLFRS TRANSITION: STRENGTHENING TRANSPARENCY AND FUTURE READY REPORTING

SLFRS 17 readiness project progressed as per the plan across the Group, supported by completed core system upgrades, data governance enhancements, and ongoing other system developments. The Group is on track to generate SLFRS 17-compliant numbers by Q3 2026, positioning Group ahead of many industry peers in a financial reporting framework transition.



FUTURE FOCUS

As we look ahead, we are moving beyond convention to shape the next era of growth—an ambition made even more powerful as we celebrate 25 years of HNBA, a milestone built on the trust of our customers, shareholders, partners, and employees. For us, success is defined by the trust we earn, the promises we honour, the lives we protect, and the positive impact we create.

We remain firmly on track to achieve our medium-term target, set in 2022, of doubling market share to 10% of our life insurance business by the end of 2026. Our next horizon is equally ambitious: to be among Sri Lanka's top three life insurers by 2030. This aspiration goes beyond scale; it reflects our commitment to leadership in service excellence, product innovation, claims responsiveness, governance discipline, and employee experience.

We believe heightened climate volatility and extreme weather events will drive higher claims and accelerate demand for disaster-resilient and parametric insurance solutions. With these positive headwinds along with expected increase in economic activity, Our general insurance business continues to focus on driving growth, enhancing customer experience and operational excellence via leveraging technology.

Technology, analytics, and automation will continue to be central to our journey. We will deepen our digital capabilities, modernise core operations, and accelerate the shift toward a more agile, data-driven, and future-ready operating model. Above all, our strategy remains anchored in sustainable value creation—for shareholders, customers, employees, partners, and the communities we serve.

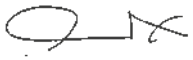
ACKNOWLEDGEMENTS

I deeply appreciate the teams across HNB Assurance and HNB General Insurance for their dedication, and unwavering commitment throughout the year. Their passion and resilience have been fundamental to every achievement we celebrate today. I also extend my sincere appreciation to both Boards for their guidance and oversight, led with distinction by our Chairman, Mr. Stuart Chapman.

My heartfelt thanks go to Mr. Damith Pallewatte, the Managing Director / CEO and senior leadership of our parent and core banking partner, HNB, for their continued support and collaboration. I also acknowledge the invaluable contributions of our other banking partners, reinsurers, brokers, suppliers, business partners, and the Executive Director / CEO of HNB General Insurance, Mr. Sithumina Jayasundara for his valuable leadership in driving the General Insurance Business of our Group.

I wish to express my appreciation to the Chairman, Director General, and staff of the Insurance Regulatory Commission of Sri Lanka, as well as other regulators, for their constructive engagement and continued support. I am equally thankful to the industry leadership and fellow CEOs with whom we maintain a strong and collaborative relationship through the Insurance Association of Sri Lanka (IASL).

As we enter the new year with strong momentum, a strengthened foundation, and a clear strategic direction, we remain committed to delivering value, driving transformation, and building a resilient, customer centric Insurance Group poised for long term success. Stepping into 2026 with optimism and confidence, we do so with the lessons, energy, and inspiration of the past year, determined to explore new opportunities, embrace new ways of working, and make a powerful difference for our customers, our shareholders, our people, and the communities we serve.



Lasitha Wimalaratne
Executive Director / Chief Executive Officer

Colombo, Sri Lanka
24th February 2026

LIFE INSURANCE - BUSINESS REVIEW

BUILDING MOMENTUM AND RESILIENCE

2025 marked a defining year for the Company, as we delivered exceptional growth, earnings resilience, and balance sheet strength achieving the highest Gross Written Premium (GWP) growth in the Life Insurance industry at **42%**. In a year defined by strong execution and disciplined scale-up, the business recorded remarkable premium growth, significantly outpacing industry performance, while reinforcing the quality and sustainability of our portfolio. Anchored by a diversified distribution model, robust fund management, technology-enabled operations, and a strong performance culture, HNBA continued to create enduring value for policyholders, shareholders, and the wider economy.

LASITHA WIMALARATNE
Executive Director/ Chief Executive Officer /
Principal Officer - HNB Assurance PLC



STRATEGIC PRIORITIES

Growth

- Sustained strong growth momentum across the Life Insurance business, driven by a balanced contribution from advisor and partnership distribution channels.
- Shifted strategic focus from branch and headcount expansion to productivity-led vertical growth, enhancing efficiency across the advisory channel.
- Continued strengthening of renewal performance through improved customer engagement and servicing initiatives.

Innovation

- Introduced targeted product enhancements and new offerings to address evolving customer needs, such as: shorter premium payment options responding to changing investment preferences and products tailored for overseas employment and migrant worker segments.
- Reinforced a universal life–led product strategy, ensuring alignment between customer value creation and profitability.

Profitability

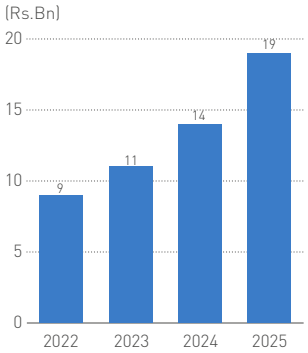
- Improved portfolio quality through a stronger focus on ticket size growth, pricing discipline.
- Enhanced operational efficiency through, Core system stabilisation following migration, automation of administrative and IT related processes.
- Continued optimisation of channel mix, balancing high-growth partnership business with productivity improvements in the advisory channel.



ROLE WITHIN THE GROUP

The Life Insurance business continued to be the primary contributor to the Group's overall performance, supporting Group results through steady premium growth, stable earnings, and disciplined financial management. This contribution reflects the scale and maturity of the Life Insurance segment and its importance to the Group's long-term financial sustainability.

Gross Written Premium





Protection

- Strong growth in group life and term assurance products supported broader risk coverage across individual, SME, and corporate segments.
- Protection offerings aligned with customer life stages and affordability, reinforcing long-term financial security and portfolio sustainability.

Premium Growth

- Delivered exceptional 42% growth in GWP, significantly outpacing industry growth.
- Growth was broad-based, driven by 38% growth in regular new business premiums, 37% growth in renewal premiums, 49% growth in group life premiums, and 63% growth in single premiums.



Continued Focus on the 4 P's

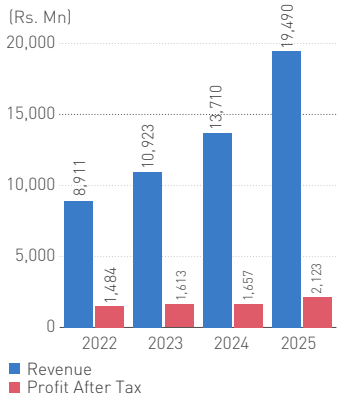
Persistency

- Maintained strong persistency levels, supported by disciplined underwriting, quality-led sales practices, and proactive customer engagement.
- Improved renewal performance reflected effective policyholder servicing and sustained customer trust.
- Continued focus on portfolio quality reinforced the stability and long-term value of the existing policy base.

Productivity

- Enhanced productivity across the advisor and partnership force through improved field management, performance monitoring, and digital enablement.
- Automation and process optimisation across sales and servicing functions enabled the business to scale efficiently while maintaining cost discipline.

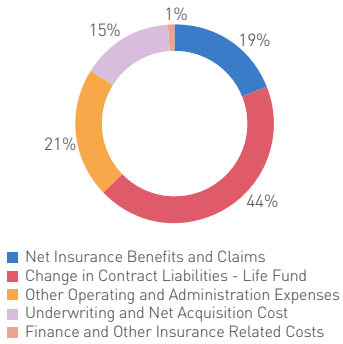
HNBA Performance



PERFORMANCE HIGHLIGHTS

Name	2025	2024	Change
Gross Written Premium (Rs. Mn)	19,490	13,710	42%
Profit After Tax (Rs. Mn)	2,123	1,657	28%
Life Fund (Rs. Mn)	48,870	38,337	27%
Claim Ratio without maturities	9%	10%	(1%)
Expense Ratio	48%	54%	(6%)
Premium Persistency (First Year)	84%	80%	4%
Lapse Ratio (First Year)	40%	42%	(2%)
Capital Adequacy Ratio (CAR)	283%	379%	(25%)
Life Surplus (Rs. Mn)	1,900	1,350	41%
Annualised New Business Premium (Rs. Mn)	6,019	4,652	29%
Number of New Policies	91,350	59,154	54%
Market Share	8.6%	7.5%	1.1%

Net Claims & Expenses



LIFE INSURANCE - BUSINESS REVIEW

RECAP OF 2025

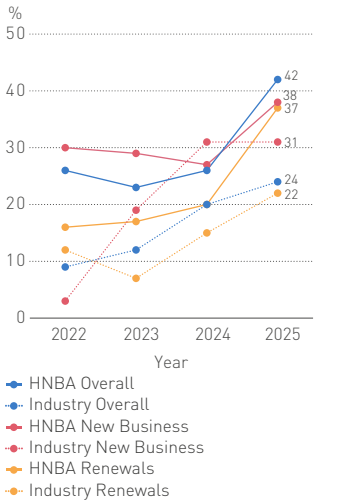
During the year under review, the Life Insurance business delivered a strong and resilient performance, reinforcing our contribution to the Group. Growth was driven by a balanced mix of new business generation and renewals, supported by a diversified distribution model spanning advisor and partnership channels. A deliberate shift towards productivity-led growth, alongside increased focus on portfolio quality and average case size, strengthened the sustainability of earnings.

In 2025, HNBA recorded a remarkable 42% growth in GWP, reflecting the strongest performances in the Company's history. This performance significantly outpaced overall industry growth, underscoring our strong competitive positioning and execution capability. This record growth was broad-based and well-balanced. The combination of strong new business momentum and sustained renewal growth underscores the quality, resilience, and long-term value of the Life Insurance portfolio. Customer retention remained strong, further reinforcing the recurring nature of earnings.

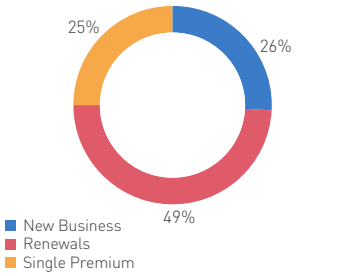
This exceptional outcome was delivered through outstanding performance across the distribution channels, supported by highly effective back-office teams, robust sales governance, and continued investment in people and technology. Disciplined execution across sales, operations, fund management, and customer service enabled HNBA to significantly outperform the market while strengthening our position as one of the leading life insurers in Sri Lanka.

The business continued to advance customer-centric product innovation, with targeted offerings addressing evolving customer needs, including those of the SME and emerging segments. Ongoing investment in digital enablement, process optimisation, and operational efficiency supported improved service delivery, scalability, and cost discipline. With a strong focus on people capability, prudent risk management, and disciplined execution, HNBA remains well-positioned to sustain growth and deliver long-term value to our stakeholders.

HNBA Performance Vs. Industry Performance



GWP Composition



Name	2025	2024	%
Total GWP			
Renewal	9,572	7,007	37%
New Business	5,130	3,727	38%
Single Premium	4,788	2,976	61%
Agency GWP			
Contribution	9,102	7,120	28%
Renewal	5,327	4,127	29%
New Business	2,817	2,260	25%
Single Premium	958	733	31%
Partnership GWP			
Contribution	10,388	6,589	58%
Renewal	4,245	2,880	47%
New Business	2,313	1,467	58%
Single Premium	3,830	2,242	71%

BUILDING ON GROWTH MOMENTUM

HNBA built on the growth momentum in 2025 by delivering a record-breaking performance, supported by strong execution across distribution channels, product lines, and fund management functions. Growth during the year was broad-based and well-balanced, reflecting strong new business generation alongside the continued stability of the existing policy portfolio.

The advisor channel played a central role in driving growth, expanding and strengthening our market presence through the continued enhancement of the distribution network. A strong focus on quality parameters, including persistency, productivity, activity ratios, and improved premium per policy, enabled the channel to deliver an outstanding 28% growth in GWP.

Structured training, performance governance, and field management initiatives supported sustainable growth while reinforcing portfolio quality.

The Partnership channel, with its strong long-term growth potential, further consolidated its position as a leading bancassurance provider during the year. By deepening existing relationships within the banking ecosystem and improving quality metrics such as persistency, productivity, and premium per policy, the channel recorded a remarkable 58% growth in GWP. Bancassurance continued to play a critical role in expanding reach, improving acquisition efficiency, and supporting scalable growth.

The alternate channel delivered exceptional growth of 71%, driven by the addition of new strategic partnerships and strong performance within the decreasing term assurance segment. This growth was supported by customer demand for protection solutions in a low-interest-rate environment, highlighting the channel's ability to respond effectively to changing market dynamics and customer needs.

Renewal premiums grew by 37%, reflecting effective persistency management, disciplined portfolio oversight, and sustained customer engagement across all channels. The group life segment recorded 49% growth, supported by deeper penetration across corporate and SME segments, while single premiums increased by 63%, driven by customer demand for savings-oriented and investment-linked solutions and mortgage protection plans. Together, these segments contributed to a diversified and resilient growth profile, reducing reliance on any single channel or product line.

Investment income continued to play an important role in supporting overall performance and customer value creation. Investment income for the year amounted to approximately Rs. 8.2bn, increased by 19% supported by growth in funds under management to Rs. 63.2 in line with strong premium inflows. Despite a Low interest rate environment, disciplined asset allocation and active portfolio management supported average fund returns of approximately 15.8%, reinforcing confidence in the Company's savings and retirement propositions.

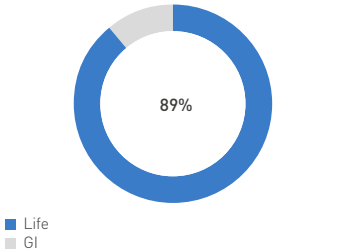
The exceptional growth achieved during the year was underpinned by close coordination between front-line distribution teams and back-office functions, including underwriting, operations, actuarial, finance, and fund management. This integrated approach enabled HNBA to scale efficiently while maintaining service quality, governance standards, and portfolio discipline. As a result, the business delivered growth well above industry averages, reinforcing our position and sustaining strong momentum into the next phase of growth.

VALUE DELIVERED

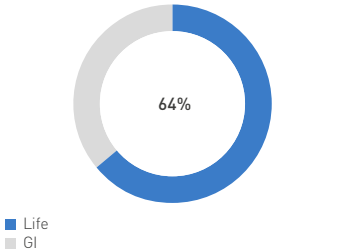


CONTRIBUTION TO THE GROUP

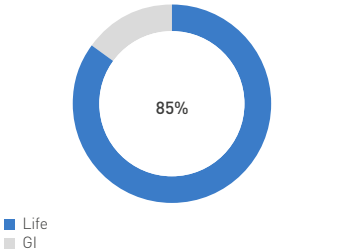
PAT



GWP



Assets



LIFE INSURANCE - BUSINESS REVIEW

STRENGTHENING PROFITABILITY THROUGH DISCIPLINED EXECUTION

Profitability remained a key priority in 2025, particularly in the context of rapid business growth, rising operating costs, and continued investments in people, distribution, and technology. HNBA maintained a disciplined focus on cost management, operating efficiency, and strong governance across underwriting, policy administration, and servicing functions.

Net insurance benefits and claims increased by 46% during the year, reflecting the expansion of the in-force policy portfolio and higher policyholder benefits in line with business growth. This was supported by disciplined underwriting practices, effective claims management processes, and continuous monitoring of experience trends to safeguard portfolio quality. The change in contract liabilities of the Life Fund amounted to Rs.10.5bn, driven primarily by strong premium inflows, growth in policyholder funds. This increase reflects continued strengthening of policyholder funds under management.

Other operating and administration expenses increased by 21%, reflecting continued investment in distribution expansion, people capability, digital platforms. Despite these investments, disciplined expense management, process automation, and productivity improvements across sales and back-office functions supported operating leverage, enabling the expense ratio to be maintained at 48%.

HNBA delivered Profit After Tax of Rs.2.1bn, demonstrating the ability to translate exceptional growth into sustainable profitability while maintaining cost discipline and financial resilience.

GROWTH SUPPORTED BY FINANCIAL STRENGTH

HNBA maintained a robust and resilient financial position during the year, underpinned by strong premium inflows, disciplined fund management, and prudent capital management practices. Total assets increased to Rs.68.4bn, reinforcing the Life Insurance segment's role as the cornerstone of the Group's balance sheet.

Funds under management grew to Rs. 63.2 Bn, supported by net premium inflows of Rs.18.4bn and stable investment performance. The investment portfolio remained well diversified, with a focus on long-term value creation, liquidity management, and capital preservation, aligned with the long-term nature of policyholder obligations.

Insurance contract liabilities increased to Rs.49.2, reflecting portfolio growth and long-term customer commitments. Capital adequacy remained comfortably above regulatory requirements at 283%, providing a strong buffer to absorb market volatility, support future growth initiatives, and meet long-term policyholder obligations.

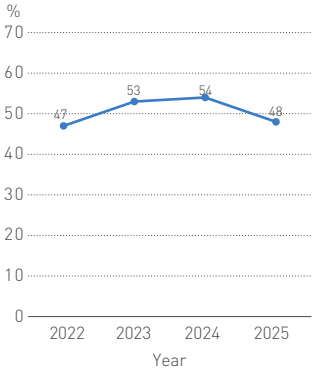
STRENGTHENING PEOPLE AND PERFORMANCE CULTURE

People remained central to our strategy in 2025, with continued emphasis on building a skilled, engaged, and future-ready workforce to support the business's scale, growth ambitions, and long-term sustainability. Human capital initiatives during the year were guided by a clear focus on strengthening talent, enhancing employee experience, and driving efficiency through digital and data-led people practices.

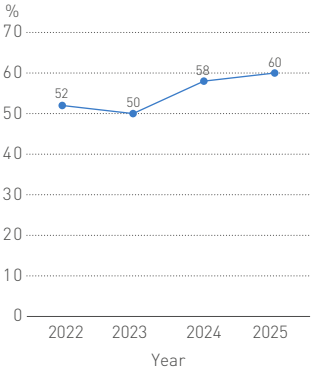
Significant investments were made in sales force expansion, capability building, and leadership development to support strong growth momentum. Structured training programs, leadership development initiatives, and targeted sales capability frameworks strengthened advisory quality, productivity, and ethical selling practices across the distribution network. Sales productivity improved during the year, supported by enhanced field management, performance governance, and digital enablement tools.

Leadership development and succession planning were further strengthened through structured talent calibration and capability frameworks, ensuring readiness for critical roles and long-term organisational continuity. Performance

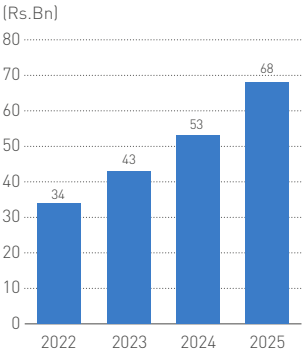
Expense Ratio



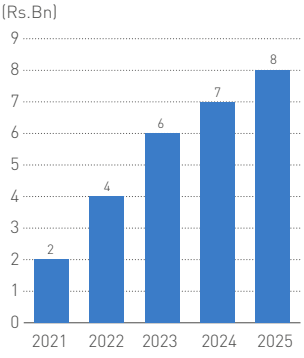
Policy Persistency Trend



Total Assets



Investment Income



management practices were enhanced to promote transparency, fairness, and continuous development, reinforcing a high-performance culture aligned with business objectives.

Employee engagement remained a key focus area. Continuous listening mechanisms, wellbeing initiatives, and flexible work arrangements supported employee morale, retention, and productivity, particularly amid a competitive talent market. Diversity, equity, and inclusion considerations were embedded into talent practices and leadership pipelines, reinforcing an inclusive workplace culture aligned with the Group's values.

Digitalisation played an increasingly important role in enhancing people productivity and operational efficiency. Automation of HR processes, use of analytics for workforce planning, and strengthened governance frameworks improved decision-making, consistency, and compliance across people practices. Collectively, these initiatives supported workforce stability, enhanced organisational capability, and enabled the Life Insurance business to sustain service quality and execution excellence during a year of exceptional growth.

TECHNOLOGY-DRIVEN TRANSFORMATION

Technology continued to serve as a key enabler of scale, efficiency, and customer experience within the Company. Following the stabilisation of the core insurance system, focus during the year shifted towards optimisation, integration, and value realisation across the value chain.

Digital sales platforms, straight-through processing, and enhanced analytics supported faster onboarding and improved productivity, with 100% of policies issued digitally during the year. Automation across actuarial and finance functions strengthened reporting accuracy, controls, and turnaround times, while reducing manual intervention and operational risk.



Customer-facing digital initiatives, including mobile applications, online portals, e-policies, and electronic communications, further increased digital engagement, with a significant portion of customer interactions conducted through digital channels. In addition, the introduction of HANA, an AI-driven virtual assistant deployed on the Company's website, enabled customers to receive instant responses to general inquiries, enhancing service responsiveness and operational efficiency. Collectively, these initiatives improved accessibility, transparency, and service consistency while supporting scalability and cost efficiency.

INNOVATION AND SUSTAINABILITY

Innovation and sustainability remained closely integrated within the company, guiding product development, operational practices, and customer engagement. Product innovation initiatives focused on delivering long-term customer value through protection-oriented, health-related, and sustainable insurance solutions, aligned with evolving customer needs and affordability considerations.

Sustainability considerations were embedded across product design, operations, and partnerships. Digitalisation initiatives, including expanded use of e-policies and paperless servicing, contributed to a reduction in paper consumption year-on-year. Responsible product development, customer education, and community-focused initiatives supported financial inclusion and long-term social impact.

GENERAL INSURANCE - BUSINESS REVIEW

TEN YEARS ON, STRONGER THAN EVER

In 2025, HNB General Insurance marked its 10th anniversary with a defining milestone, becoming the youngest general insurance provider in Sri Lanka to surpass Rs. 11 billion in Gross Written Premium (GWP). This reflects strong growth of 21% compared to LKR 9.1 billion in 2024, achieved despite a challenging operating environment, including the impact of Cyclone Ditwah. This achievement underscores the resilience of our business model, disciplined execution, and technology-led operations. As one of the most technologically advanced insurers in the industry, HNBGI remains well positioned to sustain momentum and deliver long-term, value-driven growth.

SITHUMINA JAYASUNDARA
Executive Director/ Chief Executive Officer / Principal Officer & Specified Officer - HNB General Insurance Limited



STRATEGIC PRIORITIES

Growth

- Focus on sustainable, productivity-led expansion across motor and non-motor portfolios
- Strengthen distribution productivity and channel diversification

Customer Experience

- Improve claims turnaround times and service transparency
- Expand digital touchpoints to deliver a more consistent and responsive customer experience

Innovation

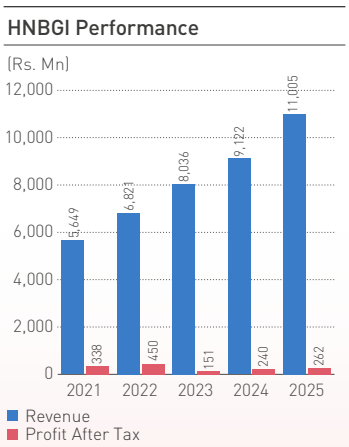
- Advance product innovation, including parametric and climate-related insurance solutions
- Leverage digitalisation, data, and automation to improve efficiency and service delivery

Sustainable Value Creation

- Maintain disciplined underwriting and prudent risk and capital management
- Embed sustainability considerations into products, operations, and partnerships

ROLE WITHIN THE GROUP

HNBGI continued to be an important contributor to the Group's overall performance during the year, supporting earnings diversification and portfolio balance. Through steady premium generation, disciplined underwriting, and effective claims management, the General Insurance segment complemented the Life Insurance business by enhancing the Group's resilience and ability to serve a broad spectrum of customer needs.





Protection

- strengthened protection across motor and non-motor portfolios for retail, SME and corporate clients
- Introduced parametric insurance solutions to support climate rated risk protection

Premium Growth

- Delivered sustained premium growth across motor and non-motor segments
- Growth supported by improved channel productivity and partner led expansion

Continued Focus on the 4 P's

Persistency

- Improved renewal and retention performance through proactive customer engagement
- Strengthened policy management and monitoring process to enhance portfolio stability

Productivity

- Enhanced productivity through structured performance management and defined KPIs
- Leveraged digital tools and automation to improve operational efficiency

Value Delivered

Rs. 4.8 Bn
Claims Paid

Rs. 1.7 Bn
Flood Related Claims

71
NPS

Rs. 1,331 Mn
Remuneration

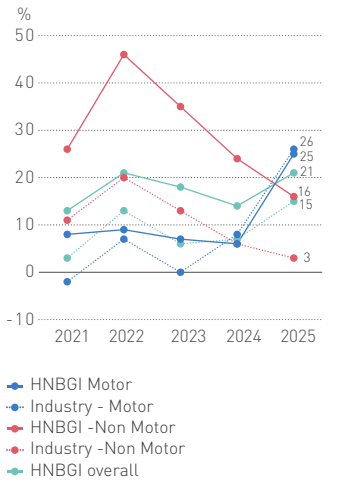
11,071
Training hours

Rs. 2.9 Mn
CSR Spend

PERFORMANCE HIGHLIGHTS

	2025	2024	Change
Gross Written Premium (Rs. Mn)	11,005	9,122	21%
Profit After Tax (Rs. Mn)	262	240	9%
General insurance contract liabilities (Rs. Mn)	6,789	4,507	51%
Total Assets	13,384	10,229	31%
Gross claims paid to customers	4,760	4,245	12%
Motor, Non motor mix	54:46	52:48	2:(2)
Market share	7.32%	7.00%	0.32%
Claims ratio	70%	67%	3.0%
Expense ratio	37%	41%	-4.0%
Combined ratio	107%	108%	-1.0%
Capital Adequacy Ratio	190%	219%	-29.0%

HNBGI Performance Vs. Industry performance





RECAP OF 2025

In 2025, HNBGI focused on strengthening core fundamentals amid a competitive operating environment. During the latter part of the year, the business navigated the impact of Cyclonic Storm Ditwah, which resulted in elevated claims activity and increased operating pressures. In response, the Company prudently revised the financial targets to reflect the evolving conditions. Despite these challenges, disciplined execution, balanced portfolio management, and productivity improvements across distribution channels supported resilient performance and steady growth across both motor and non-motor lines. Strengthened underwriting discipline, enhanced claims governance, and continued cost optimisation enabled the business to achieve the revised profitability targets, while delivering GWP growth of 21%, comfortably outperforming the industry. This sustained performance enabled HNBGI to improve its industry standing, emerging as the 6th largest General insurance company in Sri Lanka in terms of Gross Written Premiums in 2025, advancing from 7th position in 2024, reflecting the strength of our growth strategy and disciplined execution in a competitive market.

GENERAL INSURANCE - BUSINESS REVIEW

Profitability and resilience were underpinned by prudent underwriting practices, strengthened claims governance, and continued cost and process optimisation. Despite the elevated claims activity, HNBGI recorded a Profit After Tax of Rs. 262 Mn, supported by disciplined cost management and improved operational efficiency. Investments in digital capabilities and systems enhanced service delivery, governance, and compliance frameworks.

Customer-centricity, innovation, and sustainability remained integral to the business approach. Continued enhancements to customer experience, development of climate-resilient insurance solutions, and sustained investment in people capabilities collectively reinforced the General Insurance business's ability to contribute consistently to the Group's long-term value creation.

IMPACT OF CYCLONE DITWAH

During the year, Sri Lanka was impacted by severe weather conditions arising from Cyclone DITWAH, resulting in significant property damage and business disruption. The event led to gross claims incurred of LKR 1.7 billion. However, in line with the Company's robust reinsurance treaty arrangements, LKR 1.6 billion was recognised as reinsurance recoveries, limiting the net claims impact to HNBGI to LKR 37 million. This demonstrates the effectiveness of the Company's prudent underwriting and risk management framework.

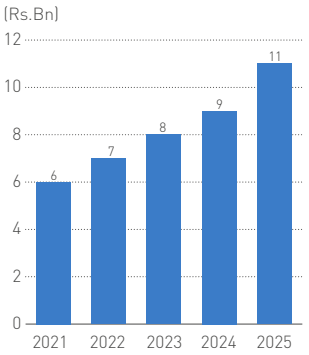
	2025	2024	%
Total GWP (Line of Business)	**11,005**	9,122	21%
Motor	**5,982**	4,775	25%
Fire	**2,398**	1,886	27%
Marine	**378**	327	16%
Miscellaneous	**810**	696	16%
Medical	**1,436**	1,437	0%
Total GWP (National Channel)	**11,005**	9,122	21%
Advisors	**1,450**	1,143	27%
Broker	**4,417**	3,873	14%
Direct	**2,645**	2,105	26%
HNB Group	**2,493**	2,000	25%
Total GWP (Unit Wise)	**11,005**	9,122	21%
Head Office	**3,593**	3,142	14%
Branch Network	**7,412**	5,980	24%

BUILDING ON GROWTH MOMENTUM

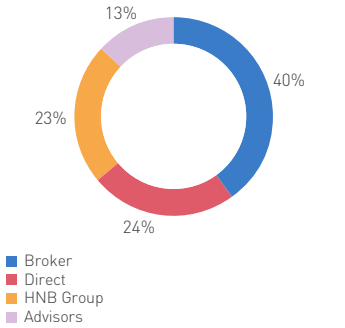
HNBGI delivered a resilient performance in 2025, sustaining growth momentum despite operating in a highly competitive and price-sensitive market environment. Growth was supported by a diversified distribution mix, disciplined execution across motor and non-motor segments, and a continued focus on productivity-led expansion rather than volume-driven growth. The easing of vehicle imports restrictions during the year contributed positively to motor insurance volumes.

The motor insurance portfolio remained the primary contributor to premium income, accounting for 54% of total GWP, supported by strong performance across broker, bancassurance, leasing, and agency channels. At the same time, we continued to strengthen the non-motor portfolio, with medical, marine, crop, and specialty insurance lines collectively contributing 46% of total premiums, improving portfolio balance and reducing concentration risk.

Gross Written Premium



Channel Wise GWP Composition



HNBGI's diversified distribution model continued to support growth during the year, with multiple channels contributing meaningfully to overall performance. The Broker network remained a key growth driver, contributing 40% to GWP and recording year-on-year growth of 14%. The Advisory channel also strengthened its contribution, supported by improved productivity and wider market reach, delivering growth of 27%.

The HNB Channel benefited from Group synergies,contributing 23% in premiums and recording growth of 25% during the year. In parallel, other channels, including banking, finance, and direct business, collectively accounted for approximately 24% of total premiums. This balanced channel mix continued to enhance HNBGI's ability to capture opportunities across diverse customer segments while reducing concentration risk.

HNBGI's continued emphasis on customer-centricity supported stable renewal performance across key product lines, with Motor and Non-Motor Renewal Retention Ratios maintained at 75% & 79%, respectively. Despite

	2025	2024	%
Net Insurance Benefits and Claims	4,017	3,788	6%
Other Operating and Administration Expenses	2,438	2,302	6%

operating challenges during the year, including heightened claims activity, the business remained focused on service quality and responsiveness. This commitment was reflected in sustained customer confidence, evidenced by a Net Promoter Score of 71%.

Targeted initiatives across SME, microfinance, and emerging corporate segments supported incremental growth and diversification. Distribution productivity remained a key focus area, with structured sales governance, enhanced performance monitoring, and refined incentive mechanisms.

Investment income for 2025 amounted to Rs. 772 Mn, reflecting disciplined portfolio management amid a Low interest rate environment. Performance was supported by a well-diversified investment portfolio comprising government securities, debentures, term deposits, and other income-generating instruments. While yields were impacted by prevailing market conditions, the benefits of earlier investment decisions and active portfolio rebalancing helped sustain stable returns. The continued focus on liquidity, credit quality, and duration management enabled the business to support earnings resilience while preserving balance sheet strength.

STRENGTHENING PROFITABILITY THROUGH DISCIPLINED EXECUTION

Profitability in 2025 was supported by a disciplined and adaptive approach to underwriting, claims management, and cost control, amid a more challenging operating environment. Continued focus on portfolio quality, pricing discipline, and risk selection helped mitigate the impact of elevated claims activity during the year, including claims arising from Cyclon Ditwah.

Claims governance was further strengthened through enhanced monitoring, closer oversight of assessors and service providers, and greater use of digital tools across the claims lifecycle. These initiatives supported effective claims cost management, with net claims incurred



amounting to Rs. 4,043 million, an increase of 9%, reflecting the heightened claims following Cyclone Ditwah which amounted to Rs.1,705 Mn.

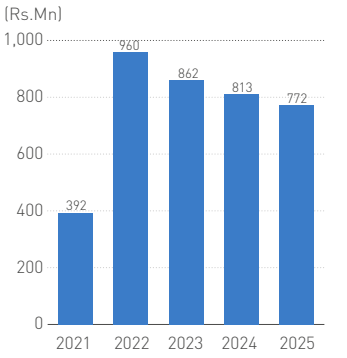
Operating and administrative costs reflected continued investment in technology, particularly in relation to the optimisation of the core insurance system and digital process automation. While these investments resulted in higher operating expenditure of Rs. 2,438 Mn, they delivered efficiency gains, improved productivity, and stronger governance outcomes across underwriting, claims, and servicing functions.

In response to the heightened claims environment, HNBGI prudently revised the profitability targets during the year. Through disciplined execution, cost optimisation, and operational efficiencies, we successfully achieved the revised profit objectives, recording a Profit After Tax of Rs. 262 Mn. This performance underscores the business's resilience and our ability to adapt effectively to external shocks while sustaining profitability.

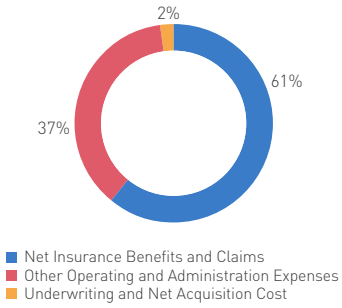
GROWTH SUPPORTED BY FINANCIAL STRENGTH

HNBGI continued to maintain a strong and resilient financial position in 2025, underpinned by disciplined balance sheet management, prudent risk practices, and steady growth in core operating assets. This financial strength was externally validated during the

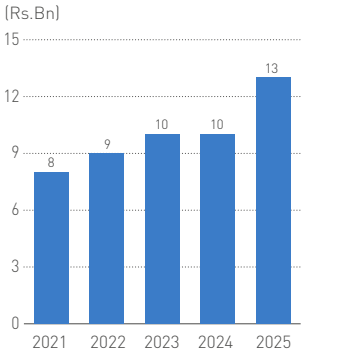
Investment Income



Net Claims & Expenses



Total Assets



year with the Company's rating being upgraded to 'A(lka)' with a Stable Outlook, by Fitch Ratings reflecting our sound financial fundamentals and resilience in a challenging operating environment. Total assets increased to Rs. 13,384 Mn, in line with business growth and prudent financial stewardship.

Financial investments continued to form a significant portion of the asset base, accounting for 46% of total assets, supported by a diversified portfolio and a focus on liquidity, credit quality,

GENERAL INSURANCE - BUSINESS REVIEW

and capital preservation. Growth in premium receivables, which represented 18% of total assets, was aligned with higher business volumes and effective management practices.

Total liabilities increased to Rs. 10,295 Mn, reflecting higher operating activity and claims obligations during the year. Insurance contract liabilities increased by 51% to Rs 6,789 Mn during the period, influenced by portfolio dynamics and claims settlements, while other liabilities increased in line with business expansion. Despite these movements, capital adequacy remained strong at 190%, comfortably above regulatory requirements, providing a solid foundation to support growth, absorb shocks, and pursue strategic initiatives.

STRENGTHENING PEOPLE AND PERFORMANCE CULTURE

People continued to be a key focus of HNBGI's strategy in 2025, with sustained emphasis on strengthening organisational capability, engagement, and leadership depth. Investments were made in structured training and development initiatives to enhance technical expertise across underwriting, claims, and emerging product lines, alongside efforts to improve sales effectiveness and customer engagement skills.

Leadership development, succession planning, and performance governance frameworks were further reinforced to promote accountability, consistency, and long-term talent development. Continued focus on employee engagement, diversity and inclusion, and wellbeing initiatives supported a positive and inclusive workplace culture aligned with the Company's values, contributing to workforce stability and the consistent delivery of service quality across customer touchpoints.

TECHNOLOGY-DRIVEN TRANSFORMATION

Technology remained a key driver of HNBGI's operational strength and competitive positioning in 2025. Building on our position as one of the most technologically advanced general insurers in the industry, we continued to embed digital innovation across our operating model to improve service delivery, strengthen efficiency, and support scalable growth.

Following the successful implementation and stabilisation of the cloud-based Core Insurance System under Project Phoenix, focus during the year shifted to optimisation and value realisation. Enhanced automation across underwriting, policy administration, and claims management improved accuracy, turnaround times, and scalability, enabling the business to manage increased volumes and claims activity without a proportional rise in operating costs.

Digital enhancements across claims servicing, customer engagement, and internal workflows further improved transparency and service consistency. Increased use of analytics, automation, and AI-enabled tools supported faster processing, stronger governance, and better decision-making.

During the year, we also launched the HNBGI Innovation Hub, a structured platform designed to foster collaboration, experimentation, and the development of next-generation insurance solutions. The Innovation Hub brings together cross-functional teams and fresh graduates to accelerate product innovation, operational enhancements, and digital advancements, supporting our long-term competitiveness and customer-centric transformation.

HNBGI also continued to demonstrate leadership in financial reporting and regulatory compliance. Building on our early adoption of SLFRS 17 solutions, we further strengthened reporting accuracy, controls, and transparency, reinforcing confidence among regulators and stakeholders. Collectively, these technology investments positioned HNBGI to respond effectively to evolving customer expectations, regulatory requirements, and market dynamics, while sustaining operational resilience and long-term value creation

INNOVATION AND SUSTAINABILITY

Innovation continued to underpin HNBGI's differentiation and long-term relevance in 2025. As the first general insurance provider in Sri Lanka to introduce parametric insurance solutions, we advanced our innovation agenda by developing climate-resilient products designed to address emerging risks and support vulnerable and underserved communities.

Crop, livestock, and other climate-related insurance offerings remained a developing segment within the non-motor portfolio, contributing 1% of non-motor premiums. These solutions supported financial inclusion and strengthened resilience within rural and agricultural segments that are increasingly exposed to climate volatility.

Sustainability was further reinforced through our CSR initiatives, which focused on environmental protection, community resilience, and social well-being. CSR programs aligned closely with HNBGI's business strategy, complementing insurance solutions through initiatives aimed at supporting disaster-affected communities, promoting climate awareness, and contributing to long-term social and environmental sustainability. Collectively, these efforts reflect HNBGI's commitment to responsible insurance practices and sustainable value creation.

CREATING VALUE TO OUR STAKEHOLDERS



RELENTLESS EXCHANGE

Relay racing is built on trust, precision, and the seamless transfer of responsibility. Each runner carries momentum forward, ensuring that the baton is passed smoothly within a narrow window of time. Victory depends on flawless coordination, shared accountability, and the relentless pursuit of collective success.

HNB Assurance creates value through strong partnerships and seamless collaboration with stakeholders. By aligning our capabilities, commitments, and outcomes, we ensure continuity of service and meaningful impact. This disciplined approach enables us to deliver consistent value and build enduring relationships.

VALUE CREATION

01 Inputs

FINANCIAL CAPITAL

- **14,133 Mn** Equity Capital
- **30,450 Mn** GWP
- **69,968 Mn** Funds Under Management

HUMAN CAPITAL

- **1,609** Employees
- **23,713** Training Hours
- **12** Employee Engagement Activities

MANUFACTURED CAPITAL

- **82** Branches
- **232 Mn** Investment in PPE

SOCIAL AND RELATIONSHIP CAPITAL

- **2,689** Active Advisors
- **251** Bancassurance Officers
- **Rs. 11 Mn** Investment in CSR
- Partnership with HNB

INTELLECTUAL CAPITAL

- **411 Mn** Investment in IT Infrastructure
- Best Practices

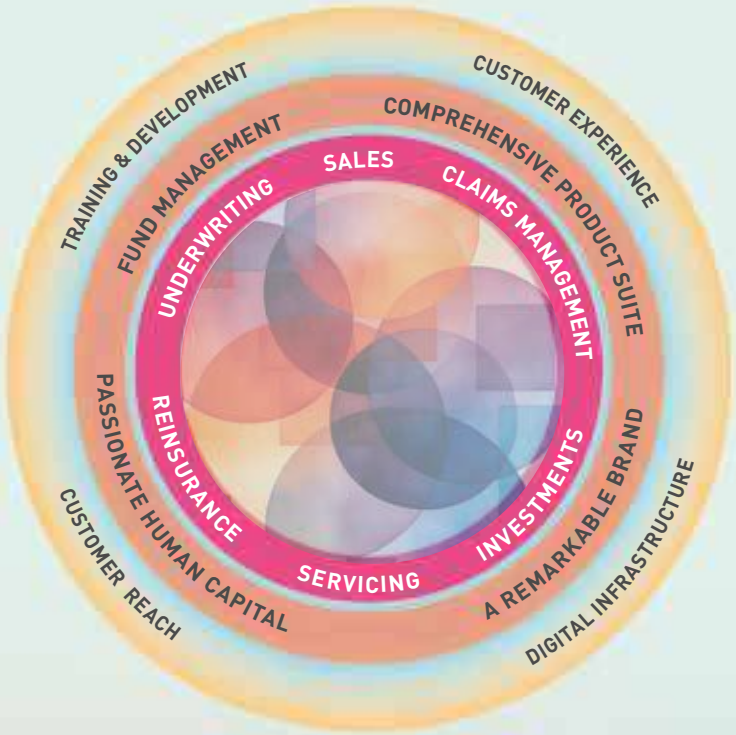
NATURAL CAPITAL

- **1,854,516 kWh** of Electricity Consumption
- **11,154 Units** of Water Consumption
- Collaborated Conservation Programme

02 Value Creation Process

CORPORATE GOVERNANCE

RISK MANAGEMENT



SHARED VALUES

SUSTAINABLE PRACTICES

03 Outputs

04 Outcomes

FINANCIAL CAPITAL

- **18%** ROE
- **26%** Growth in Earning Per Share
- **43%** Increase in Share Price

HUMAN CAPITAL

- **447** Recruits
- **228** Promotions
- **Rs. 3,494 Mn** Staff Expenses

MANUFACTURED CAPITAL

- **03** New Branches
- **3.3 %** Return on Assets

SOCIAL AND RELATIONSHIP CAPITAL

- **256** MDRT Winners
- **3,064 Mn** Paid as Commission
- **Rs. 10.7 Bn** Payment to Suppliers

INTELLECTUAL CAPITAL

HNBA

- **2** New Products
- **HANA,** AI-driven Virtual Assistant

HNBGI

- Introduced Parametric Insurance solutions
- Launched Innovation Hub

NATURAL CAPITAL

- **23%** Reduction in Water Consumption
- **9%** Reduction in Electricity usage
- **4%** Decrease in Scope 1 and Scope 2 Carbon Footprint
- 15 Hectares of invasive plants clearance in Lunugamwehera National Park

INVESTORS

- Financial Stability
- Shareholder Wealth Creation
- Investor Confidence

EMPLOYEES

- Competitive Remuneration
- Job Security
- Training and Development
- Fair and inclusive workplace
- A Safe workplace

BUSINESS PARTNERS

- Financial returns
- Growth Opportunities
- Enhancing quality of life

CUSTOMERS

- Customer Satisfaction
- Customer Convenience

GOVERNMENT & REGULATOR

- Improve Government Revenue

COMMUNITY

- Support Education
- Support Health and Safety
- Bio - Diversity

ENGAGING WITH OUR STAKEHOLDERS

In 2025, HNBA continued to place our stakeholders at the centre of its value-creation model, recognising that strong and consistent engagement is essential to navigating the evolving insurance landscape. As customer expectations shift, distribution models transform, and regulatory requirements intensify, our ability to understand and respond to the needs of those who influence and are impacted by our business has become more critical than ever.

Our approach to stakeholder management is structured, proactive, and aligned with strategic priorities. We view engagement not as an obligation, but as a strategic capability that strengthens trust, enhances resilience, and drives sustainable business performance. Through continuous dialogue, data-driven insights, and targeted engagement platforms, we collaborate with our stakeholders to anticipate risks, identify opportunities, and co-create value.

Throughout the year, we refined our stakeholder identification and mapping process, ensuring a sharper focus on those with the greatest influence on our long-term success. By integrating stakeholder insights into decision-making, spanning product innovation, digital transformation, service excellence, governance, and talent development, we reinforced our commitment to operating responsibly and transparently.



STAKEHOLDER ENGAGEMENT PROCESS

Stakeholder Identification & Mapping
Prioritising stakeholders based on influence and impact on value creation.

Engagement Planning & Accountability
Developing customised engagement plans with clear ownership across departments.

Action Plan Deployment
Implementing targeted initiatives, communication touchpoints, and service enhancements.

Feedback & Evaluation
Continuously assessing stakeholder responses and integrating insights into strategic decisions.

CUSTOMERS

91,350 new life insurance policyholders

14.7 hours of training per employee

Stakeholder Concerns	Our Strategic Response
• Financial returns and protection • Fair and fast claim settlement • Attractive pricing • Product relevance • Good customer service • Accessibility	• Launching relevant and attractive products • Investing in technology • Enhancing service quality • Expanding market reach • Continuous frontline training
How We Engage	**Key Performance Indicators**
• Meetings and dedicated hotline • Islandwide branches • Agency and bancassurance channels • Print, digital, and social media • Call Centre • CRM Centre & Corporate Website	• 3 new products • Rs. 43.2 Mn Investment in Learning and Development

EMPLOYEES

920 HNBA employees | **689** HNBGI employees | **646** Female / **963** Male

Stakeholder Concerns	Our Strategic Response
• Attractive remuneration • Career progression • Job security • Safe and fair workplace • Skill-development opportunities • Work–life balance	• Strong HR governance • Continuous training and development • Technology-enabled engagement • Creating an efficient and collaborative workplace

How We Engage	Key Performance Indicators
• Training programs • Open-door policy • Townhalls & staff conferences • Performance appraisals • Digital platforms • CSR & welfare initiatives	• 228 promotions • 23,713 training hours • 24 welfare activities by In.She

SHAREHOLDERS

4,564 shareholders | **0** debt providers

Stakeholder Concerns	Our Strategic Response
• Attractive returns • Investment security • Sustainable earnings growth • Financial stability • Transparency and compliance	• Sound business strategy for sustainable growth • Strong governance and risk management

How We Engage	Key Performance Indicators
• Annual General Meetings • Annual & quarterly financial statements • CSE disclosures • Corporate website • Direct access to the Company Secretary	• Return on Equity: 18% • Dividend per share: Rs. 5.00 • Insurer Financial Strength Rating: A (lka) by Fitch

ENGAGING WITH OUR STAKEHOLDERS

BUSINESS PARTNERS

2,689 Active Advisors | **73** brokers | **20** HNBA Banking partners | **03** HNBA Reinsurance partners and **16** HNBGI | **178** indirect employment

Stakeholder Concerns	Our Strategic Response
• Fair, competitive, and timely payments • Business growth opportunities • Training • Ease of doing business	• Expanding the sales force • Leveraging technology to improve engagement and efficiency • Strengthening brand visibility
How We Engage	**Key Performance Indicators**
• Training programs • Annual conferences • Digital platforms • Meetings & communication channels	• Commission payments: Rs. 3,064 Mn • 256 MDRT winners

GOVERNMENT & REGULATORS

Insurance Regulatory Commission of Sri Lanka | Inland Revenue Department | Other Government Authorities

Stakeholder Concerns	Our Strategic Response
• Compliance • Good governance • Timely submissions	• Timely payments and filings • Strong governance practices • Effective risk management
How We Engage	**Key Performance Indicators**
• Meetings • Regulatory disclosures and reporting • Direct communication • Responses to proposals and letters • Participation in industry bodies	• Timely Income tax payment of Rs. 829 Mn • Zero fines paid

COMMUNITY

178 outsourced indirect employment | Beneficiaries of CSR initiatives

Stakeholder Concerns	Our Strategic Response
• Transparency • Sustainable business practices • Community upliftment	• Good governance • Sustainable business integration • Community development
How We Engage	**Key Performance Indicators**
• Corporate website • CSR initiatives • Marketing and promotional events • Branch-level activities	• 75% Increase in CSR expenditure

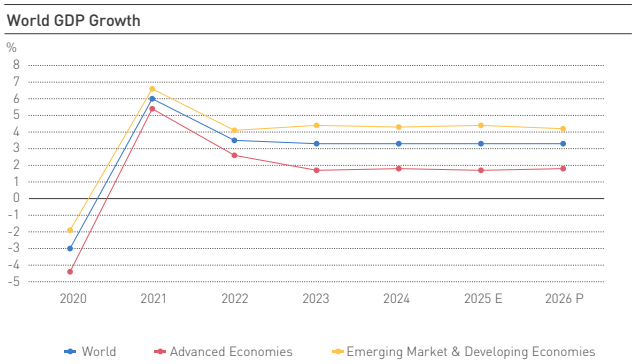
OPERATING ENVIRONMENT

KEY HIGHLIGHTS

GDP Growth (1-3Q)	Exchange Rate (USD/LKR Spot Rate)	Inflation (CCPI – YoY)	12 Months Treasury Bill Rate	Private Sector Credit Growth
5 %	**309.9**	**2.1 %**	**8.45 %**	**26 %**
5 % (2024)	292.6 (2024)	-1.7 % (2024)	8.96 % (2024)	10.7 % (2024)

GLOBAL ECONOMY

The global economy in 2025 experienced modest but resilient growth, expanding at 3.3% and avoiding a global recession despite significant challenges. Inflation continued to ease in many countries, allowing central banks to slow or begin reversing earlier interest-rate hikes, which helped stabilise demand. Economic performance was uneven across regions: parts of Asia, particularly India and some Southeast Asian economies, grew strongly, while advanced economies such as the United States and Europe saw slower expansion. China's economy showed signs of stabilisation but remained constrained by structural issues, especially in the property sector. Ongoing geopolitical tensions, trade fragmentation, and high debt levels weighed on global trade and investment, but increased spending on technology and artificial intelligence supported productivity and business confidence. Overall, 2025 was a year of slower-than-average but steady global growth, performing better than many had feared. The growth in advanced economies is expected to be at 1.7% while the emerging markets and developing economies is expected to grow at 4.4% in 2025.



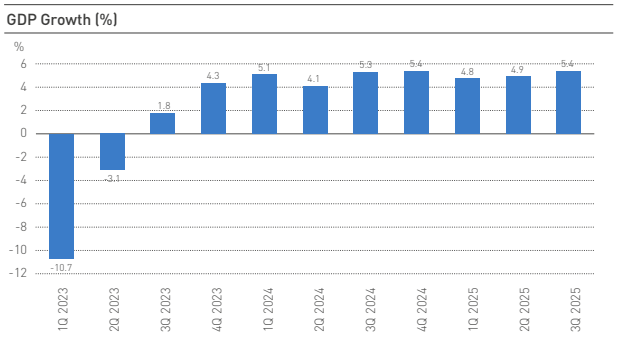
SRI LANKAN CONTEXT

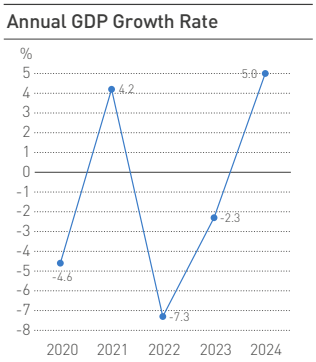
Sri Lankan macroeconomic environment in 2025 was characterised by a continued transition toward stability and growth, reflecting the benefits of disciplined fiscal policy management, well-anchored and improved other economic fundamentals. Macroeconomic resilience strengthened further, supported by a primary account surplus, current account surplus, and record levels of tax revenue collection etc. These developments enhanced fiscal credibility and enabled the maintenance of healthy cash buffers, contributing to greater confidence in the overall economic framework.

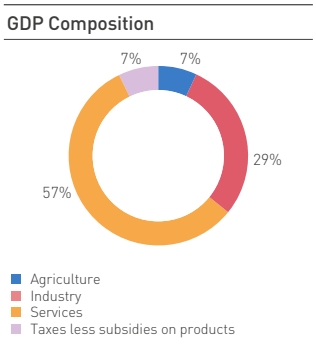
Economic activity maintained steady momentum, with private sector credit growth supporting investment and consumption. This facilitated an estimated economic expansion in the range of 4%–5%, signalling a recovery phase built on stronger fundamentals. Political stability and improved investor sentiment further reinforced economic confidence, encouraging business activity and capital flows during the year.

Despite these positive trends, the latter part of 2025 experienced heightened volatility driven primarily by adverse weather conditions, which caused temporary disruptions to economic activity. However, prudent macroeconomic management and strengthened fiscal space helped cushion these shocks, limiting broader economic spillovers. While these impacts were significant in certain sectors, the overall macroeconomic system demonstrated resilience and adaptability.

Taken together, 2025 can be viewed as a year defined by stability-led growth, where structural improvements and sound policy execution enabled the economy to absorb external and other shocks without any long-term disruptions. This environment provided a more predictable foundation for business supporting sustained confidence across all sectors.





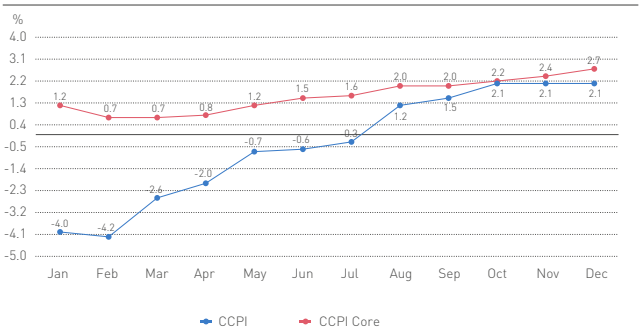


OPERATING ENVIRONMENT

INFLATION

Inflation remained well anchored, reflecting the normalisation of price conditions following the sharp volatility experienced in previous years. The year began with deflationary pressures, as consumer prices recorded negative year-on-year growth during the first quarter. As economic activity gradually strengthened, inflation transitioned into positive territory by mid-year and increased modestly during the second half of the year, driven by a gradual recovery in demand and adjustments in food and non-food prices. inflation increased modestly, reaching around 2.1% by December. Overall, inflation remained within low single-digit levels throughout the year, supporting improvements in real incomes, enhancing economic confidence, and providing scope for accommodative monetary policy to support the ongoing economic recovery.

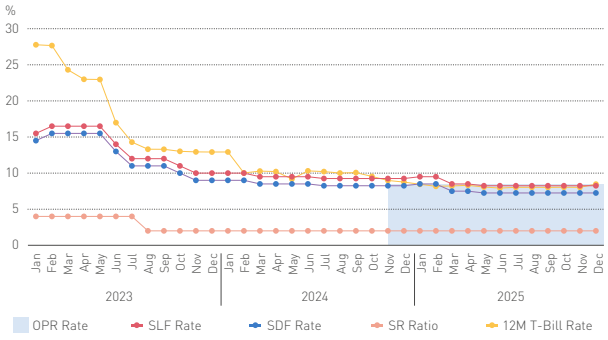
CCPI based Inflation



INTEREST RATES

The interest rates in Sri Lanka were eased and then maintained at stable levels, reflecting the Central Bank's supportive monetary policy stance amid subdued inflation and a recovering economy. The Central Bank of Sri Lanka reduced the Overnight Policy Rate by 25 basis points to 7.75% in May 2025, responding to prolonged deflationary conditions and weak demand pressures. Following this adjustment, policy rates were kept unchanged for the remainder of the year, as inflation gradually returned to low positive territory while remaining below the medium-term target. This stable and accommodative interest rate environment contributed to improved financial conditions, supported credit growth, and helped sustain the ongoing economic recovery, while safeguarding price stability.

Interest Rates

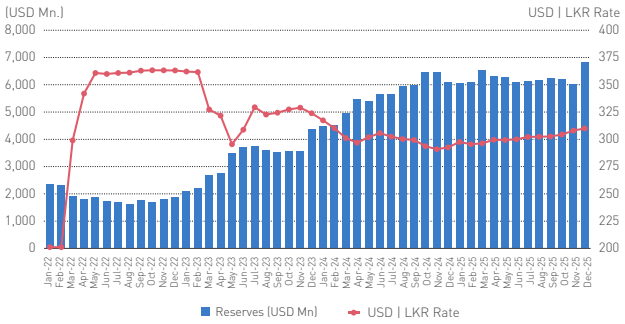


EXTERNAL SECTOR

In 2025, Sri Lanka's external position continued to stabilise, supported by steady foreign exchange inflows and prudent policy management. Gross official foreign exchange reserves remained broadly stable during the year, averaging around USD 6.0–6.3 billion, representing a marked improvement compared with the crisis period and providing improved import cover. Reserve accumulation was supported by inflows from tourism and workers' remittances, as well as continued engagement with multilateral partners.

During 2025, the Sri Lankan rupee remained broadly stable under the flexible exchange rate regime, reflecting improved market confidence and more balanced foreign exchange flows compared with the crisis period. The rupee experienced only modest depreciation against the US dollar over the year, with movements largely driven by seasonal import demand, external debt servicing requirements, and global currency trends. Periods of pressure were mitigated by continued inflows from tourism and workers' remittances, which helped support foreign exchange market liquidity. The Central Bank of Sri Lanka intervened selectively in the foreign exchange market to smooth excessive short-term volatility and support orderly market conditions, while allowing the exchange rate to adjust in line with underlying market fundamentals.

Exchange Rate & Foreign Reserves



Insurance Industry

The insurance industry continued to play an important role in Sri Lanka's financial system in 2025 by providing risk transfer mechanisms and long-term financial protection to individuals and businesses. The industry comprised 29 licensed insurance companies, regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL), including 15 long-term insurers, 13 general insurers, and one composite insurer offering both long-term and general insurance products.

During 2025, the insurance industry operated in a gradually improving macroeconomic environment following the stabilisation of the broader economy. Competitive conditions remained intense, with insurers focusing on prudent underwriting, cost efficiency, product innovation, and the expansion of distribution channels. Increased attention was placed on enhancing insurance penetration among underserved segments, including small and medium-sized enterprises (SMEs) and rural communities, supported by digitalisation initiatives and simplified product offerings.

The industry recorded moderate growth in GWP, estimated at approximately 19% during the first 9 months of 2025, supported by improved performance in both the long-term and general insurance segments. Total assets of the insurance sector also expanded by15%, underpinned by growth in premium income and stable investment returns.

Investment portfolios of insurers continued to exhibit a high concentration in Government securities, resulting in sustained exposure to the sovereign. However, this investment profile supported the maintenance of adequate liquidity levels and solvency positions across the sector, in line with regulatory requirements. Overall, the insurance industry demonstrated resilience in 2025, maintaining financial stability while positioning itself to support sustainable growth, enhanced risk protection, and financial inclusion in the period ahead.

Life Insurance

The life insurance industry in Sri Lanka represents a core component of the financial sector, contributing to long-term savings mobilisation, income protection, and retirement planning. As at end-2025, the sector comprised 15 licensed long-term insurance companies, regulated and supervised by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

In 2025, the life insurance industry operated within a gradually improving macroeconomic environment characterised by low inflation, easing interest rates, and stabilising economic conditions. These developments supported a recovery in consumer confidence and demand for long-term protection and savings-oriented products. In addition, the prevailing high personal income tax regime played a significant role in supporting growth in the life insurance sector, as individuals increasingly sought tax-efficient savings and protection instruments. Life insurance products offering tax-deductible premium benefits and long-term savings features gained renewed traction, particularly among salaried and middle- to high-income segments.

Against this backdrop, the life insurance sector recorded a GWP growth of 24% during 2025, reflecting improved new business volumes and enhanced policy persistency. The life segment accounted for 57% percent of total insurance industry GWP, underscoring its continued importance within the overall insurance market.

General Insurance

The general insurance industry represents a key component of Sri Lanka's financial system, providing risk protection for assets, businesses, and economic activity across sectors. As at end-2025, the general insurance segment comprised 13 licensed general insurance companies, regulated and supervised by the Insurance Regulatory Commission of Sri Lanka (IRCSL). The sector offers a broad range of products, including motor, health, property, marine, engineering, and liability insurance, supporting both individual and corporate risk management needs.

In 2025, the general insurance industry operated in an environment of improving macroeconomic stability and gradually recovering economic activity. Lower inflation, easing interest rates, and increased business confidence contributed to a rebound in demand for general insurance products, particularly in motor, health, and property-related lines. The resumption of construction activity, higher vehicle imports compared to the previous year, and increased commercial activity supported premium growth across key business segments.

The segment accounted for 43% of total insurance industry GWP. Growth was supported by increased awareness of risk protection, expanded distribution networks, and greater uptake of health and SME-related insurance covers.

Impact of Cyclone Ditwah

Cyclone Ditwah, which affected Sri Lanka toward the latter part of 2025, had a localised but material impact on economic activity, particularly in agriculture, infrastructure, and selected regional economies. The cyclone caused damage to crops, irrigation systems, housing, and transport infrastructure, resulting in temporary disruptions to agricultural output, supply chains, and livelihoods in affected areas. While the overall macroeconomic impact was contained and did not derail the broader economic recovery, the event underscored Sri Lanka's vulnerability to climate-related shocks and the importance of disaster resilience and risk mitigation measures.

For the insurance sector, Cyclone Ditwah led to an increase in claims, particularly within the general insurance segment, including property, motor, agriculture-related, and engineering lines. Insurers responded by activating claims management and loss assessment processes to support affected policyholders, contributing to a short-term rise in claims outflows. However, the impact on the overall financial stability of the insurance industry remained manageable, supported by adequate reinsurance arrangements, prudent underwriting practices, and sound capital and liquidity positions. The event further highlighted the critical role of insurance in providing financial protection against natural disasters and reinforced the need for broader insurance penetration and enhanced climate risk coverage in Sri Lanka.

INTEGRATED PESTEL AND SWOT ANALYSIS

Factor	Influence	Impact	Mapped SWOT Category
Political Factors			
Political Stability and Policy Direction The political environment in 2025 reflected a relatively stable policy direction that supported the country's ongoing economic recovery. Ongoing fiscal and structural reforms helped create a more stable operating environment for businesses and financial institutions.	Positive	Moderate	Opportunity
Exposure to Global Geopolitical Developments At the same time, Sri Lanka, as a small and open economy, remained sensitive to global geopolitical developments that could influence trade flows, energy prices, and overall economic conditions.	Positive	Moderate	Opportunity
Economic Factors			
Gradual Economic Recovery Sri Lanka's economy continued its steady recovery in 2025, reflecting improved macroeconomic stability after the disruptions of previous years.	Positive	Moderate	Opportunity
Low Inflation Environment Low Inflationary situation stayed subdued throughout the year, boosting price stability and reducing strain on household purchasing power.	Positive	Moderate	Opportunity
Stable Interest Rate Conditions A stable interest rate environment persisted, enhancing predictability in financial markets and supporting long-term financial planning and investment decisions.	Positive to the Business, but Negative to Investment Income	Moderate	Opportunity to the Business, but a Threat to Investment Income
Improving Foreign Exchange Inflows Foreign exchange inflows, backed by worker remittances and tourism earnings, grew throughout the year, helping to strengthen external sector stability.	Positive	Moderate	Opportunity
Exposure to Global Economic Conditions Despite internal improvements, Sri Lanka remained susceptible to global economic trends, as shifts in international markets continued to affect overall economic stability.	Positive	Moderate	Opportunity

Impact to the Group	Capital Linkage
A relatively stable political and policy environment in 2025 supported economic recovery, improved investor confidence, and strengthened regulatory predictability. For the insurance group, this contributed to more stable premium growth across life and general segments, improved persistency, and better long-term planning for capital allocation and product development. As a small and open economy, Sri Lanka remained vulnerable to global geopolitical developments affecting trade, energy prices, and inflation. Such external shocks could impact claims experience (especially in general insurance), investment returns, and policyholder affordability, requiring prudent risk management and capital buffers at group level.	Stability supported earnings visibility, solvency management, and investment performance, while geopolitical risks introduced volatility in asset values and underwriting results. A stable policy environment strengthened trust among policyholders, regulators, and investors, while external shocks could test stakeholder confidence. The group's ability to assess geopolitical risks, adapt underwriting strategies, and manage investments enhanced institutional knowledge and risk management capability.
The continued economic recovery in 2025 improved business confidence and household income levels. For the insurance group, this supported growth in new business, improved policy persistency in life insurance, and increased demand for general insurance products, particularly motor and health. Subdued inflation enhanced price stability and eased pressure on household purchasing power. This improved affordability of insurance products, reduced claims cost escalation (especially in general insurance), and supported more predictable expense management at group level. Stable interest rates enhanced predictability in financial markets, benefiting the group's investment portfolio and long-term liability management. This was particularly positive for life insurance, supporting asset–liability matching and stable returns on policyholder funds. Growth in foreign exchange inflows from remittances and tourism strengthened external sector stability. This reduced macroeconomic risk, supported currency stability, and helped mitigate volatility in foreign-currency-denominated investments and reinsurance costs. Ongoing exposure to global economic developments continued to pose risks to investment performance, reinsurance pricing, and claims trends. The group remained focused on prudent risk management to manage external volatility.	Improved macroeconomic conditions supported premium growth, investment returns, solvency strength, and capital planning, while global economic volatility remained a key risk factor. Enhanced economic stability improved customer confidence and long-term relationships with policyholders, reinsurers, and investors. The group's economic forecasting, pricing discipline, and investment management capabilities were critical in navigating both domestic recovery and global uncertainties.

INTEGRATED PESTEL AND SWOT ANALYSIS

Factor	Influence	Impact	Mapped SWOT Category
Social Factors			
Financial Security Growing Awareness of Financial Security and Health Protection Social trends in 2025 showed increased focus on financial security, health protection, and long-term savings.	Positive	Moderate	Opportunity
Demographic shifts Demographic developments, including longer life expectancy and changes in household and workforce structures, continue to influence demand for long-term financial planning and protection solutions.	Positive	Moderate	Opportunity
Affordability and Financial Literacy Considerations Affordability constraints and varying levels of financial literacy remained important considerations.	Positive	Moderate	Opportunity
Technological Factors			
Accelerating Digital Adoption Technological developments reflected an acceleration in digital adoption across the financial services sector. AI and Insuretech influenced process efficiency and enhanced customer service.	Positive	Moderate	Opportunity
Automation and Data Analytics The use of automation and data analytics continued to expand across the industry.	Positive	High	Opportunity
Cybersecurity and Data Privacy Considerations Increased reliance on digital platforms heightened the importance of cybersecurity and data privacy.	Positive	Moderate	Opportunity

Impact to the Group	Capital Linkage
In 2025, increasing awareness of financial security, health protection, and long-term savings positively influenced demand for life and health insurance products. For the group, this supported growth in protection-focused offerings, improved customer engagement, and reinforced the role of insurance as a key component of financial resilience. Longer life expectancy and evolving household and workforce structures continued to drive demand for retirement planning, life protection, and health insurance solutions. These trends required the group to adapt product design, pricing, and distribution strategies to meet changing customer needs across life and general insurance segments. Affordability constraints and varying levels of financial literacy remained key challenges, particularly in emerging and lower-income segments. This influenced product structuring, premium flexibility, and the need for simplified communication and education initiatives to improve insurance penetration and persistency.	Enhanced awareness strengthened trust and long-term relationships with policyholders, while affordability and literacy challenges highlighted the importance of inclusive and responsible engagement. Skilled sales, underwriting, and customer service teams played a critical role in educating customers and delivering suitable insurance solutions. Product innovation, customer insights, and financial education initiatives strengthened the group's capability to respond to demographic and social trends. Social trends supported sustainable premium growth and long-term value creation, while affordability pressures required careful pricing and cost management.
The accelerated adoption of digital technologies across financial services in 2025 enhanced operational efficiency and customer experience. For the insurance group, the use of AI and insurtech solutions improved underwriting, claims processing, and customer engagement across both life and general insurance segments, supporting scalability and service quality. Expanded use of automation and data analytics strengthened decision-making, risk assessment, and pricing accuracy. These capabilities enabled the group to improve cost efficiency, detect fraud, and better understand customer behaviour, contributing to improved underwriting performance and profitability. Greater reliance on digital platforms increased exposure to cybersecurity and data privacy risks. The group continued to invest in robust IT controls, governance frameworks, and data protection measures to safeguard customer information, maintain regulatory compliance, and preserve stakeholder trust.	Advanced digital platforms, analytics capabilities, and proprietary systems enhanced institutional knowledge, innovation, and competitive advantage. Upskilling employees in digital tools, data analytics, and cybersecurity strengthened workforce capability and adaptability. Technology investments supported long-term cost efficiencies and improved underwriting and claims outcomes, while requiring upfront capital expenditure. Secure and reliable digital services reinforced customer trust and confidence, particularly in relation to data protection and service reliability.

INTEGRATED PESTEL AND SWOT ANALYSIS

Factor	Influence	Impact	Mapped SWOT Category
Environmental Factors			
Climate-Related Events Environmental factors included the increased frequency and impact of climate-related events.	Positive	Moderate	Opportunity
Resilience and Disaster Risk Management Developments regarding CRROs underscored the importance of resilience and disaster risk management.	Positive	Moderate	Opportunity
Sustainability Considerations The growing focus on sustainability has reinforced responsible environmental practices and led to re-evaluations of processes and workforce practices.	Positive	Moderate	Opportunity
Legal and Regulatory Factors			
Regulatory Oversight The regulatory environment remained robust with continued oversight. Tighter AML practices and the emerging PDPA have led to stricter monitoring.	Positive	Moderate	Opportunity
Governance and Compliance Expectations Governance and compliance expectations remained elevated.	Positive	Moderate	Opportunity
Evolving Reporting, Consumer, and Data Protection Requirements Ongoing enhancements to reporting and protection requirements shaped the operating landscape.	Positive	High	Opportunity

Impact to the Group	Capital Linkage
The increasing frequency and severity of climate-related events heightened claims volatility, particularly in general insurance lines such as property, motor, and agriculture. At group level, this reinforced the need for enhanced catastrophe modelling, prudent reinsurance arrangements, and climate-informed underwriting practices. Developments relating to Climate Risk Regulatory Obligations (CRROs) emphasised the importance of resilience and disaster risk management. For the group, this required closer integration of climate risk into enterprise risk management, stress testing, and capital planning, supporting long-term financial stability. The growing focus on sustainability prompted the group to reassess operational processes and workforce practices, encouraging more responsible resource use, reduced environmental footprint, and alignment with sustainable business principles. These initiatives supported long-term value creation and stakeholder expectations.	Climate-related events directly affected the operating environment, influencing risk exposure and claims experience. Increased climate risk impacted claims costs, reinsurance pricing, and capital adequacy, requiring robust risk mitigation and capital management. Climate risk modelling, regulatory compliance capabilities, and sustainability frameworks strengthened the group's institutional knowledge and resilience. Demonstrated commitment to sustainability and disaster resilience enhanced trust with regulators, policyholders, and the wider community. Embedding sustainability into workforce practices supported employee engagement and capability in managing environmental risks.
The regulatory environment in 2025 remained robust, with continued supervisory oversight. Enhanced AML requirements and the emergence of the Personal Data Protection Act (PDPA) resulted in stricter monitoring and higher compliance standards. For the insurance group, this increased operational complexity but also strengthened market discipline and risk governance. Elevated governance and compliance expectations required continued focus on strong board oversight, internal controls, and ethical business practices. These measures supported regulatory confidence, reduced compliance risk, and reinforced long-term organisational stability at group level. Ongoing enhancements to financial reporting, consumer protection, and data privacy requirements shaped the operating landscape. The group responded by strengthening systems, processes, and disclosures to ensure transparency, protect policyholder interests, and maintain regulatory compliance.	Strong regulatory compliance and consumer protection enhanced trust with regulators, policyholders, and other key stakeholders. Regulatory knowledge, compliance frameworks, and reporting capabilities strengthened institutional expertise and governance maturity. Continuous training and compliance awareness programmes enhanced employee capability in meeting evolving legal and regulatory obligations. Compliance investments increased operating costs but supported long-term financial sustainability by mitigating regulatory and reputational risks.

DETERMINING MATERIALITY

Materiality forms the foundation of our sustainability reporting and strategic planning. In 2025, our assessment reflects a marketplace undergoing transformation, marked by industry expansion, rising demand for protection-based solutions, and the continued influence of macroeconomic developments such as inflation, interest-rate shifts, and capital-market volatility. As the insurance sector enters a renewed growth cycle, these dynamics present both opportunities and challenges for value creation.

Through structured engagement with stakeholders, analysis of macroeconomic and industry trends, and alignment with our strategic priorities, we identified the topics that most significantly influence our ability to grow sustainably and responsibly. These material matters guide our decisions, shape our strategy, and ensure that HNBA continues to contribute meaningfully to national progress while delivering a resilient and customer-centric insurance proposition.

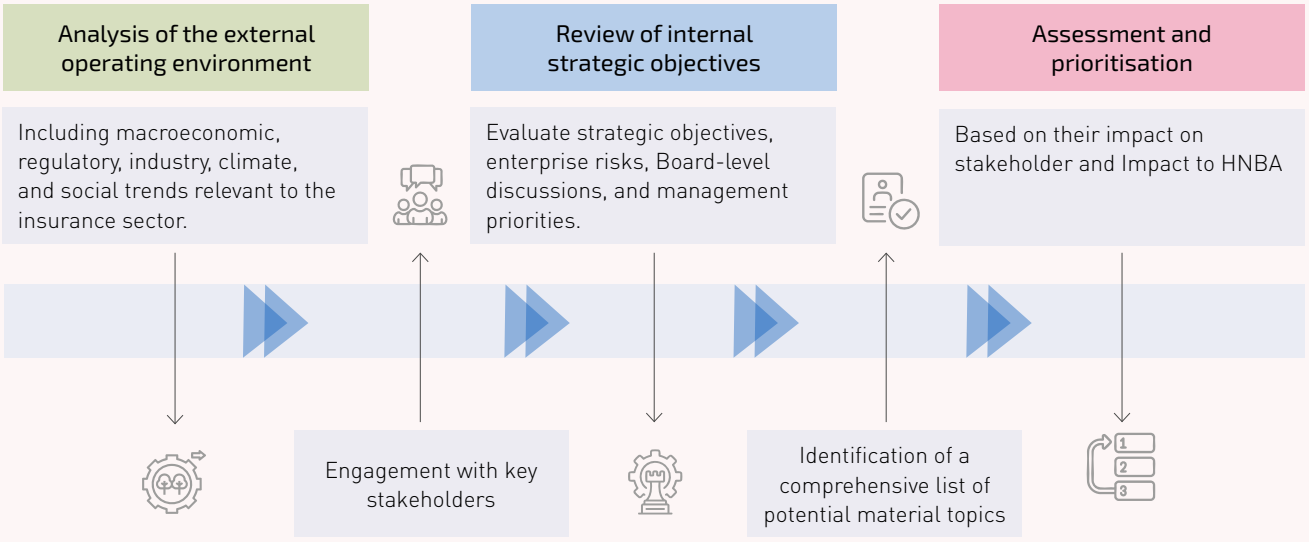
DOUBLE MATERIALITY -CLIMATE-RELATED RISKS AND OPPORTUNITIES

In 2025, HNBA applied a double materiality perspective focused specifically on climate-related risks and opportunities. From an outside-in perspective, we assessed how physical risks, including extreme weather events, as well as transition risks arising from evolving climate-related disclosure requirements, could affect underwriting performance, claims experience, reinsurance costs, operational continuity, financial performance and reputation.

From an inside-out perspective, the assessment considered our environmental impacts and our role in supporting climate resilience through insurance solutions and responsible operational practices.

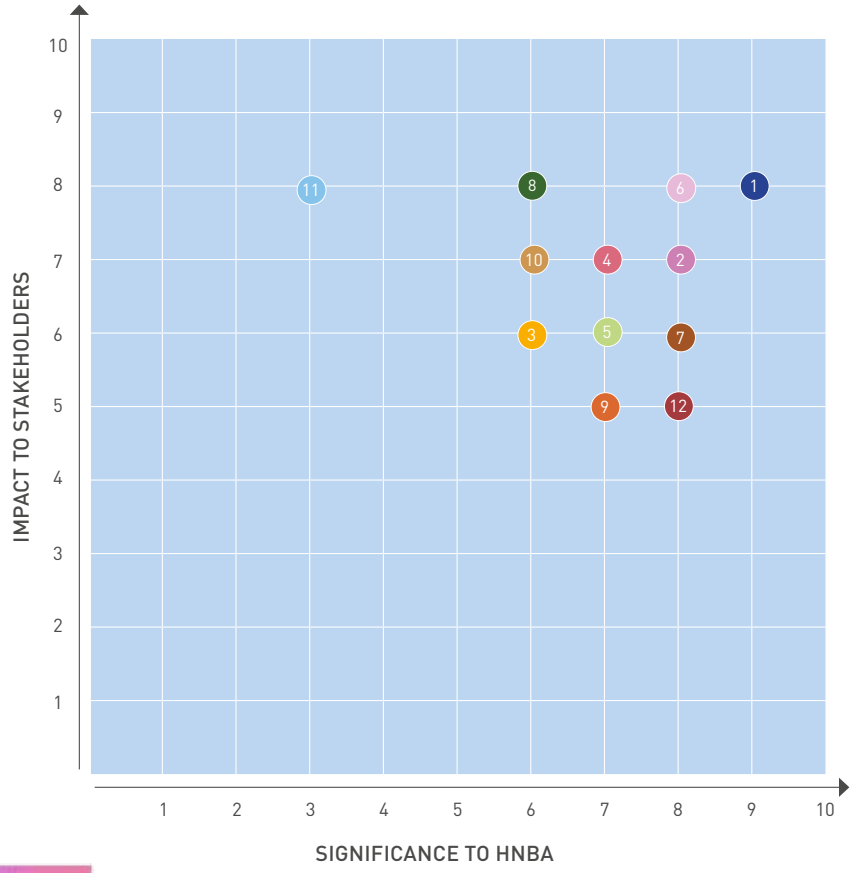
The identified climate-related risks and opportunities were mapped to the relevant material matters and reflected in the Materiality Table, ensuring their integration into strategic planning, risk management and governance processes.

Materiality assessment and prioritisation process



MATERIALITY MATRIX

The Materiality Matrix presents the material matters identified in the 2025 assessment and their relative positioning based on assessed impacts. Each material topic presented in the Materiality table is assigned a corresponding reference number, which is used solely for identification purposes and to ensure consistency between the table and the matrix. The matrix plots the identified material matters along two axes: impact on stakeholders, reflecting the extent to which each topic influences stakeholder interests, expectations, and decision-making; and impact on HNB Assurance's strategy and operations, reflecting the topic's influence on business performance, risk profile, regulatory compliance, and long-term value creation.





MATERIALITY

MATERIAL TOPICS

	Material Topic	Impact on our operations	Relevant Strategic Pillar
1	Financial performance and capital stability	Strong financial performance and prudent capital management are essential to maintaining solvency, supporting long-term policyholder obligations, funding strategic growth initiatives, and sustaining shareholder confidence, particularly in a volatile macroeconomic environment.	Supports solvency, capital adequacy, and financial resilience under volatile economic and climate conditions.
2	Managing macroeconomic and market risks	Fluctuations in inflation, interest rates, and investment markets directly influence underwriting outcomes, investment income, customer affordability, and lapse rates, making effective macro-risk management critical for business resilience and profitability.	Strengthens resilience to external shocks and protects earnings stability.
3	Product innovation and evolving customer needs	Timely and relevant product innovation enhances competitiveness, supports market expansion in underpenetrated segments, strengthens customer retention, and enables HNBA to meet emerging protection, savings, and health needs.	Enables expansion into underpenetrated segments and development of relevant, future-ready products.
4	Customer experience and service excellence	High quality customer service, especially in claims management and digital touchpoints, strengthens customer trust, fosters loyalty, enhances brand equity, and drives sustainable premium growth.	Drives retention, brand trust, and long-term customer relationships.
5	Digital transformation and technological integration	Technology adoption improves operational efficiency, enhances underwriting accuracy, streamlines customer onboarding and claims processing, reduces operational costs, and helps HNBA to remain competitive in a rapidly digitalising industry.	Modernises operations and enables scalable, cost-efficient growth.
6	Risk management, governance, and compliance	Robust governance and risk-management frameworks safeguards HNBA against regulatory breaches, operational failures, and financial losses while preserving transparency, stakeholder confidence, and long-term organisational stability.	Ensures regulatory compliance, transparency, and enterprise resilience.
7	Talent development and workforce capabilities	A skilled and motivated workforce enhances service quality, innovation capacity, productivity, and operational excellence, while enabling us to adopt new technologies and adapt to evolving industry demands.	Builds organisational capability to execute strategy and manage emerging risks.
8	Brand strength and market reputation	A strong brand enhances market visibility, customer attraction, and competitive differentiation, supporting business growth and our position in a highly competitive insurance sector.	Supports customer acquisition and reinforces trust in the Company's value proposition.
9	Group synergies and strategic partnerships	Leveraging the HNB Group's network and collaborating with intermediaries enhances market reach, accelerates business development, and improves cost efficiencies through shared capabilities and resources.	Leverages shared capabilities to accelerate growth and optimise costs.
10	Sustainability, climate considerations and resource efficiency	Integrating sustainability and climate considerations reduces environmental impact, strengthens regulatory alignment, enhances corporate reputation, and prepares HNBA for emerging climate-related insurance risks.	Strengthens climate resilience and regulatory readiness.
11	Social impact and community development	Investing in community development builds trust, reinforces HNBA's social license to operate, supports national priorities, and enhances brand goodwill among customers and stakeholders.	Reinforces stakeholder trust and long-term societal acceptance.
12	Operational efficiency and process excellence	Streamlined processes, automation, and system optimisation reduce operational costs, minimise errors, improve turnaround times, and strengthen our overall competitiveness and profitability.	Improves margins and supports scalable, efficient operations.



Climate-Related Risks & Opportunities (CRROs)	Impact to Stakeholders	Our response	Corresponding GRI Topic
Risk: Climate-driven claims volatility affecting reserves and reinsurance costs; transition impacts on cost of capital.	**Policyholders:** » Security of benefits **Shareholders:** » Financial stability **Regulators:** » Solvency assurance	Refer Financial Capital on pages 133 to 145.	GRI 201 Economic Performance
Risk: Extreme weather–related income shocks leading to lapses; market volatility affecting investments.	**Customers:** » Affordability and continuity of cover **Investors:** » Reduced volatility	Refer Risk Management on pages 272 to 290.	GRI 201 Economic Performance
Opportunity: green and climate-responsive insurance products, climate-driven health risks influencing rider design.	**Customers:** » Access to relevant products **Society:** » Improved financial protection	Refer Product Mix on pages 184 to 187.	
Risk: Physical risks increasing claims volumes and service pressure during extreme weather events.	**Customers:** » Timely claims and service quality	Refer Customer satisfaction enhancements on pages 181 to 182.	GRI 417 Marketing and Labelling GRI 418 Customer Privacy
Risk: Transition risk related to data accuracy and disclosure Opportunity: digital enablement.	**Customers:** » Convenience and speed **Employees:** » Improved workflows	Refer Digital transformation on pages 171 to 176.	
Risk: Climate disclosure and greenwashing risks under emerging reporting requirements.	**Regulators:** » Compliance confidence **Investors:** » Trust in governance	Refer Risk Management on pages 272 to 290 and Corporate Governance on pages 233 to 271.	
Opportunity: to build climate, ESG, and digital capabilities.	**Employees:** » Skills development and engagement	Refer Human Capital on pages 146 to 162.	GRI 401 Employment GRI 404 Training & education
Risk: Reputational risk arising from weak or inaccurate climate-related disclosures.	**Customers:** » Confidence in the brand	Refer to our Brands on pages 170 to 171.	GRI 417 Marketing & labelling
Opportunity: to support sustainable investments and partnerships.	**Customers:** » Wider access to insurance **Partners:** » Strengthened collaboration	We leverage HNB's extensive branch network to strengthen our Bancassurance channel and collaborate closely with group entities, intermediaries, and reinsurance partners to enhance distribution reach, operational efficiency, and customer value.	
Risks: Physical risks from extreme weather; climate-driven health risks; transition risks under climate reporting standards.	**Society:** » Reduced environmental impact **Regulators:** » Climate preparedness	We are committed to reducing our environmental footprint, integrating climate-related risks into our operations, promoting responsible resource use, and advancing sustainability through digitalisation and focused CSR initiatives.	GRI 302 Energy GRI 305 Emissions GRI 306 Waste
Opportunity: to enhance community resilience to climate impacts.	**Communities:** » Social development and resilience	Refer Our Commitment to Corporate Social Responsibility on pages 200 to 202.	GRI 203 Indirect economic impacts GRI 413 Local communities
Opportunity : through automation and digital efficiency reducing resource use.	**Customers:** » Faster service **Shareholders:** » Cost discipline	Refer Customer satisfaction enhancements on pages 181 to 182.	

PURPOSE DRIVEN STRATEGY

Based on our achievements over the past years, we carefully evaluated our strategies. We affirm that we have considered all key internal material facts and changes in market dynamics that impact our roadmap to robust growth, ensuring alignment with our corporate vision and mission. Furthermore, we formulated sustainable actions and allocated adequate resources, along with a roadmap to reach corporate goals, with the overarching objective of attaining a 10% market share at the end of 2026. Our strategies will foster a dynamic organisation that embraces innovation and thrives under challenging conditions.

THE PROCESS

The annual corporate planning cycle is a bottom-up process for aligning material matters and resources to achieve KPIs and Objectives, bridging gaps identified by internal and external factors, risks, and opportunities, through the company's strategic risk management framework. The strategy formulation process focuses on articulating a resilient, sustainable strategy for a three-year period that aligns with each strategic pillar. During the 2025 strategy formulation, special attention was given to implementing the IFRS 17 accounting regime and to incorporating Climate-Related Risk and Opportunities (CRROs), which have time horizons beyond financial planning and operations.

STRATEGY COMMUNICATION AND PERFORMANCE EVALUATION

The strategic objectives outlined in the approved corporate plan are assigned to the relevant Heads of Departments (HODs), who then cascade the objectives and action items, along with defined KPIs, down through the operational hierarchy. The KPIs are reviewed at the monthly Corporate Management Meetings, where discussions focus outcome and progress.

Management compiles KPI metrics each month and reports them to the Board. During Board meetings and periodic subcommittee meetings, KPIs and objectives are reviewed against current operational and environmental conditions.

The Board reviews the mitigating actions taken, evaluates their effectiveness, and, if necessary, recommends additional directives for management to improve these actions. The performance evaluations are discussed in detail during the periodic strategy review meetings. Page 242 offers more details on the company's performance governance practices.

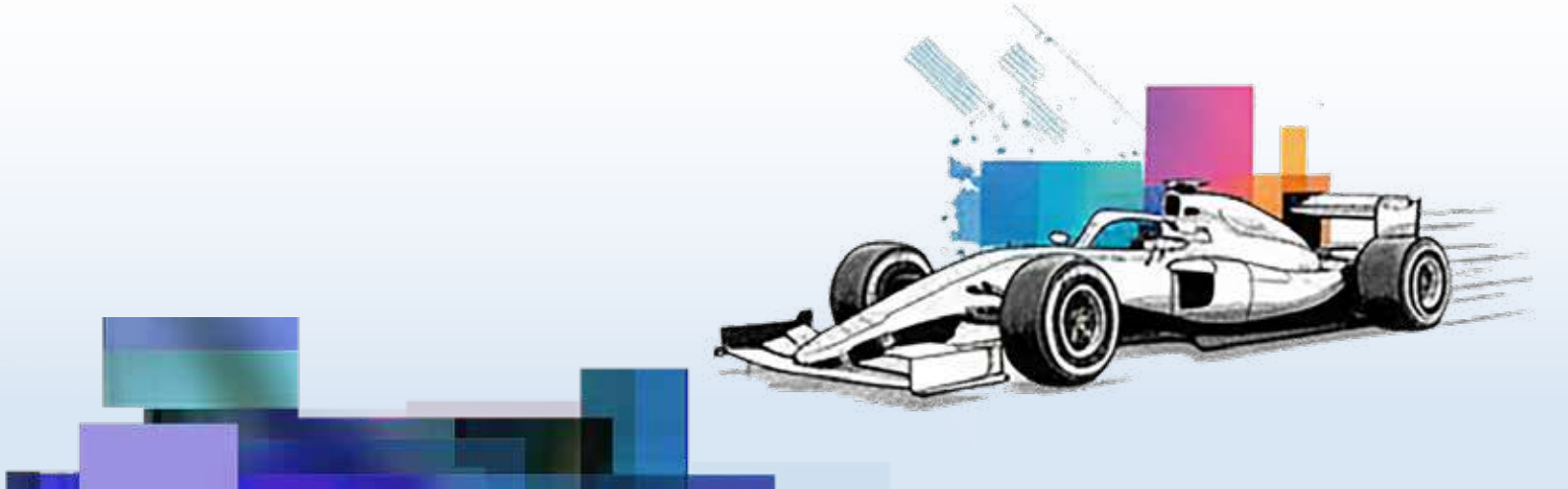
RESOURCE ALLOCATION

The strategic planning process includes developing financial budgets and Cardre requirements necessary to implement the strategies effectively. Additionally, any partnerships or external relationships needed for successful strategy execution are integrated. Provisions are made in financial plans based on the priority and timing of resource needs, aligning resources and financial allocations for executing our strategies.

THE STRATEGIC REVIEW

The 2025 strategic roadmap of HNBA is built on four core pillars—Growth, Innovation, Profitability, and Risk, Compliance & Governance. These four pillars guide our efforts to strengthen sales productivity, enhance product offerings, modernise processes and systems, and continuously elevate the customer experience. Throughout the year, we invested in developing our people, streamlining business operations, and reinforcing a culture grounded in robust governance and internal controls to ensure sustainable, long-term profitability.

Our commitment to quality and operational excellence drives us to consistently refine our capabilities and expand the value we deliver to stakeholders. Supporting these efforts, our marketing strategy follows a three-stage conversion model that mirrors the customer journey—from Awareness and Recognition to Engagement and Nurturing, and ultimately to Experience and Trust —ensuring we build lasting relationships and a brand presence that resonates with policyholders.



STRATEGIC PILLAR 1 – GROWTH

Category	Details
Strategic Focus	Drive sustainable business expansion through strengthened distribution networks, enhanced sales leadership, digital onboarding, product innovation, and geographic optimisation. Growth is pursued with disciplined cost management and alignment to long-term profitability objectives.
Value Creation Activities (2025)	Growth initiatives focused on: • Strengthening agency force through external talent acquisition • Implementing a real-time Lead Management System (LMS) • Expanding geographical footprint via cost-optimised branches • Enhancing productivity metrics (activity ratios, case size) • Structured advisor development (Life Campus, ADA, MDRT roadmap) • Digital enablement (e-learning, e-diary, e-buddy, LMS integration) • Targeted diaspora and expatriate segment development • Accelerated health and corporate business growth • Launch of new products: Family Guard and Privileged Fast • Strengthened brand visibility via digital marketing and geo-targeting
New Products	**Family Guard:** Protection + savings, flexible maturity, in-built benefits, loyalty rewards. **Privileged Fast:** Short-term commitment, long-term security, flexible premiums, tailored maturity benefits.

KPIs – Business Performance

	2025	2024	2023
Total GWP (Rs. Bn)	19.5	13.8	10.9
Endowment GWP (Rs.Bn)	14.7	10.8	8.8
NBP (Rs.Bn)	5.1	3.8	2.9
Renewal Premium (Rs.Bn)	9.6	7	5.8
Single Premium (Rs.Mn)	4,007	2,453	1,720
Group Life (Rs.Mn)	781	523	434

KPIs – Channel Productivity

	2025		2024		2023	
	Agency	Partnership	Agency	Partnership	Agency	Partnership
Active Advisor Count	2689	N/A	2726	N/A	2496	N/A
Avg Monthly NBP (Rs.Mn)	13.6	32.6	11.8	25.6	9	18
Activity Ratio	0.91	2.38	0.9	2.37	0.85	2.56
Lead Coversion	N/A	32%	N/A	31%	N/A	27%

Progress for the Year	• Total GWP: **Rs. 19.5 Bn.** • Achievement: **118 %** • YOY Growth: **42%** • Highest GWP growth in the industry
Challenges	• Political, monetary, and economic volatility. • Climate-related disruptions, including cyclone Ditwah. • Increased regulatory requirements (AML, CTF, Data Protection Act) requiring system & process updates.
Resources Allocated	• Investment in sales technology and digital onboarding • Branch network optimisation • Advisor capability development • Marketing and brand expansion

PURPOSE DRIVEN STRATEGY

STRATEGIC PILLAR 2 – INNOVATION

Category	Details
Strategic Focus	Accelerate digital transformation and operational modernisation through AI, automation, cloud-first architecture, and enhanced digital journeys. Innovation is positioned as a structural enabler of cost efficiency, customer satisfaction, and long-term competitiveness.
Value Creation Activities (2025)	• **Project Aurora CX:** AI-driven call quality monitoring with sentiment analysis and quality scoring to enhance customer interactions. • **HANA AI Chatbot:** HANA is HNBA's advanced AI-powered assistant, designed to provide seamless support to customers by offering accurate, personalized, and real-time information about our comprehensive insurance solutions. • **Centralised BI Unit:** Formalised to streamline reporting, improve analytics, and enhance data-driven decisions. • **Robotic Process Automation (RPA):** Automating repetitive, resource-heavy tasks to improve accuracy and reduce costs. • **Digital Premium Payments:** Enhanced APIs enabling near real-time updates. Partnerships include: Sampath Bank, Commercial Bank, Cargills Bank, NDB, NTB, HNB, mCash, EzCash, DirectPay, SOLO, and retail networks like Singer, Cargills Food City, and Sathosa. • **SafeLink (revamped eBuddy):** Unified salesforce platform with Prospecting → Proposal flow, lead management, MIS, payment gateway, ranking & performance dashboards. • **SCOPEX:** Retirement of legacy systems and modernisation of peripheral applications using secure, high-performing architecture. • **Oracle Procurement Cloud**: Migration to cloud procurement with better compliance, transparency, faster cycle times, and removal of spreadsheet evaluations. • **Cashierless Branch Model:** Eliminated cash collections and cashiering functions from branches. • **OASys Workflow Automation:** Digitisation of manual processes to create a fully paperless back office. • **Infrastructure Projects:** Disaster Recovery (DR) implementation through KGISL; expansion of SaaS, aaS, and IaaS cloud migrations across core applications.
KPIs	• 100% Paperless Back Office • 100% Non-Cash Premium Collection • 100% Digital Advisor • 85% Digital Onboarding of Policies • Strengthened SLA monitoring
Progress for the Year	• Cash Collection – ↓ **59%** • Workflow Automation - ↑ **42%** • Digital Onboarding – **60%**
Challenges	• Integration complexity • Change management • Cybersecurity and PDPA alignment • Balancing innovation with regulatory requirements
Resources Allocated	• AI and automation investments • Transformation Office strengthening • Cybersecurity and DR infrastructure

STRATEGIC PILLAR 3 – PROFITABILITY

Category	Details
Strategic Focus	Strengthen financial resilience through improved persistency, reduced lapses, disciplined expense management, and IFRS 17 embedding. Profitability strategy ensures long-term recurring income stability and shareholder value creation.
Value Creation Activities (2025)	• Strengthened Lapse Activation Unit • Enhanced retention analytics • Rider penetration expansion • IFRS 17 implementation milestones • Centralised cost management initiatives • Partner fee renegotiation
KPIs – Lapse Ratio	2025: 40% | 2024: 42 % | 2023: 50 %
KPIs – Premium Persistency	2025: 84% | 2024: 80 % | 2023: 82 %
KPIs – Rider Segment Contribution	2025: 16% | 2024: 21 % | 2023: 23 %
Yearly Progress	**Lapse Ratio (Percentage points)** 2025: ▲ 2% | 2024: ▲ 8 % | 2023: ▼-2 % **Premium Persistency (Percentage points)** 2025: ▲ 4% | 2024: ▼-2 % | 2023: 0 % **Rider Take-Up (Percentage points)** 2025: ▼-5 % | 2024: ▼-3 % | 2023: ▼-2 %
Challenges	• Customer affordability pressures • Competitive retention environment • Economic slowdown effects
Resources Allocated	• Persistency analytics systems • Retention-focused advisor training • IFRS 17 system enhancements

PURPOSE DRIVEN STRATEGY

STRATEGIC PILLAR 4 – RISK, COMPLIANCE & GOVERNANCE FRAMEWORK

Category	Details
Strategic Focus	HNBA is committed to establishing and maintaining a robust Risk, Compliance, and Governance framework aligned with ESG principles to ensure the highest levels of transparency, accountability, and security across all operations. This framework reinforces strict adherence to regulatory requirements and industry best practices, safeguarding the organisation against emerging risks while promoting ethical and responsible conduct. By embedding strong governance and compliance structures across the business, HNBA strengthens the pillars of Growth, Innovation, and Profitability, ultimately driving sustainable long-term value for all stakeholders.
Value Creation Activities (2025)	• Drafted and implemented AML, Counter-Terrorist Financing (CTF), and PDPA procedures. • Conducted stringent monitoring of IRCSL and SEC regulatory guidelines. • Delivered continuous staff training on all risk and compliance areas through the eLearning portal. • Strengthened internal controls through rigorous Internal Audit functions.
KPIs	• Compliance monitoring enhancements • Staff certification rates • Risk mitigation effectiveness • Governance reporting quality
Progress for the Year	• Implemented Data Classification and Data Loss Prevention (DLP) tools and supporting governance policies. • Appointed trained Data Champions across all departments to classify information across communication channels (documents, email, etc.). • Conducted ongoing DLP and data-governance training sessions for Data Champions, senior management, and full staff.
Challenges	• Increasing regulatory complexity • Cybersecurity threats • Need for ongoing capability building
Resources Allocated	• Investment in data security, governance tools, and DLP platforms. • Dedicated risk, compliance, and internal audit personnel. • Expanded eLearning and training programs for company-wide compliance reinforcement. • Strengthening ESG governance structures.

Building on our achievements to date, we have undertaken a comprehensive review of our strategic direction. In doing so, we have carefully considered key internal material factors and evolving market dynamics that will shape our future growth trajectory, ensuring continued alignment with our corporate strategies, which focused on the aspects of Growth, Innovation, Profitability, Risk, compliance and Governance.

Future Focus

Strategic Pillar 01 – Growth :

Short-term	Medium-term	Long-term
• Sales force expansion • Deliver exceptional customer experience • Accelerate technological transformation	• Position HNBA among the top 3 life insurers in Sri Lanka	• Become the market leader in life insurance industry

Strategic Pillar 02 – Innovation:

Short-term	Medium-term	Long-term
• Continue scaling digital onboarding • Improve customer experience through AI and automation • Strengthen advisor digital tools	• Execute IT Project Plans aligned with Digital Road Map • Achieve full omnichannel digital integration • Expand automation across all back-office processes	• Position HNBA as a digital-first insurer • Achieve full cloud maturity and seamless customer–advisor digital ecosystems • Lead the market in automated, paperless insurance operations

Strategic Pillar 03 – Profitability :

Short-term	Medium-term	Long-term
• Improve 13 months persistency • Strengthen customer follow-up cycles and digital reminders • Optimise expense management initiatives • Tracking Value of New Business (VONB)	• Achieve industry-leading persistency ratios • Expand rider penetration across all distribution channels • Improve VONB	• Build a stable, recurring income base through high persistency levels • Sustain long-term value creation through disciplined financial management • Further improve VONB

Strategic Pillar 04 – Risk, Compliance and Governance:

Short-term	Medium-term	Long-term
• Expand DLP enforcement across all systems and user groups. • Enhance AML/CTF monitoring and staff certification requirements. • Strengthen reporting dashboards for real-time compliance visibility.	• Advance ESG governance maturity across business functions. • Fully automate compliance workflows and audit trails. • Deploy advanced risk analytics and predictive risk modelling.	• Achieve market-leading governance standards aligned with global benchmarks. • Establish an organisation-wide culture of accountability and ethical Governance. • Sustain enterprise resilience through integrated risk management practices.

SUSTAINABILITY IN ACTION

Across the HNB Insurance Group, sustainability commitments are translated into measurable outcomes through targeted environmental, social, economic and governance initiatives. These initiatives reflect our structured CSR pillars, enterprise-level sustainability integration and strengthened governance oversight, which collectively reinforce long-term value creation.

During the year, these initiatives were supported by the active involvement and commitment of our employees, reflecting a strong culture of participation and collective responsibility across our sustainability programmes.

Environmental Stewardship in Action

Strengthening Ecosystems and Urban Environments

Environmental stewardship across the Group spans biodiversity restoration, urban revitalisation initiatives and operational environmental responsibility measures. These initiatives support ecosystem resilience, reduce environmental impact and contribute to cleaner, safer communities.

CASE STUDY:

Life to our National Parks

Habitat Restoration and Human–Elephant Conflict Mitigation

Background and Context

The resulting pressure on grazing availability contributes to increased Human–Elephant Conflict (HEC), as elephants move beyond park boundaries in search of food. HEC has direct implications for rural livelihoods, agricultural loss, property damage and wildlife mortality.

The need for intervention was therefore both ecological and socio-economic. The intervention is structured to mitigate systemic ecological risk at its origin — strengthening habitat functionality within protected boundaries rather than reacting to conflict outcomes at the human–wildlife interface.

Programme Structure and Partnership Model

The Company supports the Life to Our National Parks initiative — a structured habitat restoration programme coordinated by Biodiversity Sri Lanka in collaboration with the Federation of Environmental Organisations - Sri Lanka and the Department of Wildlife Conservation

The programme operates under a multi-stakeholder conservation platform designed to restore contiguous habitat corridors at scale through coordinated corporate support.

The intervention follows a three-year restoration model, enabling invasive removal, follow-up management and natural regeneration of native vegetation.

20 %

of the park's landscape impacted by invasive plant species

Ecological Implications:

- Reduced availability of native fodder
- Obstructed wildlife movement corridors
- Increased pressure on ecosystem balance

The broader programme has an overall restoration target of approximately 900 hectares within Lunugamvehera National Park.

Year 01	Manual extraction of invasive species and controlled burning
Year 02	Secondary clearing and regrowth management
Year 03	Native vegetation regeneration and ecosystem stabilisation

To date, HNB Assurance has supported the restoration of approximately 45 hectares, representing the largest contiguous patch funded by a single corporate participant of the section that is being coordinated by Biodiversity Sri Lanka.

Community Mobilisation and Livelihood Integration

Community engagement is embedded within the project design.

This model has engaged more than 30 community members across restoration activities, providing seasonal income support and strengthening local ownership of conservation outcomes.

By integrating livelihood support into habitat restoration, the initiative reduces socio-economic vulnerability while contributing to ecological recovery, and fostering shared responsibility for habitat conservation.

Outcomes:

- Labour is sourced from villages bordering the park
- Engagement aligns with agricultural off-seasons
- Participants are trained in safe removal techniques
- Income is generated for households with limited earning stability

Progress and Impact

- **Rs. 7.3 Mn** invested to date
- **45 hectares** restored with the support of HNB Assurance
- **900 hectares** identified under the broader programme restoration scope
- **30+ community members** engaged in structured clearing operations

Restoration activity has enabled the regeneration of native grass species within cleared plots, improving grazing availability within protected boundaries and strengthening wildlife movement corridors.

By reinstating habitat functionality within the park, the initiative contributes to addressing a key ecological driver of Human–Elephant Conflict.

Strategic Relevance

As an organisation focused on protection, supporting habitat restoration aligns with the principle of mitigating systemic risk at source. Strengthening ecological resilience contributes indirectly to livelihood stability in surrounding communities.

Capitals Impacted:

Further Details: *Natural Capital Report (pages 204-210)*

SDG Contribution:

Primary: Secondary:





SUSTAINABILITY IN ACTION

HNBGI "Better Tomorrow"
Urban Environmental Revitalisation

Background and Context

Launched in FY2025, Better Tomorrow focused on rehabilitating a high-traffic public corridor from Slave Island Railway Station to Nawam Mawatha.

The initiative improved environmental hygiene and pedestrian safety while reinforcing civic responsibility within the community.

Selected community feedback reflects observable improvement in environmental quality and shared responsibility for public spaces.

Impact During the Year

- **Rs. 0.82 Mn** invested
- Safety and warning boards installed
- Continuous roadside maintenance implemented
- Thousands of daily road users benefiting

SDG Contribution:

Primary: Secondary:

Community Feedback

"Seeing this space transformed gives hope that responsible action can improve our shared environment."
— Daily commuter



"It makes us feel responsible to keep our surroundings clean." — Students passing through the area

"This lane was long neglected. The clean environment today shows meaningful concern for public wellbeing."
— Local resident

Community feedback reflected both environmental and behavioural impact, and indicated the initiative's broader influence in reinforcing shared responsibility for environmental stewardship.







Operational Environmental Responsibility

Environmental impact reduction is embedded within day-to-day operations through process redesign and digital integration. Operational environmental performance is managed through structured digitalisation, mobility optimisation and carbon oversight mechanisms embedded across the Group.

Operational Initiatives at a Glance

Reduced Paper Dependency

- Transition to digital policy issuance and documentation
- Lower print volumes and reduced physical record storage
- Paperless internal workflows and document approvals

Reduced Travel and Commuting Footprint

- Expanded digital servicing and remote engagement channels
- Reduced need for physical branch visits
- Rationalised company-owned vehicle utilisation

Reduced Logistics and Physical Handling

- Digital archiving of policy records
- Decreased reliance on courier-based document transfer
- Reduced inter-branch physical file movement

Energy and Emissions Oversight

- Monitoring of Scope 1 and Scope 2 emissions under ISO 14064
- Ongoing review of electricity consumption patterns
- Tracking of travel-related fuel usage
- Annual carbon footprint assessment and base-year comparison

Operational Performance Summary

Electricity Performance

9 % ↓ Total electricity consumption

13 % ↓ Electricity consumption per employee

Carbon Footprint

4 % ↓ Total GHG emissions year-on-year

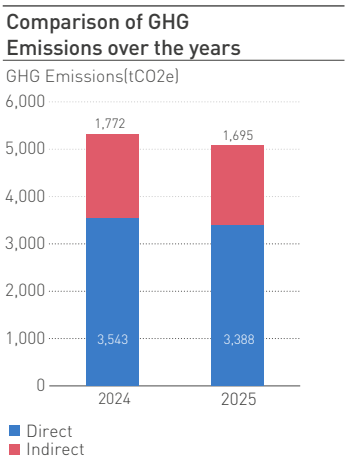
4.3 % ↓ Emission intensity

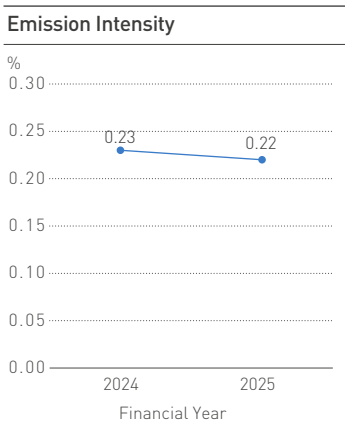
Digital and Resource Efficiency

83 % ↑ Digital transactions

Fleet Efficiency

36 % ↓ Company-owned vehicle emissions





Capitals Impacted:

Further Details: *Natural Capital Report (pp. 204-210) | SLFRS Disclosures (pages 91-125)*

SDG Contribution:

Primary: Secondary:

SUSTAINABILITY IN ACTION

Social Responsibility in Action

Strengthening Health and Educational Access

Social initiatives across the Group focus on improving access to safe drinking water, preventive healthcare and inclusive education in underserved communities. Through structured interventions and institutional partnerships, these programmes address systemic vulnerabilities that affect long-term wellbeing and human capital development.

CASE STUDY:

Expanding Access to Safe Drinking Water
Health Protection Through Sustainable Infrastructure

Background and Context

Access to safe drinking water remains a critical health challenge in several rural districts of Sri Lanka, particularly in agricultural regions where groundwater contamination and salinity have been associated with chronic kidney disease and other long-term health risks.

In many underserved communities, schools operate without reliable access to purified drinking water. More critically, families in these areas often depend on unsafe water sources at household level.

Recognising this systemic vulnerability, HNB Assurance initiated its Water Purification Programme in 2008 under the Health Protection pillar — focusing on preventive intervention rather than reactive support.

Social Implications:

- Water sources are contaminated or saline
- Infrastructure to distribute safe water is absent or dilapidated
- Families lack access to reliable purification systems

Programme Design and Strategic Evolution

The initiative has evolved over time:

Phase 01

Infrastructure Support

In early years, the focus was on rehabilitating water distribution infrastructure within schools where clean sources were available but inaccessible to students.

Phase 02

Community-Level Preventive Protection

The programme shifted toward installing Reverse Osmosis (RO) water purification systems in high-risk rural areas, particularly in regions affected by groundwater contamination and salinity.

- Polonnaruwa • Medirigiriya • North Central Province
- Water-salinity affected northern regions

Systems are intentionally installed at capacities exceeding school population levels to allow broader community access beyond school hours — reinforcing a preventive, household-level protection approach.

Community Mobilisation and Implementation Model

Community participation is embedded across all stages of the project.

This participatory model strengthens ownership and accountability, increases the likelihood of long-term system functionality and fosters behavioural change around safe water consumption.

By encouraging access at household level and involving families directly in installation and upkeep, the initiative promotes sustainable usage rather than short-term dependence.

Selection:

Schools are prioritised based on water quality assessments, health risk exposure and socio-economic vulnerability.

Implementation:

Parents and local residents contribute labour during installation.

Monitoring:

Local custodians are identified to oversee daily operations and maintenance.

The Group's branch network supports follow-up monitoring and coordination.

Progress and Impact

Since 2009	In 2025
82 Rural schools equipped with RO purification systems	**Rs. 3.2 Mn** Invested across five installation sites
Rs. 55 Mn Amount Invested	**04** Reverse osmosis systems fully operational
	01 System in final implementation stage

Strategic Relevance

As a life insurer committed to protection, the programme addresses risk at its origin by strengthening preventive health conditions within underserved communities.

By combining infrastructure, community participation and household-level access, the initiative supports long-term resilience rather than short-term relief — aligning social impact with the Group's broader protection mandate.







Community and Social Impact

Public Health Protection

- Reduced exposure to contaminated groundwater
- Lower risk of water-borne illness
- Support for long-term kidney disease prevention in high-risk regions

Educational Continuity

- Improved student attendance
- Enhanced concentration and classroom participation
- Healthier school environments

Household-Level Benefit

- Access to purified water beyond school hours
- Reduced reliance on unsafe domestic water sources
- Lower medical expenses for vulnerable families

Environmental Benefit

- Reduced reliance on bottled water
- Lower single-use plastic consumption
- Increased awareness of safe water practices

SDG Contribution:

Primary: Secondary:



Capitals Impacted:

Further Details: *Social and Relationship Capital (pages 178-203)*

SUSTAINABILITY IN ACTION

Strengthening Educational Access and Continuity

Initiatives focus on building student and teacher capacity, upgrading school infrastructure, and strengthening SMEs through financial literacy.

Focus Areas

- Capacity building for Year 5 scholarship aspirants
- Capacity building for pre-school teachers
- Infrastructure development in schools
- Enhancing financial literacy and capacity building for SMEs

Outcomes

- Enhance learning skills
- Improve teaching quality
- Enhance academic performance

Key Highlights (2025)

1
School restored

12
Initiatives during the year

2,200+
Lives impacted

Rs. 2.6 Mn.
Total investment

SDG Contribution:

Primary: Secondary:



Preventive Health and Community Outreach

Beyond infrastructure, the Group supports healthy lifestyles, enables early health screening, and builds knowledge among prenatal mothers.

Focus Areas

- Healthy living workshops and medical camps
- Conducting workshops for prenatal mothers

Outcomes

- Propagate and induce people to adapt to healthy lifestyles
- Provide opportunities for health screening and early detection
- Knowledge building amongst prenatal mothers

Key Highlights (2025)

7
No. of activities

640+
Lives impacted

Rs. 950,000
Total investment

SDG Contribution:

Primary: Secondary:



Operational Social Responsibility

Social responsibility is embedded within day-to-day operations across the Group, ensuring that internal practices reflect the same protection principles extended externally to customers and communities.

Operational Initiatives at a Glance

Workforce Inclusion and Equal Opportunity

- Gender diversity across employee levels
- Non-discriminatory recruitment and promotion practices
- Structured grievance and whistleblowing mechanisms

Employee Engagement and Wellbeing

- Health and wellness initiatives
- Mental health awareness programmes
- Structured employee engagement forums
- Work–life balance and flexible work arrangements

Learning and Professional Development

- Continuous training and technical upskilling
- Leadership development programmes
- Compliance and ethical conduct training

Workplace Safety and

- Responsible Conduct
- Occupational health and safety oversight
- Code of Conduct adherence
- Data privacy and responsible information handling

Responsible Supply Chain and Partner Engagement

- Supplier screening and due diligence procedures
- Compliance with ethical, labour and regulatory standards
- Data protection and confidentiality requirements for service providers
- Ongoing engagement with key business partners

Capitals Impacted:

Further Details: *Human Capital Report (pages 146-162)*

Financial and Economic Resilience in Action

As a life insurer entrusted with long-term protection, the Group strengthens economic resilience through inclusive insurance solutions, responsible capital allocation and disciplined financial management.

Parametric Weather Protection for Coastal Communities

In partnership with Dialog Axiata PLC, the Group introduced a parametric insurance solution through the Dialog Sayuru App — a digital maritime safety platform developed in collaboration with the Department of Meteorology and the Department of Fisheries and Aquatic Resources.

The solution provides income protection to day-boat fishermen during officially declared cyclone conditions. Using predefined weather thresholds, payouts are triggered automatically, reducing claims delays and enabling rapid financial support when fishermen are unable to venture to sea.

As one of the first local insurers to deploy parametric protection in this context, the initiative reflects the Group's commitment to innovative risk mitigation and inclusive insurance access.

By integrating real-time meteorological data with digital enrolment and payout mechanisms, the programme:

- Strengthens financial resilience among climate-vulnerable coastal communities
- Reduces income volatility during extreme weather events
- Expands access to digital financial services within the fisheries sector
- Enhances climate adaptation through risk-based protection

SDG Contribution:

Primary: **Secondary:**



SUSTAINABILITY IN ACTION

Sustainable Investment – Green & Sustainable Bonds

During the year, the Group allocated capital to sustainable debt instruments aligned with recognised Sustainable Finance Frameworks. These investments support renewable energy, energy efficiency, sustainable infrastructure and SME financing, contributing to the transition toward a low-carbon and inclusive economy

SDG Contribution:

Primary: Secondary:



Key Highlights (2025)

Rs. 470.3 Mn
Sustainable Debenture
(Hatton National Bank PLC)

Rs. 204.8 Mn
Green Bond
(Commercial Bank of Ceylon PLC)

Rs. 675.1 Mn
Total Sustainable Debt Allocation

Financial Inclusion & Literacy

The Group advances financial inclusion by expanding access to insurance solutions across underserved and rural communities. Simplified product structures, micro-insurance offerings and advisory-led engagement models are designed to improve accessibility, affordability and financial protection for first-time policyholders and small enterprises.

Customer education is embedded within branch interactions, digital platforms and SME engagement initiatives — strengthening financial awareness, responsible decision-making and long-term economic resilience.

SDG Contribution:

Primary:



Key Highlights (2025)

43,075
Micro-insurance policies issued

74%
Increase in micro-insurance policies issued

Rs. 10 Mn
Micro Insurance Claims Paid

67%
Increase in Micro Insurance Claims Paid

Further details: *Economic Value Generated and Distributed (pages 23-25)*

Further details: *Sustainable Investments (page 145)*

Good Governance in Action

During the year, the Group strengthened sustainability governance through the progressive integration of SLFRS S1 and SLFRS S2 into reporting and risk management processes. These developments reinforce transparency, regulatory alignment and Board-level accountability.

Enhancements included:

- Clearer alignment between sustainability priorities and Enterprise Risk Management
- Strengthened climate-related risk identification and disclosure practices
- Improved internal coordination for sustainability data collection and oversight
- Formalisation of structured monitoring and performance review mechanisms

Further details: *Corporate Governance Report (pages 233-271) and SLFRS S1 & S2 Disclosures (pages 91-125).*

LOOKING AHEAD

GLOBAL OUTLOOK

The global economic outlook for 2026 and beyond points to steady and resilient expansion despite a landscape shaped by geopolitical uncertainty and evolving trade dynamics. Global growth is expected to remain broadly stable, supported by adaptable private-sector activity, improving trade continuity, and sustained investment in productivity-enhancing technologies particularly artificial intelligence which help offset external headwinds. Inflationary pressures are projected to ease gradually as energy prices stabilise and demand conditions normalise across several regions. Growth patterns are likely to remain uneven, with advanced economies expanding at a measured pace while emerging and developing markets continue to benefit from stronger domestic demand and structural progress. While the overall outlook reflects resilience, downside risks persist, including geopolitical tensions and uncertainties surrounding global trade integration. Against this backdrop, economic activity is expected to maintain a stable trajectory, underpinned by prudent risk awareness while encouraging sustainable investment and structural reforms.

SRI LANKA

Sri Lanka's economy is expected to continue its growth trajectory, building on the stabilisation achieved in recent years, although activity at the start of the year may remain relatively subdued due to the lingering effects of adverse weather conditions. Growth momentum is anticipated to strengthen progressively as reconstruction efforts and increased capital spending support production and services, contributing to a more balanced expansion through the year. Fiscal performance is projected to remain positive, underpinned by improved tax collections and disciplined expenditure management, reinforcing macroeconomic stability. Private sector credit is expected to grow at a moderate pace alongside improving investor confidence and business sentiment. Other structural reforms, including SOE restructuring, remain critical to sustaining medium-term growth and fiscal balance. The external sector is likely to benefit from a continued recovery in tourism, steady worker remittances, and foreign direct investment inflows. Sri Lanka's ongoing engagement with IMF and its reform framework, supported by proactive fiscal management, is expected to further enhance stability and confidence. Looking ahead, 2026 is shaping up to be a year of sustained growth and stability.

FINANCIAL SECTOR

The Sri Lankan financial sector is expected to continue its gradual strengthening in 2026, supported by improved macroeconomic stability, easing inflation, and a stable and predictable monetary policy environment. The Central Bank of Sri Lanka's accommodative policy stance, together with strengthened regulatory oversight, has contributed to improvements in liquidity conditions, capital adequacy, and overall system resilience across banks and non-bank financial institutions. Credit demand is expected to recover steadily as economic activity normalises and business confidence improves, although financial intermediation remains below pre-crisis levels, indicating potential for medium-term expansion. Ongoing regulatory and policy reforms focused on financial inclusion, digital financial services, payment system modernisation, and enhanced governance standards are expected to further strengthen efficiency, transparency, and risk management within the sector. While global economic uncertainties, climate-related risks, and residual asset quality pressures warrant continued vigilance, the financial sector is well positioned to support sustainable economic growth through prudent risk management and continued reform momentum.

INSURANCE SECTOR

The Sri Lankan insurance sector is expected to experience steady growth over the medium term, supported by continued economic stabilisation, rising consumer confidence, and increasing awareness of financial protection. Insurance penetration in Sri Lanka remains relatively low compared to regional peers, indicating significant untapped potential across both life and general insurance segments as household incomes recover and business activity expands. Improved macroeconomic conditions, stable interest rates, and gradual credit recovery are expected to support premium growth, particularly through bancassurance, agency, and digital distribution channels.

Demand for life insurance is expected to strengthen as consumers prioritise long-term financial security, savings, and health protection, while the general insurance segment is likely to benefit from increased economic activity, infrastructure development, recovery in motor registrations, and heightened risk awareness following recent climate-related events. At the same time, insurers continue to face challenges from climate volatility, higher medical claims costs, competitive pricing pressures, and evolving customer expectations, necessitating greater focus on underwriting discipline, pricing adequacy, and claims management.

Ongoing digital transformation across the industry is expected to improve operational efficiency, customer experience, and market reach, enabling insurers to serve underserved segments more effectively. Overall, insurers with strong capital positions, diversified portfolios, robust risk management practices, and the ability to innovate are well positioned to capitalise on the sector's growth potential while navigating an increasingly complex risk environment.

HNB ASSURANCE

As HNB Assurance enters 2026, marking a significant milestone with our 25th anniversary, the Company does so from a position of exceptional strength and confidence. The year 2025 represented the best performance in the Company's history, reflecting sustained momentum across premium growth, profitability, asset accumulation, and market share expansion. This performance underscores the effectiveness of the Company's long-term strategy, disciplined execution, and strong distribution capabilities, providing a robust platform for the next phase of growth.

Building on this momentum, HNBA will continue to focus on enhancing customer experience by simplifying journeys, improving service responsiveness, and

LOOKING AHEAD

deepening customer engagement across the policy lifecycle. Product innovation remains a key priority, with emphasis on developing relevant, flexible, and value-driven life insurance solutions that address evolving customer protection, savings, and retirement needs. Continued investment in technology and digital transformation has strengthened scalability, operational efficiency, and data-driven decision-making, positioning the us at the forefront of digital enablement within the life insurance sector.

The Company will leverage the strength of our expanding and high-performing sales force as a key driver of future growth, supported by targeted recruitment, structured training, performance management, and digital enablement across agency and bancassurance channels. In parallel, HNB Assurance will continue to strengthen and expand partnership and alternate distribution channels, deepening collaborations with banks, corporates, and strategic partners to broaden market access, reach underserved segments, and drive scalable growth while maintaining quality and persistency standards.

Sustainability remains firmly embedded in the Company's strategic direction. HNBA continues to strengthen our ESG governance framework, integrating environmental, social, and governance considerations into decision-making, product development, risk management, and community engagement. A growing focus on climate resilience, financial inclusion, responsible investment practices, and transparent governance supports sustainable long-term value creation for all stakeholders.

The Company also benefits from the strong backing of our parent, Hatton National Bank PLC, one of Sri Lanka's most respected and stable financial institutions. This relationship provides strategic alignment, governance strength, brand credibility, and access to an extensive bancassurance platform, further enhancing HNB Assurance's competitive position.

Looking ahead, HNBA remains firmly focused on quality-driven growth, strengthening core business fundamentals such as persistency and premium per policy, and leveraging innovation, distribution excellence, and partnerships to deepen market penetration. With a clear strategic vision, strong execution capability, and a solid foundation built over 25 years, the Company is well positioned to accelerate progress towards becoming one of Sri Lanka's leading life insurers by 2030, while continuing to deliver sustainable value to policyholders, shareholders, employees, and the wider community.

HNB GENERAL INSURANCE

HNB General Insurance enters 2026 with strong momentum, having delivered solid growth and resilient performance in 2025 despite a challenging operating environment marked by climate volatility, elevated claims activity, and competitive market conditions. This performance reflects disciplined underwriting, portfolio diversification, and a continued focus on operational efficiency, providing a strong foundation for sustainable growth.

Looking ahead, the Company will continue to build trust through customer centricity, with a strong focus on enhancing customer experience across underwriting, policy servicing, and claims management. Simplified processes, faster claims turnaround times, and improved transparency across customer touchpoints remain key priorities. Ongoing investments in digital platforms, automation, and data-driven processes are expected to further strengthen efficiency, scalability, and service quality, supporting long-term customer relationships.

Strengthening and optimising the distribution network will remain a key enabler of growth. HNBGI will continue to leverage our multi-channel distribution model, including branch networks, agency channels, bancassurance partnerships, strategic corporate relationships, and the expanding franchise business development model. Supported by digital enablement and process automation, these channels will enhance market reach, improve accessibility, and support consistent service delivery across customer segments.

The Company will continue to leverage the strong technology foundation to enhance underwriting efficiency, strengthen risk assessment, improve claims turnaround times, and deliver a seamless and consistent experience across all distribution channels.

Driving profitable growth remains central to the Company's strategic direction. HNBGI will continue to diversify the portfolio by expanding non-motor segments such as fire, engineering, marine, health, and specialised insurance lines, while innovative solutions including parametric insurance products will play an increasingly important role in addressing emerging and climate-related risks.

Sustainability and responsible business practices are integral to the Company's long-term strategy. Strengthened ESG governance, climate-aware underwriting, and prudent risk selection support long-term portfolio resilience and capital strength, while environmental and social initiatives reinforce the Company's commitment to sustainable value creation.

HNB General Insurance benefits from the strong strategic, financial, and governance backing of our parent, HNB Assurance PLC, and the broader Group support of Hatton National Bank PLC. Supported by a strong capital and liquidity position and continued investment in capability development, the Company is well positioned to navigate an evolving risk environment and deliver sustainable value for customers, shareholders, employees, and the wider economy.

SLFRS S1 AND S2 SUSTAINABILITY RELATED FINANCIAL DISCLOSURES

BASIS OF PREPARATION

Reporting Entity, Organisation Boundary and Value Chain

These sustainability-related financial disclosures have been prepared for HNB Assurance PLC and its fully owned subsidiary HNB General Insurance Limited (collectively referred to as "the Group"), consistent with the organisational boundary applied in the Group's consolidated financial statements.

The disclosures cover the Group's life insurance and general insurance operations, including core insurance activities, investment management, underwriting, claims management, distribution, and supporting corporate functions.

The Group's value chain has been considered in preparing these disclosures and is summarised below, to the extent relevant to sustainability-related risks and opportunities.



BASIS OF MATERIALITY

The Group has applied the concept of financial materiality in preparing its sustainability-related financial disclosures, consistent with the requirements of SLFRS S1.

Sustainability-related risks and opportunities are considered material where they could reasonably be expected to affect the Group's cash flows, access to finance, or cost of capital, over the short, medium, or long term and where omitting, misstating or obscuring such information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports.

QUANTITATIVE ASSESSMENT CRITERIA

To assess financial materiality, the Group applies a structured five-point financial impact scale based on potential effects on Profit Before Tax (PBT):

1	Insignificant	< 5% of PBT
2	Minor	5% to <10% of PBT
3	Moderate	10% to <15% of PBT
4	Significant	15% to 25% of PBT
5	Severe	> 25% of PBT

Materiality Lens:

Financial materiality considers potential impacts on:

- Cash Flows
- Access to Finance
- Cost of Capital

Assessment criteria:

- Nature of risk
- Severity of impact
- Likelihood
- Time horizon

These defined percentage thresholds support consistent and comparable evaluation of financial exposure across climate-related risks.

Basis for Financial Materiality Thresholds

The percentage thresholds applied to Profit Before Tax (PBT) are aligned with the Group's internal financial risk assessment practices and enterprise risk appetite framework. PBT is used as a reference metric as it reflects overall earnings performance and is a key measure considered by management and the Board in assessing financial resilience and value preservation.

The defined percentage bands are designed to distinguish between operational-level fluctuations and impacts that could meaningfully influence financial performance, capital allocation decisions, or investor assessments of enterprise value. This approach ensures consistency between sustainability-related risk assessment and the Group's broader financial risk management and governance processes.

SLFRS S1 AND S2 SUSTAINABILITY RELATED FINANCIAL DISCLOSURES

Qualitative Assessment Criteria

In addition to quantified financial impact, climate-related risks and opportunities are assessed based on the following qualitative considerations:

- Nature and strategic relevance of the risk or opportunity
- Regulatory or supervisory implications
- Reputational sensitivity and stakeholder concern
- Potential impact on policyholder confidence
- Alignment with long-term business model sustainability

Governance & Integration

Materiality assessments are integrated with the Group's enterprise risk management (ERM) framework and are subject to oversight by the Board Risk Management Committee (BRMC). Only material climate-related risks and opportunities (CRROs) identified through this process have been disclosed in the current reporting period.

For more details on:

The Group's approach to materiality assessment of CRROs, refer pages 102-106.
The Group's approach to the management of CRROs, refer pages 106-116.
Governance and oversight of CRROs at HNBA, refer pages 94-101.

Sources of Guidance

This report has been prepared in accordance with the SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka, outlined below:

- SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- SLFRS S2 – Climate-related Disclosures

In applying the SLFRS Sustainability Disclosure Standards, the Group has considered industry-specific metrics and disclosure considerations under the SASB Standards – Insurance Industry Standard were reviewed to support sector-relevant application of climate-related disclosures.

Where relevant, climate-related risks and opportunities have been considered across the Group's value chain to the extent they may reasonably be expected to affect the Group's prospects, strategy, or financial outcomes.

Functional Currency

Where sustainability-related financial information is connected to the Group's financial statements, such information is presented in LKR (Sri Lankan Rupees) consistent with the functional and presentation currency applied in the consolidated financial statements.

Reporting Period

The sustainability-related financial disclosures within this report cover the financial year ended 31 December 2025 and align with the reporting period of the Group's consolidated financial statements.

STANDARDS APPLIED:

SLFRS S1 and SLFRS S2 (CA Sri Lanka)

APPLICATION:

- Industry-specific applications relevant to the insurance sector (SASB Standards - Insurance Industry Standard)
- Regulatory requirements under the IRCSL Guidelines on SDGs. ESG and Sustainable Finance (2024), applicable to licensed insurers in Sri Lanka.
- Assessment of climate-related risks and opportunities across the value chain, where material

Time Horizon

In assessing climate-related risks and opportunities, the Group applies the following time horizons. These horizons are aligned with the Group's strategic planning cycles, capital planning processes, and long-term business outlook.

Time horizon	Definition	Years
Short term	1–3 years	2026-2028
Medium term	3–5 years	2028-2030
Long term	Beyond 5 years	2031 and beyond

TRANSITIONAL RELIEF

As part of the Group's first year of reporting under the SLFRS Sustainability Disclosure Standards, the scope of sustainability-related disclosures has been determined in line with applicable transitional relief provisions. Accordingly, the disclosures for the year are characterised by the following:

SLFRS S1 – Transitional Relief

Disclosure limited to climate-related risks and opportunities:

In the first annual reporting period of applying SLFRS S1, the Group has disclosed information only on climate-related risks and opportunities in accordance with SLFRS S2. The requirements of SLFRS S1 have been applied insofar as they relate to climate-related disclosures.

Comparative information:

As this is HNB Assurance PLC's first year of application of SLFRS S1 and SLFRS S2, the Company has elected to apply the transitional relief relating to comparative information.

Accordingly, comparative information in respect of climate-related risks and opportunities has not been presented in the current reporting period.

In the second annual reporting period of application, comparative information will be presented for climate-related risks and opportunities. Comparative information relating to other sustainability-related risks and opportunities will be introduced thereafter in line with the requirements of SLFRS S1.

SLFRS S2 - Transitional Relief

Scope 3 Greenhouse Gas emissions:

In accordance with transitional provisions, the Group has disclosed Scope 1 and Scope 2 greenhouse gas emissions. Disclosure of Scope 3 emissions will be incorporated no later than the second annual reporting period following initial application of the Standards (FY 2027).

Anticipated financial effects:

As part of its initial adoption of SLFRS S2, HNB Assurance PLC has elected to apply the transitional relief permitting the deferral of qualitative disclosures relating to the anticipated financial effects of climate-related risks and opportunities.

Accordingly, such disclosures have not been presented in the current reporting period. HNB Assurance PLC will incorporate these disclosures no later than FY2027, being within the two-year transitional relief period from the date of mandatory application, as financial impact assessment methodologies and scenario-based quantification capabilities continue to mature.

Climate resilience disclosures:

Transitional relief of two years has been applied in relation to full compliance with climate resilience disclosure requirements from the date of mandatory application. Full compliance with climate resilience disclosure requirements will be implemented within the applicable transitional relief period, as methodologies and scenario analysis capabilities mature.

These approaches reflect the current maturity of data, systems, methodologies, and internal capabilities. The Group intends to progressively enhance the scope and depth of disclosures in future reporting periods as data, systems, and methodologies mature.

Significant Judgements, Uncertainties and Proportionality

Judgments Applied

The preparation of the Group's sustainability-related financial disclosures involves the application of professional judgment, reflecting the forward-looking nature of sustainability-related risks and opportunities and the evolving availability of relevant data. Key judgment areas include the following:

Area of judgement	Definition
Materiality	Identification of sustainability-related risks and opportunities relevant to users
Disclosure availability	Determination of appropriate qualitative disclosure based on data availability
Strategic linkage	Assessment of relationships to strategy, operations, and financial statements over time

SLFRS S1 AND S2 SUSTAINABILITY RELATED FINANCIAL DISCLOSURES

Key Sources of Uncertainty

Given the nature of sustainability-related information, particularly climate-related risks and opportunities, there is inherent uncertainty, including in relation to:

Area of uncertainty	Definition
Impact and time horizons	Uncertainty associated with forward-looking assessments
Data limitations	Availability, quality, and comparability of relevant information
Regulatory and market dynamics	Evolving expectations of regulatory, markets, and stakeholders

These uncertainties may affect the timing and extent to which sustainability-related impacts can be assessed and articulated.

Proportionality

In preparing these disclosures, management has applied reasonable and supportable information available at the reporting date, without incurring undue cost or effort, and has used the skills, capabilities, and resources available within the Group at that time.

The Group has applied the principle of proportionality, ensuring that disclosures are appropriate to the size, complexity, and risk profile of the business, while providing information that is relevant and decision-useful.

STATEMENT OF COMPLIANCE

These sustainability-related financial disclosures represent a complete set of sustainability-related financial disclosures for HNB Assurance PLC and its wholly owned subsidiary HNB General Insurance Limited for the year ended 31 December 2025.

The disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

SUSTAINABILITY GOVERNANCE

The Company has established a governance framework to oversee sustainability-related risks and opportunities (SRROs), enabling structured oversight at Board level and coordinated management-level execution.



Governance and assurance

- Oversight of sustainability and climate matters
- Strategic integration assurance
- Disclosure governance
- Board-level awareness and consideration

Leadership and coordination:

- ESG strategy and policy leadership
- Integration into business and risk management
- Implementation support and monitoring
- Governance, reporting and escalation
- Capability building and stakeholder engagement

BOARD OVERSIGHT

The Board of Directors exercises oversight of sustainability-related risks and opportunities, delegated to the Board Risk Management Committee (BRMC).

Board Risk Management Committee

In line with its Charter, the Board Risk Management Committee (BRMC) supports the Board by providing governance oversight and assurance over how sustainability and environmental, social and governance (ESG) risks and opportunities are identified, assessed and integrated into the Company's business model, operations, planning and strategy.

Committee Composition and Meeting Frequency

The BRMC is required to meet at least every quarter during the year, and comprises six Non-Executive Directors of whom two are Independent.

04
meetings in 2025

06
Non-Executive Directors

02
Executive Directors

02
Independent

06
Non-Independent

For more details on: *Board oversight via the BRMC, Committee composition and meeting attendance, please refer the Board Risk Management Committee Report (pages 305-306)*

Roles and Responsibilities of the Board Risk Management Committee:

The BRMC receives information and updates on sustainability- and ESG-related matters from the ESG / Sustainability Management Committee through established reporting and escalation mechanisms and escalates material matters to the Board, as appropriate.

The roles and responsibilities of the BRMC are set out below:

Oversight of Sustainability and Climate Matters	• Exercising oversight of sustainability- and ESG-related risks and opportunities, including climate-related risks and opportunities. • Reviewing such risks and monitoring alignment with Board-approved risk tolerance limits, where applicable.
Strategic Integration Assurance	• Overseeing the identification and integration of sustainability and ESG risks and opportunities, and providing assurance that these are appropriately reflected in strategic and business decisions.
Disclosure Governance	• Overseeing the governance of sustainability-related disclosures, including alignment with applicable sustainability disclosure standards and regulatory requirements.
Board-Level Awareness and Consideration	• Enabling Board awareness, guidance or decision-making on sustainability- or climate-related matters that are material or require Board-level attention.

Board Skills and Competencies

The Company recognises that effective oversight of sustainability- and climate-related risks and opportunities requires the Board to collectively possess appropriate skills, knowledge and experience, including in relation to environmental, social and governance (ESG) matters.

Accordingly, a Board skills and competencies assessment has been conducted to evaluate the Board's collective capability to oversee sustainability related matters and support informed strategic decision-making, taking into account the Company's business model, risk profile and strategic priorities.

The results of the assessment are presented below, highlighting the key areas of expertise represented on the Board.

SLFRS S1 AND S2 DISCLOSURES

Board Skills and Competencies Matrix

The skills matrix below reflects the Board's strong foundational capability in governance, compliance, and risk oversight, with sustainability and climate-related disclosure knowledge at appropriate foundational to moderate levels for the Company's first year of SLFRS S1 and S2 adoption.

The assessment also highlights emerging capability in sustainability-related opportunities and climate-related trade-off analysis, together with a clear Board-level commitment to ongoing capability development through structured training, expert-led briefings, and enhanced management updates.

Numbers indicate the number of Directors demonstrating each level of competency.

ESG Competency Area	Description	Degree of Competency			Evidence from Assessment
ESG Governance & Oversight	Oversight of sustainability-related risks, opportunities, policies, and disclosures at Board and committee level	4	2	2	Majority of Directors confirmed involvement in Board- and committee-level oversight of sustainability-related risks and opportunities, with established governance mechanisms in place
SLFRS S1 – General Sustainability Disclosure Requirements	Understanding of general sustainability-related financial disclosure requirements	0	3	5	Familiarity ranges from somewhat familiar to moderate understanding, with limited advanced expertise
SLFRS S2 – Climate-related Disclosures	Understanding of climate-related risks, opportunities, governance, and disclosures	0	2	6	Understanding largely at foundational and awareness levels; climate disclosures identified as a priority area for further strengthening
Identification & Oversight of Sustainability-related Risks (SRROs)	Experience in identifying, assessing, and overseeing sustainability and climate-related risks	1	3	4	Experience primarily exercised through risk and audit committee structures, with scope to deepen climate-specific risk assessment
Identification of Sustainability-related Opportunities	Experience in identifying and leveraging sustainability-linked opportunities	0	3	5	Directors indicated limited to moderate experience in identifying and leveraging sustainability-related opportunities
Integration of ESG into Strategy & Decision-making	Incorporation of ESG considerations into strategy, capital allocation, and performance oversight	2	3	3	Several Directors highlighted participation in strategic discussions; opportunity exists to further formalise integration into enterprise strategy and capital allocation
ESG Regulatory & Compliance Awareness	Knowledge of ESG-related regulatory, legal, and compliance requirements	3	3	2	Stronger capability evident in governance, legal, compliance, and social dimensions of ESG
Climate Risk Trade-offs & Economic Assessment	Understanding of climate-related cost–benefit trade-offs and transition impacts	0	2	6	Directors identified the need for deeper understanding of climate-related cost–benefit trade-offs, transition impacts, and long-term value implications
Use of External Standards (e.g. SASB, industry guidance)	Familiarity with industry-specific and international ESG standards	0	3	5	Awareness present, though practical application remains an area for development

High Competency Direct Experience Awareness

ESG / Sustainability Committee Skills Matrix

A similar assessment determined that HNBA's ESG / Sustainability Committee demonstrates strong hands-on capability in the implementation and operationalisation of ESG and sustainability initiatives, supported by direct functional experience across risk, finance, legal, HR, and business operations. While climate-related disclosures and trade-off assessment capabilities are currently being enhanced, the Committee provides a solid execution platform to support Board oversight and first-year adoption of the SLFRS Sustainability Disclosure Standards.

Numbers indicate the number of Committee members demonstrating each level of competency, based on the structured self-assessment.

ESG Competency Area	Description	Degree of Competency			Evidence from Assessment
ESG Governance & Implementation Oversight	Oversight and execution of sustainability policies, initiatives, and disclosures	4	6	1	Committee members reported active involvement in implementing ESG initiatives and supporting governance and reporting requirements
SLFRS S1 – General Sustainability Disclosure Requirements	Understanding and application of sustainability-related financial disclosure requirements	2	6	3	Practical familiarity evident through involvement in data collection, coordination, and preparation of sustainability disclosures
SLFRS S2 – Climate-related Disclosures	Understanding of climate-related risks, opportunities, governance, and disclosures	1	5	5	Climate-related disclosure knowledge present, with execution capability developing alongside first-year SLFRS adoption
Identification & Management of Sustainability-related Risks (SRROs)	Identification, assessment, and management of sustainability and climate-related risks	3	6	2	Strong linkage to enterprise risk management, with operational responsibility for identifying and managing ESG-related risks
Identification of Sustainability-related Opportunities	Identification and implementation of sustainability-linked opportunities	2	6	3	Committee members indicated involvement in ESG initiatives with emerging focus on value-creation opportunities
Integration of ESG into Operations & Planning	Integration of ESG considerations into business operations, planning, and performance management	3	6	2	ESG considerations embedded into functional planning and operational decision-making across key departments
ESG Regulatory & Compliance Execution	Application of ESG-related regulatory, legal, and compliance requirements	4	5	2	Strong execution capability evident, particularly within risk, legal, compliance, HR, and finance functions
Climate Risk Trade-offs & Impact Assessment	Assessment of climate-related impacts, trade-offs, and transition considerations	1	4	6	Awareness is broad, with practical application and economic assessment identified as an area for further strengthening
Use of External Standards (e.g. SASB, industry guidance)	Application of industry-specific and international ESG standards	2	5	4	Working knowledge evident, with growing application in reporting and internal frameworks

High Competency Direct Experience Awareness

SLFRS S1 AND S2 DISCLOSURES

INFORMATION FLOWS AND DECISION-MAKING

Information Flow to the Board

Information on sustainability- and climate-related risks and opportunities is channelled to the Board through established governance and reporting structures, enabling timely oversight and informed decision-making.

The Board Risk Management Committee (BRMC) receives regular updates from management on sustainability- and environmental, social and governance (ESG) matters, including climate-related risks and opportunities. Information reviewed by the BRMC is drawn from management-level discussions and inputs coordinated through the ESG / Sustainability Management Committee, together with contributions from relevant business units and key functions.

Management-to-Board Reporting

- Regular reporting from the ESG / Sustainability Management Committee to the BRMC
- Updates on progress in implementing ESG and sustainability initiatives
- Insights on the effectiveness of strategies and actions undertaken
- Reporting on performance against agreed sustainability- and climate-related objectives

This reporting supports Board-level visibility of sustainability and climate-related matters and informs oversight and challenge by the BRMC.

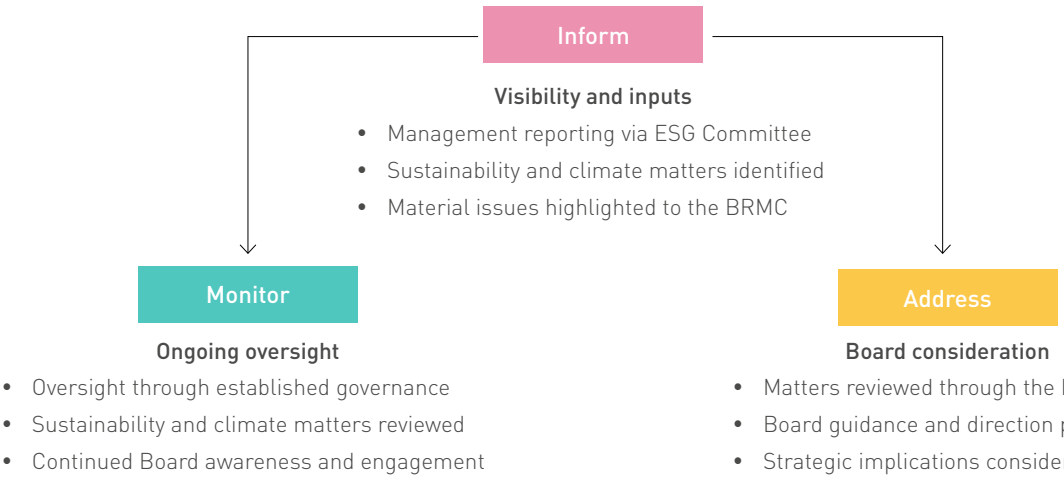
Board-Level Consideration and Decision-Making

- Material or strategic sustainability and climate-related matters reviewed by the BRMC
- Matters requiring guidance or decisions elevated to the Board, as appropriate
- Board consideration is undertaken in the context of the Company's strategy, risk profile and long-term objectives

This structured flow supports effective Board awareness, consideration and decision-making.

Refer diagram on page 94

Sustainability and climate-related governance operates through a continuous cycle of informing the Board, addressing material matters, and ongoing monitoring through established oversight mechanisms.



For more details on: *Strategic integration, please refer "Our Commitment to a Sustainable Future" (pages 14-19), and Leadership Reports (pages 32-43)*

Integration of ESG into Strategy

Environmental, social and governance (ESG) considerations are integrated into the Company's strategic governance framework, enabling sustainability and climate-related matters to be considered alongside financial, operational and risk factors in strategic decision-making. Through established governance structures, relevant ESG risks, opportunities and priorities inform strategy, with ongoing oversight supporting alignment with the Company's long-term objectives, taking into account the trade-offs associated with climate-related risks and opportunities in strategic and capital allocation decisions.

MANAGEMENT ROLE AND OVERSIGHT

The ESG / Sustainability Management Committee is a management-level committee established to support the coordinated oversight and implementation of sustainability and environmental, social and governance (ESG) matters across the Company.

ESG / Sustainability Management Committee

The ESG / Sustainability Management Committee serves as the primary management forum for considering sustainability- and climate-related matters, supporting effective execution, information flow and governance in line with applicable regulatory and disclosure expectations.

Committee Composition and Meeting Frequency

The ESG / Sustainability Management Committee is chaired by the Chief Executive Officer / Executive Director and comprises 13 members of senior management representing key business units and functional areas outlined below. This ensures a strong cross-functional perspective on sustainability- and ESG-related matters. The Head of Risk Management serves as Secretary to the Committee.



The Committee is required to convene at least once every quarter, either physically or virtually, and more frequently if required, to review progress, address emerging matters, and discharge its responsibilities effectively.

SLFRS S1 AND S2 DISCLOSURES

Roles and Responsibilities

In accordance with its Terms of Reference, the ESG / Sustainability Management Committee is responsible for the following:

ESG Strategy and Policy Leadership	• Leading the development and ongoing refinement of the Company's ESG / Sustainability strategy, aligned with long-term vision and strategic priorities. • Establishing and guiding ESG-related policies, frameworks and practices to support consistent decision-making across the organisation.
Integration into Business and Risk Management	• Coordinating the integration of ESG and sustainability considerations into the Company's business model, operations, culture and value chain. • Working collaboratively with the Enterprise Risk Management (ERM) function to embed Sustainability-Related Risks and Opportunities (SRROs) into risk management frameworks, policies and processes.
Implementation Support and Monitoring	• Providing strategic direction and operational guidance to business units to support effective implementation of the ESG / Sustainability strategy. • Monitoring sustainability-related risks, opportunities and progress at management level, and identifying areas for improvement.
Governance, Reporting and Escalation	• Supporting the preparation, quality and consistency of sustainability-related disclosures, in line with applicable standards and regulatory expectations. • Establishing clear escalation pathways to ensure significant sustainability- or climate-related matters are reported to the Board Risk Management Committee and Board, as appropriate.
Capability Building and Stakeholder Engagement	• Promoting the development of internal skills, awareness and competencies related to ESG and sustainability. • Overseeing stakeholder engagement processes to identify ESG priorities and material issues, and guiding the planning and alignment of CSR initiatives with ESG objectives.

Delegation of Responsibility

The execution of sustainability and ESG initiatives is delegated to relevant business units and functional teams, in line with their respective mandates, responsibilities and areas of expertise. This delegation enables sustainability and climate-related considerations to be embedded into day-to-day operations, decision-making and business processes across the organisation.

Instrument	Role in ESG Governance	Governance Status
ESG / Sustainability Management Committee – Terms of Reference (TOR)	Establishes the mandate, roles and responsibilities of the Committee in relation to ESG strategy, coordination, oversight and reporting.	Board-approved. Reviewed periodically and updated through established governance processes.
Corporate Social Responsibility (CSR) Policy	Guides CSR initiatives and community-focused programmes.	Currently being developed into a comprehensive ESG Policy.
Enterprise Risk Management (ERM) and Related Procedures	Enable the identification, escalation and oversight of sustainability- and climate-related risks through existing risk management and governance processes.	Embedded within existing enterprise-wide frameworks.
Internal Reporting and Governance Procedures	Support the flow of ESG-related information across management and governance structures.	Applied through established reporting channels.

Management oversight is maintained through established reporting, coordination and escalation mechanisms, ensuring that implementation remains aligned with the Company's sustainability objectives, risk considerations and governance framework.

> ***For more details:*** *Refer the ERM Report (pages 272-290), Corporate Governance report (pages 233-271) and "Our Commitment to a Sustainable Future" (pages 14-19)*

Policies and Procedures

The Company's approach to sustainability and ESG is supported by a framework of policies, procedures and governance instruments, overseen at management level and aligned with the Company's strategic direction and regulatory expectations.

- Execution delegated to business units and functions
- Responsibilities aligned to functional mandates
- ESG embedded into day-to-day operations
- Oversight maintained through reporting and escalation

RISK MANAGEMENT

Sustainability-related risks and opportunities (SRROs) are managed in accordance with HNB Assurance PLC's established Risk Management Policy and Enterprise Risk Management framework. These risks flow through the Group's standard risk management life cycle — encompassing risk identification, assessment, response and mitigation, and ongoing monitoring and review — ensuring that climate-related risks are evaluated and managed consistently with other material risks faced by the Group.

Risk Identification	Risk Assessment	Risk Response and Mitigation	Risk & Control Monitoring and Review
Identification of sustainability-related risks arising from physical and transition drivers, using enterprise-wide risk identification processes.	Assessment of the nature, likelihood, and potential impact of sustainability-related risks using the Group's standard risk assessment methodology.	Prioritisation of sustainability-related risks and determination of appropriate response actions, including mitigation, risk sharing, or acceptance, aligned with risk appetite.	Ongoing monitoring of sustainability-related risks, controls, and mitigation actions, with escalation and review through established governance mechanisms.

The subsequent sections focus on the application of these risk management processes to climate-related risks and opportunities, in line with the requirements of SLFRS S2 and the applicable transitional relief provisions.

Climate-related risks and opportunities are identified from within the broader population of sustainability-related risks and opportunities and are managed through the same Risk Management Life Cycle applied to other key risks across the Group.



SLFRS S1 AND S2 DISCLOSURES

PROCESSES AND POLICIES RELATING TO CLIMATE-RELATED RISKS

Risk Identification

Climate-related risks are identified as part of the Group's enterprise-wide risk identification process, which is conducted periodically and updated to reflect changes in the internal and external operating environment, emerging risks, and regulatory expectations.

Inputs and Parameters to Identify Climate-Related Risks

Risk Governance Inputs	Management and Functional Inputs	Historical Risk Experience	Regulatory and Supervisory Context	External Environment and Market Trends
Enterprise risk registers and periodic risk reviews conducted under the ERM framework	Cross-functional inputs from risk, actuarial, underwriting, operations, finance, compliance, and sustainability-related roles	Claims trends, operational disruptions, catastrophe exposure, and reinsurance utilisation	Regulatory developments and supervisory expectations, including emerging requirements under SLFRS S2 and other insurance-sector guidance	Environmental, economic, and industry trends relevant to climate-related physical and transition risks

Through this process, climate-related risks are identified within the broader sustainability risk universe and screened for relevance to the Group's business model, value chain, and risk profile.

Enhancements to Climate Risk Identification and Assessment

During the year, the Group enhanced its approach to identifying and assessing climate-related risks by embedding more structured, data-driven methodologies within underwriting, portfolio monitoring, and enterprise risk processes.

Objective climate parameters, historical trend analysis, and actuarial modelling techniques support consistent exposure quantification. Climate risks are monitored at both product and aggregate portfolio levels under the Enterprise Risk Management framework, strengthening resilience to increasing climate volatility.

1. Risk Identification

Identification of sustainability-related risks arising from physical and transition drivers, using enterprise-wide risk identification processes.

2. Risk Quantification

Index-based assessment mechanisms evaluate potential loss exposure against predefined climate thresholds.

3. Forward-Looking Assessment

Historical trend analysis and actuarial modelling assess frequency, severity, and geographic concentration of events.

4. Portfolio Monitoring and Governance

Climate exposures monitored at product and aggregate levels under the Enterprise Risk Management framework.

1. Risk Identification

Location-level exposure mapping is performed across insured portfolios to identify assets situated within cyclone- and flood-prone zones.

Hazard screening incorporates:

- Long-term historical cyclone track datasets
- Rainfall intensity and accumulation records
- Geographic exposure concentration mapping at district and sub-district level
- Primary meteorological datasets are sourced from internationally recognised authorities, including the U.S. National Oceanic and Atmospheric Administration (NOAA). Where required, supplementary reanalysis datasets (e.g., ERA5 from ECMWF) are utilised to ensure continuity and completeness of hazard records.
- For marine and fisheries-related portfolios, geospatial insights are complemented by digital exposure data obtained via sector-specific platforms.

2. Risk Quantification

Exposure concentrations are evaluated using index-based assessment thresholds, including:

- Accumulation limits by geography
- Event return-period severity benchmarks
- Portfolio-level probable maximum loss (PML) assessments

These inputs inform underwriting exposure limits and catastrophe accumulation controls.

3. Forward-Looking Assessment

Actuarial stress testing incorporates:

- Historical frequency and severity trend analysis
- Severe weather scenario modelling
- Geographic clustering sensitivity analysis

Scenario analysis evaluates potential claims volatility under elevated event intensity assumptions.

4. Portfolio Monitoring and Governance

Climate exposure metrics are monitored at product and aggregate portfolio levels under the Enterprise Risk Management framework.

Management actions include:

- Periodic recalibration of underwriting thresholds
- Alignment of pricing parameters with updated hazard insights
- Ongoing review of catastrophe reinsurance coverage relative to exposure concentration

Use of Climate-related Scenario Analysis

Climate-related scenario analysis has not been undertaken as part of the risk identification process in the current reporting period. As this is the Group's first year of reporting under SLFRS S2, priority has been given to establishing foundational processes and embedding climate-related considerations within existing ERM practices using qualitative assessments and reasonable and supportable information available at the reporting date.

The Group intends to progressively consider the use of climate-related scenario analysis in future reporting periods as data availability, methodologies, and internal capabilities mature, and as climate risk assessment practices continue to evolve within the insurance sector.

Transition Risk Assessment

Transition risks (e.g., regulatory shifts, carbon policy developments, ESG-linked market changes) are assessed qualitatively through:

- Regulatory monitoring frameworks
- Investment portfolio sensitivity analysis
- Product governance review
- Capital allocation oversight

Transition risks are integrated into strategic planning and investment risk assessment processes, rather than catastrophe modelling techniques.

SLFRS S1 AND S2 DISCLOSURES

Risk Assessment

Once identified, climate-related risks progress through the risk assessment stage of the Group's risk management life cycle. Risks are assessed using the structured assessment methodology outlined below.

Nature	Likelihood	Severity of Impact / Exposure
Physical Risks Acute and chronic climate events **Transition Risks** • Regulatory, market, reputational, technological and disclosure-related changes	**Five-point scale** Rare → Almost Certain **Informed by** • Management judgement • Historical experience • Forward-looking considerations	**Five-point impact scale** Insignificant → Severe **Primary basis** • Financial thresholds
Climate-related risks are categorised to support consistent assessment and management responses, recognising that different underlying drivers may require different mitigation approaches and monitoring focus.	Likelihood assessments are applied consistently across climate-related risks to support comparability and prioritisation within the Group's overall risk management framework.	Impact assessment is anchored in financial thresholds reflecting potential effects on financial performance, financial position, and cash flows.

Time Horizons Applied

Short-term (1–3 years) | Medium-term (3–5 years) | Long-term (beyond 5 years)

The Group applies a five-point financial impact scale to assess the severity of impact and exposure to climate-related risks, based on potential effects on profit before tax (PBT). Impact levels range from Insignificant to Severe, with defined percentage thresholds applied to support consistent and comparable evaluation of financial exposure across climate-related risks.

Impact Assessment (1-5 Scale) Criteria

Category	1 – Insignificant	2 – Minor	3 – Moderate	4 – Significant	5 - Severe
Financial Impact	Below 5% of PBT (<5% of PBT)	5% to 10% of PBT (≥5% and < 10% of PBT)	10% to 15% of PBT (≥10% and < 15% of PBT)	15% to 25% of PBT (≥15% and < 25% of PBT)	Above 25% of PBT (≥ 25% of PBT)

Risk Response, Mitigation, and Prioritisation

Following assessment, climate-related risks are prioritised using the Group's risk matrix / heat map, which combines likelihood and impact assessments to derive an overall risk rating.

Risk ratings are categorised into Low, Moderate, High, and Extreme levels, consistent with the Group's ERM practices and risk appetite framework. This ensures that climate-related risks are evaluated alongside other underwriting, market, operational, liquidity, regulatory, and reputational risks, rather than being assessed in isolation.

The defined risk levels guide management response, escalation, and monitoring intensity as outlined below:

Risk Matrix / Heat Map

			Impact				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Significant	Severe
Likelihood	5	Almost Certain	5	10	15	20	25
	4	Likely	4	8	12	16	20
	3	Possible	3	6	9	12	15
	2	Unlikely	2	4	6	8	10
	1	Rare	1	2	3	4	5

4 Levels of Risk for Action Planning

Risk Level	Risk Score Range	Colour	Action Plan
Low	1–5		Low level risk which is generally considered to be at a level that organisation can accept. Periodic monitoring, ensure existing controls remain effective.
Moderate	5–10		Risk will impact on company but not as seriously as Extreme or High risks. Enhance existing controls. Assign clear responsibilities. Schedule periodic reviews.
High	10–16		Immediate response is required, or contingency plans are implemented to address any operational issues. Implement specific mitigation measures. Document and track progress. Increase frequency of monitoring.
Extreme	16–25		Immediate action is required, or contingency plans implemented to address any operational issues. Develop and execute an urgent mitigation strategy. Assign executive-level ownership. Consider transferring or avoiding the risk.

The prioritisation of climate-related risks informs:

- The level of management attention required
- Escalation thresholds for review
- The nature of risk response actions, including mitigation, risk sharing, risk transfer (such as reinsurance), or acceptance within approved tolerances.

Risk and Control Monitoring and Review

Climate-related risks are subject to ongoing monitoring and review, consistent with the final stage of the Group's risk management life cycle.

Core monitoring mechanisms

Periodic updates to enterprise risk registers and risk dashboards	Monitoring of relevant Key Risk Indicators (KRIs), where applicable	Management reporting on emerging risk trends, changes in exposure, and the effectiveness of mitigation measures	Escalation of material climate-related risks through established reporting lines for review and oversight.

The frequency and intensity of monitoring are proportionate to the assessed risk level, with higher-risk exposures subject to enhanced review and management attention. Regular reviews support alignment with regulatory requirements, emerging risks, and industry best practices.

SLFRS S1 AND S2 DISCLOSURES

Changes in the Risk Management Process

As this is the Group's first year of reporting under SLFRS S2, climate-related risks have been formally integrated into the Group's risk management life cycle during the reporting period.

Key developments include:

- Explicit identification of climate-related risks within the sustainability risk universe;
- Application of the Group's standard likelihood and impact assessment methodology to climate-related risks; and
- Increased internal visibility of climate-related risks within enterprise risk assessments and periodic risk reviews.

There were no comparative climate-specific risk management processes in prior reporting periods.

Climate-related Opportunities

Climate-related opportunities are identified, assessed, prioritised, and monitored through the same risk management life cycle and strategic planning processes applied to climate-related risks.

Opportunity Evaluation Framework

Strategic fit	Value potential	Execution readiness
Alignment with strategy, products, underwriting, and investments	Resilience, diversification, customer value, and long-term performance	Feasibility, resources, and implementation considerations

Material Climate -Related Opportunities

Monitored via: Management Review Processes

Reflected in: Strategy, Product Development, Decisions and Investments

Material climate-related opportunities are monitored through management review processes and, where relevant, reflected in strategic initiatives, product development, underwriting decisions, and investment considerations. Climate-related scenario analysis is not currently used in the identification or assessment of opportunities.

Integration with Overall ERM

Climate-related risks and opportunities are integrated into the Group's overall Enterprise Risk Management (ERM) framework through established Board-level oversight and reporting mechanisms. The Board Risk Management Committee (BRMC) has oversight responsibility for the Group's risk management framework and receives regular updates from Management on material risk exposures, including sustainability- and climate-related matters.

Relevant climate-related developments, risk assessments, and mitigation actions are incorporated into periodic risk reviews and management reporting submitted to the BRMC, ensuring that climate considerations are evaluated alongside underwriting, market, operational, liquidity, regulatory, and reputational risks.

This governance-led integration ensures that climate-related risks and opportunities are embedded within the Group's overall risk profile, risk monitoring cadence, and decision-making processes, rather than being managed as a standalone sustainability exercise.

- Climate-related risks and opportunities are managed within the Group's Enterprise Risk Management (ERM) framework.
- Oversight is provided by the Board Risk Management Committee (BRMC).
- Climate-related matters are reported to the BRMC through regular management risk reporting and reviews.

STRATEGY

Climate-related risks and opportunities are considered within HNB Assurance PLC's strategic planning and decision-making processes, recognising their potential to influence customer outcomes, underwriting and claims experience, operational continuity, disclosure readiness, and investment strategy over the short, medium, and long term. In this first year of SLFRS reporting, the Group's approach emphasises embedding climate considerations within established business and risk processes, supported by qualitative assessments and defined financial impact thresholds applied under the ERM methodology.

The Group's key climate-related risks and opportunities and related strategic responses are summarised below.

Legend

Time Horizons

- **ST** (Short term): 1–3 years
- **MT** (Medium term): 3–5 years
- **LT** (Long term): Beyond 5 years

Financial Impact Rating

- **Level 1** - Insignificant
- **Level 2** – Minor
- **Level 3** – Moderate
- **Level 4** – Significant
- **Level 5** - Severe

(Please refer page 104 for impact assessment criteria)

Linkage between qualitative ratings and impact thresholds

The qualitative financial impact ratings (Insignificant, Minor, Moderate, Significant, High) presented in the afore mention legend are derived from the Group's underlying five-point financial impact scale, which is based on the percentage effect on Group Profit Before Tax (PBT), as set out in the Impact Assessment (1–5 Scale) Criteria.

For the current reporting period, where climate-related risks have resulted in realised financial effects, quantitative information has been provided within the respective risk disclosures. This includes assessment of the impact on profit or loss and consideration of whether significant material adjustments were required to the carrying amounts of assets and liabilities reported in the financial statements.

In accordance with the transitional relief available under the SLFRS Sustainability Disclosure Standards, HNB Assurance PLC has elected not to disclose information regarding the anticipated financial effects of climate-related risks and opportunities in the current reporting period.

Accordingly, neither qualitative nor quantitative disclosures relating to anticipated financial effects across the short, medium or long term have been presented this year. These disclosures will be developed and incorporated within the applicable transitional relief period of two years from the first reporting period.

The strategic responses below are informed by the Group's enterprise risk assessment process, including the time horizons and impact scoring applied under the ERM framework.

CLIMATE RELATED RISKS

CRRO 1 – EXTREME WEATHER EVENTS

Overall Profile and Context	
Extreme weather events, including cyclones, floods and landslides, represent acute physical climate risks that disrupt economic activity, damage residential and commercial property, impair infrastructure, and create short-term liquidity pressures across affected regions. In November 2025, Cyclone Ditwah affected 25 districts across Sri Lanka, resulting in widespread flooding, infrastructure disruption, temporary business closures, and household displacement. Reconstruction costs were assessed to be material at a national level, with concentrated impact on SMEs, motor vehicle owners, and property holders. Such events typically result in elevated claims frequency, operational strain and increased catastrophe reinsurance utilisation across general insurance portfolios.	
Dimension	**Disclosure**
CRRO impact on Prospects	Extreme weather events may increase claims volatility within the General Insurance segment, heighten catastrophe reinsurance utilisation, and create temporary operational strain during surge periods. In affected regions, income disruption may influence premium persistency within the Life segment.
Risk type	Physical risk
Time horizons	ST, MT, LT

SLFRS S1 AND S2 DISCLOSURES

Business Model & Value Chain Impacts	
Period	**Impact Description**
Current Effects (FY)	Cyclone Ditwah resulted in operational disruption across both HNB General Insurance (HNBGI) and the Life segment, with varying intensity of impact. **Life Insurance (HNBA)** • Increased migration to digital premium payments and remote servicing during disruption periods. • Elevated online transaction volumes created heightened dependency on system uptime and platform stability. • Temporary pressure on servicing channels during peak periods required active monitoring of platform performance. • Higher customer enquiries relating to premium continuity and policy servicing. • Localised affordability stress among customers in affected regions. • No material mortality deviation observed. **General Insurance (HNBGI)** • Increase in property and motor claims notifications within affected districts. • Compression of assessment and settlement timelines during peak periods. • Increased focus on remote assessment and digital claims intake due to travel and infrastructure disruption. • Elevated digital transaction volumes, resulting in higher system load and temporary capacity pressure on online servicing and payment platforms. • Increased customer enquiries and servicing demand during the disruption window.
Anticipated Effects (ST, MT, LT)	Future extreme weather events may result in recurring claims surges, increased reliance on digital servicing channels during disruption periods, and continued dependence on catastrophe reinsurance to manage aggregate exposure. Over time, underwriting exposure limits and pricing in higher-risk districts may be adjusted in response to evolving event severity.
Concentration of Effects	• **Operational Capacity Risk** Claims surge handling and digital servicing scalability during disruption events. • **Geographic Concentration Risk** Property and motor portfolios in flood-prone districts. • **Reinsurance Risk** Catastrophe treaty utilisation and renewal sensitivity. • **Customer Behaviour Risk (Life Segment)** Premium persistency sensitivity in affected regions.

Strategy and Decision-Making	
Dimension	**Disclosure**
Plans to respond	**Operational Continuity** • Continued strengthening of digital claims registration, remote assessment and remote servicing capabilities to maintain continuity during weather-related disruption. • Surge planning for claims handling during monsoon and cyclone seasons. • Ongoing monitoring of digital platform performance and transaction volumes during peak disruption periods.
	Portfolio & Risk Management • District-level monitoring of catastrophe exposure concentrations within property and motor portfolios. • Integration of historical weather datasets and catastrophe modelling techniques into underwriting and exposure management processes. • Periodic review of underwriting exposure limits in higher-risk flood-prone districts. • Disciplined catastrophe reinsurance structuring and renewal oversight to manage large-loss volatility.
	Risk Analytics & Modelling Enhancement • Strengthened catastrophe risk modelling through integration of long-term historical weather datasets. • Enhanced actuarial stress testing and severe weather scenario analysis. • Continuous refinement of underwriting thresholds and exposure management parameters in response to evolving climate risk patterns.
	Human Capital & Governance Integration • Embedding extreme weather risk into Business Continuity Planning (BCP) and Disaster Recovery (DR) frameworks. • Cross-functional coordination between underwriting, claims, actuarial, risk and IT functions during surge events. • Periodic review and testing of continuity protocols aligned to severe weather scenarios.
Resourcing	**Financial Investment** • Rs. 411 Mn invested in digital servicing infrastructure to strengthen remote claims intake, online premium collection, platform resilience and digitalisation initiatives during disruption periods. • Maintenance of catastrophe reinsurance protection aligned to portfolio exposure levels and accumulation risk.
	Technology & Infrastructure • Enhancement of catastrophe monitoring tools and exposure dashboards to support real-time district-level visibility. • Improvements to digital platform scalability to manage increased transaction volumes during surge periods. • Ongoing optimisation of paperless claims processing workflows.
	Human Capital & Business Continuity Planning (BCP) • Operational training aligned to monsoon and cyclone response scenarios. • Coordination frameworks activated during surge events to support rapid decision-making.

SLFRS S1 AND S2 DISCLOSURES

Strategy and Decision-Making

Dimension	Disclosure
Progress	• Cyclone Ditwah claims processed through established surge response mechanisms within HNB General Insurance. • Migration to Digital premium collection accelerated during FY2025:

Metric – Online / Cashless Premium Collections	23–24	24–25
Increase in the number of transactions	+18.5%	+80.1%
Increase in the value of transactions	+38.4%	+100.6%
Increase in the proportion of online transactions as a share of total receipts during the year	+6 pp	+32 pp

This sustained migration reduced reliance on physical branch infrastructure during disruption periods and strengthened operational continuity during extreme weather events.

- Enhancement of catastrophe exposure modelling using over 30 years of historical cyclone and rainfall data to refine accumulation thresholds and district-level monitoring.
- Application of predictive analytics to strengthen event response planning and surge capacity allocation.
- Post-event review of claims handling performance and surge capacity following Cyclone Ditwah.

Linked Capitals: (pages 178-202) | (pages 168-177)

ESG Alignment

- **E:** Responsible risk management of climate-related catastrophe exposure.
- **S:** Timely claims support and servicing continuity to protect policyholders during disruption events.
- **G:** Structured catastrophe modelling, disciplined reinsurance oversight, and district-level exposure

Financial Effects

Current Year Financial Effects (2025)

Impact Level: Level 1 - Insignificant

Quantitative Impact and Scope

Cyclone Ditwah resulted in the following impacts within HNB General Insurance, covering both motor and non-motor claims:

- Gross claims incurred: Rs. 1,705.2 million
- Claims paid during FY2025: Rs. 36.3 million
- Claims outstanding at reporting date: Rs. 1,668.9 million

Catastrophe reinsurance protections were activated in line with treaty arrangements. Accordingly, the net retained impact after reinsurance recoveries amounted to approximately Rs. 37.26 million, representing 1.10% of Group Profit Before Tax (PBT). This indicates that the financial impact of the event was effectively contained within the reinsurance limits and risk appetite framework.

No material impact was observed within the Life Insurance segment in respect of mortality, lapse experience or insurance contract liabilities.

> *Claims paid amount is disclosed in Note 41 to the Financial Statements, titled "Net Insurance Benefits and Claims Paid" on page 457 and the Claims outstanding amount is disclosed in Note 42 to the Financial Statements, titled "Net Change in Insurance Claims Outstanding" on page 458*

Dimension	Disclosure
Significant risk of material adjustments (next financial year)	At reporting date, no significant risk of material adjustment to asset or liability carrying values has been identified. This is subject to ongoing monitoring of future event frequency and claims development trends.
Anticipated Financial Effects (ST, MT, LT)	Refer SLFRS S2 – Transitional Relief: Anticipated financial effects (page 93)

Climate Resilience, Key Judgements and Uncertainties	
Dimension	**Disclosure**
Climate resilience and scenario analysis	Refer SLFRS S2 – Transitional Relief: Climate resilience disclosures (page 93)
Key judgements	In assessing climate-related risks and opportunities, HNB Assurance PLC has exercised judgement in: • Determining the relevance and materiality of climate-driven risks to the Company's predominantly life insurance portfolio; • Assessing the sensitivity of claims patterns, morbidity trends and lapse behaviour to prolonged heat stress, extreme weather events and climate-linked economic stress; • Evaluating the exposure of the investment portfolio to transition risks, including sectoral re-pricing and asset impairment risk; • Determining appropriate time horizons over which physical and transition risks may crystallise relative to policy duration and asset-liability matching strategies; • Assessing the potential for event clustering to influence short-term liquidity planning requirements.
Key uncertainties	Uncertainty in HNB Assurance PLC's climate-related assessment arises from: • Limited historical claims data linking mortality or morbidity trends directly to climate variables within the local context; • Uncertainty in long-term temperature pathways and their second-order macroeconomic effects; • Evolving regulatory, supervisory and capital expectations relating to climate risk management in the insurance sector; • Potential behavioural changes among policyholders under climate-induced economic stress; • Uncertainty in the pace and magnitude of transition risk impacts on invested assets.

CRRO 2 – REGULATORY AND REPUTATIONAL RISK

Overall Profile and Context	
Evolving climate-related disclosure and governance expectations may increase compliance obligations and reputational exposure if disclosures are incomplete, inconsistent, or unsupported by adequate controls.	
Dimension	**Disclosure**
CRRO impact on Prospects	Strengthened regulatory and market scrutiny may increase governance requirements, compliance costs and reputational sensitivity in the short to medium term.
Risk type	Transition risk
Time horizons	ST, MT

SLFRS S1 AND S2 DISCLOSURES

Business Model & Value Chain Impacts	
Period	**Impact Description**
Current Effects (FY)	• Implementation of new climate-related disclosure requirements under SLFRS Sustainability Disclosure Standards. • Increased coordination across finance, risk, actuarial and ESG functions to support reporting integrity. • No structural change to revenue model or product design.
Anticipated Effects (ST, MT, LT)	As governance frameworks and disclosure processes mature, incremental compliance costs are expected to stabilise within normal operating expenditure. No structural impact on earnings, asset carrying values or capital position is anticipated.
Concentration of Effects	• **Governance & Control Risk** Strengthening of climate-related reporting controls and oversight. • **Disclosure Integrity Risk** Accuracy and consistency of sustainability disclosures. • **Regulatory Scrutiny Risk** Evolving supervisory expectations and compliance requirements.

Strategy and Decision-Making	
Dimension	**Disclosure**
Plans to respond	**Governance & Oversight** • Establishment of a formal ESG / Sustainability Management Committee, chaired by the Chief Executive Officer / Executive Director, to oversee implementation and coordination of sustainability-related matters. • Strengthened Board-level oversight through structured reporting to the Board Risk Management Committee (BRMC). • Formalisation of escalation pathways for material sustainability and climate-related matters.
	Disclosure & Control Framework • Development of structured sustainability reporting processes aligned with SLFRS S1 and S2. • Documentation of methodologies, assumptions and data sources supporting climate-related disclosures. • Cross-functional coordination across Finance, Risk, Actuarial, Investments, Legal, Compliance and Operations to ensure consistency and disclosure integrity.
	Regulatory Monitoring • Active monitoring of evolving regulatory expectations relating to sustainability disclosures. • Alignment of governance and reporting frameworks with emerging supervisory guidance.
	Governance & Reporting Infrastructure • Establishment of a 13-member ESG / Sustainability Management Committee representing nine key business functions. • Formal Board Skills and Competency Assessment conducted to evaluate sustainability oversight capability. • Dedicated management-level coordination mechanism to support first-year SLFRS S1 and S2 adoption. • Integration of sustainability-related risks into the Enterprise Risk Management (ERM) framework. • This reflects enhancement of governance structures during FY2025, rather than reliance solely on pre-existing functional arrangements.

Strategy and Decision-Making	
Dimension	**Disclosure**
Progress	• Formalisation of Board and management-level governance structures supporting sustainability oversight. • Implementation of structured reporting flows from the ESG / Sustainability Management Committee to the BRMC. • Completion of Board and Committee ESG competency assessments. • First-year adoption of SLFRS S1 and S2 disclosures with defined governance oversight. • No regulatory breaches, sanctions or reputational incidents relating to climate-related disclosures during the reporting period.
Linked Capitals: (pages (178-202) | (pages (133-145)	
ESG Alignment • **G:** Strengthened governance, internal controls, and disclosure oversight aligned to regulatory requirements. • **S:** Protection of stakeholder trust through transparent and evidence-based reporting.	

Financial Effects	
Current Year Financial Effects (2025) Impact Level: Level 1 - Insignificant	
Quantitative Impact and Scope	
During FY2025, fees were incurred in relation to climate-related training, governance enhancement and disclosure readiness initiatives. This represented less than 1% of Group Profit Before Tax and did not materially affect financial performance.	
Significant risk of material adjustments (next financial year)	At reporting date, no significant risk of material adjustment to asset or liability carrying values has been identified.
Anticipated Financial Effects (ST, MT, LT)	Refer SLFRS S2 – Transitional Relief: Anticipated financial effects (page 93)

Climate Resilience, Key Judgements and Uncertainties	
Dimension	**Disclosure**
Climate resilience and scenario analysis	Refer SLFRS S2 – Transitional Relief: Climate resilience disclosures (page 93)
Key judgements	Judgement has been applied in determining the scope, depth and prioritisation of climate-related disclosures in the first year of adoption of the SLFRS Sustainability Disclosure Standards, including the level of integration across business units and control functions.
Key uncertainties	Uncertainty arises from evolving regulatory interpretations, supervisory expectations, potential expansion of disclosure requirements, and increasing investor scrutiny of sustainability reporting practices.

SLFRS S1 AND S2 DISCLOSURES

CLIMATE RELATED OPPORTUNITIES

CRRO 3 – CLIMATE-ALIGNED GROWTH & CAPITAL POSITIONING

Overall Profile and Context	
Sustainable Capital Allocation Selective investment in green and sustainability-linked instruments strengthens long-term portfolio resilience and aligns capital deployment with emerging sustainable finance trends. **Climate-Responsive Product Innovation** Development of adaptive insurance solutions, including index-based mechanisms addressing rising extreme weather risks, enhances financial protection for climate-vulnerable communities while supporting market relevance. **Digital Enablement & Efficiency** Expansion of digital and paperless servicing improves operational scalability, reduces cost intensity, and strengthens business continuity during disruption events.	
Dimension	**Disclosure**
CRRO impact on Prospects	Climate-aligned capital allocation and adaptive product innovation may strengthen long-term earnings resilience, enhance portfolio diversification, and improve competitive positioning in a market increasingly shaped by climate-related risks and sustainability expectations. Over time, disciplined ESG investment integration and scalable digital servicing models may support cost efficiency and sustainable growth
Risk type	Opportunity
Time horizons	ST, MT, LT

Business Model & Value Chain Impacts	
Period	**Impact Description**
Current Effects (FY)	**Capital Allocation (Investment Value Chain)** • Inclusion of sustainability-linked bond instruments within the fixed-income portfolio expanded the investment universe to include ESG-aligned issuers. • Credit assessment and investment due diligence processes incorporated sustainability-linked features alongside traditional risk-return considerations. **Product & Distribution (Underwriting Value Chain)** • Introduction of a parametric cyclone index insurance mechanism expanded the product suite to address climate-driven income disruption in vulnerable coastal communities. • Distribution leveraged digital platforms to facilitate scalable enrolment and activation mechanisms. **Operational Model** • Continued migration toward digital premium servicing and paperless issuance reduced dependence on physical documentation and branch-based processing. • Digital transaction growth strengthened the scalability of servicing operations across both Life and General segments. • These developments represent incremental evolution of the business model rather than structural transformation in the current reporting period.
Anticipated Effects (ST, MT, LT)	Gradual diversification of the investment portfolio toward sustainability-linked instruments and expansion of climate-responsive products may enhance portfolio resilience and long-term competitiveness. Digital enablement will continue to support scalable servicing and cost efficiency.

Business Model & Value Chain Impacts	
Period	**Impact Description**
Concentration of Effects	• **Investment Portfolio Positioning** Selective allocation to sustainability-linked and green instruments, influencing long-term asset mix and capital deployment. • **Product & Market Development** Targeted climate-responsive insurance solutions for segments exposed to extreme weather and climate-related income disruption. • **Digital Enablement** Operational efficiency and scalability through digitally enabled premium collection and servicing platforms. • **Market & Stakeholder Positioning** Strengthened alignment with evolving sustainability expectations among regulators, investors, and customers.

Strategy and Decision-Making	
Dimension	**Disclosure**
Plans to respond	**Sustainable Capital Allocation** • Consider sustainability-linked and green investment instruments where aligned with approved risk–return parameters and credit quality thresholds. • Integrate ESG-related considerations within fixed-income investment screening and portfolio monitoring processes. • Monitor sustainable finance market developments to inform future allocation decisions. **Climate-Responsive Product Innovation** • Expand adaptive insurance solutions designed to address income disruption and weather-related vulnerability where commercially viable. • Strengthen parametric and index-based design capabilities to improve speed of payout and administrative efficiency. • Align product governance processes with emerging climate-related risk insights. **Digital Enablement** • Continue expansion of digital premium collection and paperless servicing models to improve scalability and cost efficiency. Enhance digital distribution channels to support wider reach of climate-responsive products.
Resourcing	Managed within existing investment governance, product development and digital infrastructure frameworks. No dedicated climate-specific capital allocation targets are established at this stage.
Progress	• LKR 675.05 million allocated to sustainability-linked bond instruments during FY2025. • Implementation of a cyclone index insurance mechanism supporting climate-vulnerable fishing communities. • Approximately 83% of receipt count processed through digital channels in FY2025, reflecting continued migration toward scalable servicing infrastructure.

Linked Capitals: (pages (178-202) | (pages (133-145)

ESG Alignment

- **E:** Capital allocation toward environmentally aligned investments and climate-responsive product innovation.
- **S:** Expanded protection solutions for climate-vulnerable communities and improved financial inclusion.
- **G:** Prudent investment governance and disciplined integration of sustainability considerations into portfolio strategy.

SLFRS S1 AND S2 DISCLOSURES

Financial Effects	
Current Year Financial Effects (2025)	
Impact Level: Level 1 - Insignificant	
Quantitative Impact and Scope	

During FY2025:

- LKR 675.05 million was allocated to sustainability-linked bond instruments within the approved investment portfolio.
- Interest income was recognised in line with contracted coupon rates (10.55%–11.00%) and formed part of normal investment income.
- A cyclone index insurance product was implemented during the year; related revenue and claims experience were not material to Group Profit Before Tax (PBT).

The bond allocation represented a portfolio reallocation within existing investment limits and did not give rise to any material impact on profitability, capital adequacy, liquidity, or the carrying value of assets.

> *These amounts are disclosed in Note 11.2.2.a to the Financial Statements, titled "Debentures - Quoted", on page 416.*

Dimension	Disclosure
Significant risk of material adjustments (next financial year)	During FY2026, the Group invested LKR 362.93 million in a GSS+ Bond issued by DFCC Bank PLC (maturing 6 February 2031; yield 11.50%). The instrument finances green, social and sustainability-focused projects under the issuer's Sustainable Finance Framework. As a fixed-income investment, its fair value may be sensitive to interest rate and credit spread movements in the next reporting period. No impairment indicators were identified at the reporting date.
Anticipated Financial Effects (ST, MT, LT)	Refer SLFRS S2 – Transitional Relief: Anticipated financial effects (page 93)

Climate Resilience, Key Judgements and Uncertainties	
Dimension	**Disclosure**
Climate resilience and scenario analysis	Refer SLFRS S2 – Transitional Relief: Climate resilience disclosures (page 93)
Key judgements	Judgement has been applied in assessing the commercial viability, credit quality and risk–return alignment of sustainability-linked investments, as well as the scalability and long-term demand for climate-responsive product offerings.
Key uncertainties	Uncertainty arises from market yield dynamics for ESG instruments, liquidity and credit spread movements, customer adoption rates of adaptive products, and evolving sustainable finance regulatory frameworks.

METRICS AND TARGETS

CLIMATE-RELATED METRICS

(A) Cross-Industry Metric: Greenhouse Gas Emissions (GHG)

Basis of Determination of Organisational and Operational Boundaries

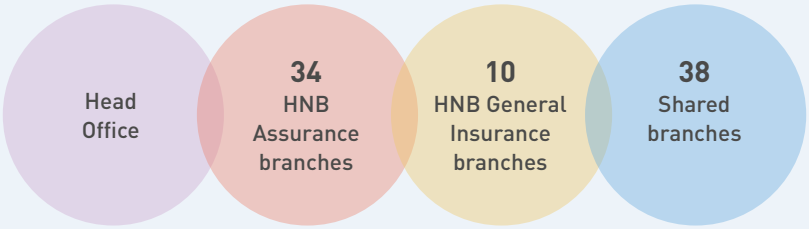
The Company defines its organisational and operational boundaries for greenhouse gas (GHG) emissions in accordance with ISO 14064-1:2018 and the GHG Protocol Corporate Accounting and Reporting Standard, applying the financial control approach, consistent with the consolidation basis applied in the Annual Report.

Under this approach, emissions are accounted for from operations over which the Company has financial control.

Organisational Boundary

For the current reporting cycle, the Company's carbon footprint assessment covers its domestic operations and includes emissions from HNB Assurance PLC and its subsidiary, HNB General Insurance Limited (HNBGI).

The organisational boundary includes:



There are no overseas operations within the reporting boundary.

Operational Boundary

The operational boundary for the current reporting period includes:

Scope 1 –	Direct emissions from fuel combustion and controlled operations
Scope 1 –	Indirect emissions from purchased electricity

The current reporting period represents the initial application of the measurement methodology under SLFRS S2. Accordingly, no comparative changes to the measurement approach, inputs or assumptions are applicable.

In line with the transitional relief provisions, Scope 3 emissions, including financed emissions, have not been disclosed in the current reporting period.

The Company plans to commence disclosure of material Scope 3 emission categories, including financed emissions, from 2027 onwards, subject to data availability and methodological development.

Methodology Used for the Measurement and Disclosure of GHG Emissions

GHG emissions have been quantified in accordance with:

- ISO 14064-1:2018 (Specification with guidance at the organisational level for quantification and reporting of greenhouse gas emissions and removals)
- GHG Protocol Corporate Accounting and Reporting Standard

In accordance with the GHG Protocol and IPCC guidance, greenhouse gas emissions are measured considering the Kyoto basket of seven greenhouse gases:

SLFRS S1 AND S2 DISCLOSURES

Kyoto Basket of Greenhouse Gases (Measured under GHG Protocol)

Carbon dioxide (CO_2)	Methane (CH_4)	Nitrous oxide (N_2O)	Hydrofluorocarbons (HFCs)
Perfluorocarbons (PFCs)	Sulphur hexafluoride (SF_6)	Nitrogen trifluoride (NF_3)	

Measurement Framework and Key Inputs

Sources of Activity Data:
- Fuel consumption records
- Utility bills (electricity consumption)
- Centralised operational databases

Sources of Activity Data:
- Fuel consumption records
- Utility bills (electricity consumption)
- Centralised operational databases

National Grid Emission Factor for Electricity Consumption 0.4173 $kgCO_2e/kWh$

All emissions are disclosed in metric tonnes of carbon dioxide equivalent (tCO2e). For the current reporting period, emissions arising from fuel combustion and electricity consumption primarily relate to carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O). Where applicable, other greenhouse gases are considered based on the nature of operational activities.

All gases are converted into carbon dioxide equivalent (CO2e) using Global Warming Potential (GWP) values published in the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6).

Data validation controls are applied to minimise uncertainty, ensure completeness and prevent double-counting. Supporting documentation is retained in accordance with internal record-keeping procedures.

The Company's GHG inventory for the year ended 31st December 2025 has been independently verified by Climate Smart Initiatives (Pvt) Ltd in accordance with the requirements of ISO 14064-1:2018 – Specification with guidance at the organisational level for the quantification and reporting of greenhouse gas emissions and removals. Please refer page 209 for details.

Summary of GHG Emissions

For the reporting year ended 31 December 2025, total disclosed greenhouse gas (GHG) emissions under the financial control approach amounted to 4,178.16 tCO_2e.

The Company currently discloses Scope 1 (direct) and Scope 2 (energy-related indirect) emissions. Scope 3 emissions, including financed emissions, have not been disclosed for the current reporting period in line with transitional relief provisions under SLFRS S1 and SLFRS S2.

4,178 tCO_2e
Total Scope 1 & 2 Emissions (FY2025)

The emissions profile is summarised below:

Scope	2025 (tCO_2e)
Scope 1	3,387.35
Scope 2	790.81
Total (Scope 1 & 2)	4,178.16

Scope 2 emissions are reported on a location-based basis using the national grid emission factor. The Company does not currently use contractual instruments such as renewable energy certificates or power purchase agreements to reduce Scope 2 emissions.

GHG Scope 1 and Scope 2 Emissions

(Under Financial Control Approach)

Description	Scope 1	Scope 2	Total
Consolidated accounting group	3,387.35	790.81	4,178.16
Other investees (associates / JVs)	–	–	–
Total (Financial control approach)	3,387.35	790.81	4,178.16

No emissions have been recognised from associates or joint ventures, as these entities are not within the Company's financial control boundary.

Emissions Profile Commentary

Scope 1 emissions represent approximately 81% of total disclosed emissions (2024: 80%) and primarily arise from mobile fuel combustion and standby generator usage under the financial control boundary.

Scope 1 emissions decreased by approximately 4.4% year-on-year, driven mainly by reduced fuel consumption from company-owned vehicles and lower activity levels in certain fuel-related sources.

Scope 2 emissions arise from purchased grid electricity consumed across domestic operations and declined by approximately 9.5% year-on-year, reflecting reduced electricity consumption and a marginal improvement in the national grid emission factor compared to the prior year.

81%
Proportion of Emissions from Scope 1

↓ 4.4%
Reduction in Scope 1 Emissions (YoY)

↓ 9.5%
Reduction in Scope 2 Emissions (YoY)

Scope	Emission Sub-category	Activity	Data Source	Emission Factor Applied	Source of GWP Values
Scope 1	**Stationary combustion**	Diesel consumption – standby generators	Fuel purchase records and generator logs	IPCC default emission factors for diesel combustion	IPCC AR6
Scope 1	**Mobile combustion**	Fuel consumption – company-owned and rented vehicles	Fuel reimbursement records and transport logs	IPCC default emission factors for petrol and diesel	IPCC AR6
Scope 1	**Fugitive emissions**	Fire extinguishers (CO_2 refilling)	Maintenance and refilling records	Direct CO_2 emission factor (100% release assumption)	IPCC AR6
Scope 2	**Electricity consumption**	Grid electricity usage across head office and branches	Utility bills and centralised electricity records	National grid emission factor: 0.4173 $kgCO_2e$/kWh	IPCC AR6

Notes:

- Process combustion is not applicable as the Company does not operate industrial processes.
- Fugitive emissions relate only to CO_2 fire extinguishers; no refrigerant leakage was identified.
- Scope 2 emissions are calculated on a location-based method using the national grid emission factor.

Key Assumptions and Uncertainties

The following key assumptions and estimation techniques were applied in quantifying Scope 1 and Scope 2 emissions:

- Diesel and petrol consumption were assumed to be fully combusted within the reporting boundary.
- Emissions from fire extinguishers assume full atmospheric release of CO_2 during refilling.
- Electricity emissions were calculated using the national grid emission factor of 0.4173 $kgCO_2e$/kWh.
- Where fuel consumption data for standby generators was not directly available, consumption was estimated using recorded expenditure and average fuel unit costs.

Uncertainty associated with standby generator fuel estimation is considered low due to the strong correlation between fuel cost and volume.

Certain emission sources, including refrigerant leakage and selected waste streams, were excluded from the current reporting period due to data limitations and will be incorporated in future assessments following improvements to the GHG information management system.

SLFRS S1 AND S2 DISCLOSURES

(B) Climate-Related Transition Risks

Extent of exposure across assets and operations

Dimension	Disclosure
Nature of exposure	Regulatory and disclosure-related transition risk associated with adoption of SLFRS S1 and SLFRS S2 and evolving supervisory expectations.
Amount exposed	No quantified monetary amount of assets has been identified as exposed to climate-related transition risks.
Percentage exposed	The Company has not performed a quantified assessment of the percentage of assets or business activities vulnerable to climate-related transition risks.
Current impact	No material financial exposure identified during FY2025.
Status	Exposure is assessed qualitatively through governance oversight, regulatory monitoring and compliance processes.
Forward development	Structured transition exposure analytics will be considered as part of progressive climate risk integration into the Enterprise Risk Management (ERM) framework.

(C) Climate-Related Physical Risks

Extent of exposure across assets and operations

Dimension	Disclosure
Nature of exposure	Exposure arises from extreme weather events, climate-sensitive health trends and potential operational disruption in affected geographic areas.
Amount exposed	Cyclone-related claims during FY2025 resulted in a net retained financial impact below 5% of Group Profit Before Tax.
Percentage exposed	The Company has not undertaken a quantified assessment of the proportion of underwriting exposure or insured assets located within high climate-risk geographic zones.
Current impact	No material financial exposure identified during FY2025.
Risk management approach	Managed through catastrophe reinsurance arrangements, actuarial monitoring of claims frequency and severity, underwriting controls and ongoing claims trend analysis.
Status	Portfolio-level aggregation of physical risk concentrations has not been formalised as at reporting date.
Forward development	Geographic exposure analytics are planned under future ERM and climate risk integration initiatives.

(D) Climate-Related Opportunities

Alignment of resources across assets and operations

Dimension	Disclosure
Investment allocation	LKR 675.05 million deployed toward sustainability-linked bond instruments during FY2025.
Product development	Implementation of cyclone index insurance mechanism supporting climate-vulnerable fishing communities.
Digital enablement	Continued investment in digital servicing infrastructure, with 83% of receipt count processed through digital channels.
Financial impact	No material impact on profitability, capital adequacy or liquidity during the reporting period.
Governance	Deployment undertaken within approved investment governance and capital allocation frameworks.

(E) Capital Deployment Toward Climate-Related Risks and Opportunities

Regulatory Context:

During FY2025, LKR 675.05 million was allocated to sustainability-linked bond instruments within the approved investment portfolio. Climate-responsive product development and digital enablement initiatives were also undertaken.

Status in 2025:

The allocation represented portfolio rebalancing within existing strategic asset allocation limits and did not result in any material financial impact. No dedicated climate-specific capital expenditure programme was established during the reporting period.

Future Outlook:

Future capital deployment toward climate-related initiatives will be evaluated in line with strategic priorities, approved risk–return parameters and evolving regulatory expectations.

(F) Internal Carbon Pricing

Regulatory Context:

Sri Lanka does not currently operate a mandatory national carbon pricing or emissions trading regime.

Status in 2025:

Accordingly, the Company does not apply an internal carbon price in investment decision-making, underwriting processes, capital allocation, transfer pricing or scenario analysis. No internal carbon price per metric tonne of greenhouse gas emissions has been established during the reporting period. Climate-related considerations are assessed qualitatively within existing governance, risk management and investment oversight frameworks.

Future Outlook:

The introduction of internal carbon pricing mechanisms will be evaluated should relevant regulatory or market developments arise. The Company will continue to monitor developments in this area as part of its ongoing sustainability and risk governance processes.

(F) Climate-Related Considerations in Executive Remuneration

Regulatory Context:

Climate-related considerations are not currently incorporated as explicit performance-linked components of executive remuneration. As at the reporting date, 0% of executive management remuneration recognised during FY2025 was directly linked to climate-related performance indicators.

Status in 2025:

Sustainability oversight is embedded within governance and risk management processes; however, structured climate-specific performance metrics have not yet been integrated into remuneration frameworks.

Future Outlook:

The incorporation of sustainability-related key performance indicators into executive remuneration structures will be evaluated following further development of climate-related measurement systems and performance benchmarks. The Company will monitor evolving governance and market expectations in this regard.

SLFRS S1 AND S2 DISCLOSURES

Climate-Related Targets

In line with the transitional relief provisions under SLFRS S1 and SLFRS S2, the current reporting period represents an initial phase of structured climate-related disclosure development.

As at the reporting date, the Company has not established formal quantified climate-related targets, including greenhouse gas emission reduction targets or climate-aligned capital allocation targets.

Climate-related risks and opportunities are currently monitored through established risk management, actuarial oversight, reinsurance management and investment governance frameworks. However, dedicated climate-specific quantitative performance targets have not yet been formally adopted.

Way Forward:

The Company is in the process of strengthening its sustainability and climate-related governance architecture. From 2026 onwards, a structured Sustainability Management Framework will be implemented to:

- Formalise governance oversight of sustainability and climate-related matters
- Develop standardised data collection processes across Life and General Insurance operations
- Enhance climate-related risk identification within the Enterprise Risk Management framework
- Establish relevant sustainability and climate-related performance indicators

Following an initial period of data consolidation and methodological refinement, the Company intends to evaluate the feasibility of establishing measurable climate-related targets in future reporting periods.

Industry Metrics

In determining industry-based metrics, the Company has considered the applicability of the SASB Insurance Standard.

Insurance Sustainability Accounting Standard (Version 2025-12)

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Page Reference / Details
Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	Quantitative	Presentation currency	FN-IN-270a.1	HNBA Group did not receive any litigation or legal claims arising from the marketing or communication of its insurance products to new or returning customers. Refer to "Provisions for Liabilities and Contingencies" for further details. (Note 53, Page 472)
	Complaints-to-claims ratio	Quantitative	Rate	FN-IN-270a.2	Page 182-183
	Customer retention rate	Quantitative	Rate	FN-IN-270a.3	Page 180
	Description of approach to informing customers about products	Discussion and Analysis	n/a	FN-IN-270a.4	Page 182

Topic	Metric	Category	Unit of Measure	Code	Page Reference / Details
Incorporation of Environmental, Social and Governance Factors in Investment Management	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies	Discussion and Analysis	n/a	FN-IN-410a.2	Page 145
Policies Designed to Incentivise Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Quantitative	Presentation currency	FN-IN-410b.1	At present, the Company does not separately capture net premiums written in relation to energy-efficient and low-carbon technologies; however, measures are currently being undertaken to establish appropriate processes to quantify and report such information going forward.
	Discussion of products or product features that incentivise health, safety or environmentally responsible actions or behaviours	Discussion and Analysis	n/a	FN-IN-410b.2	The Company offers climate-responsive and health-focused insurance solutions, including cyclone index insurance, agricultural coverage, and medical and critical illness policies designed to enhance financial resilience against environmental and health-related risks. Product development and underwriting processes incorporate risk mitigation considerations aligned with regulatory and market expectations. Refer pages 87-88, 184-186 and 198
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Quantitative	Metric tonnes (t) CO2-e	FN-IN-410c.1	Financed emissions measurement has not been undertaken for the current reporting period. The Group continues to assess data availability, methodological considerations and portfolio materiality in this regard.
	Gross exposure for each industry by asset class	Quantitative	Presentation currency	FN-IN-410c.2	
	Percentage of gross exposure included in the financed emissions calculation	Quantitative	Percentage (%)	FN-IN-410c.3	
	Description of the methodology used to calculate financed emissions	Discussion and Analysis	n/a	FN-IN-410c.4	

SLFRS S1 AND S2 DISCLOSURES

Topic	Metric	Category	Unit of Measure	Code	Page Reference / Details
Physical Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	Quantitative	Presentation currency	FN-IN-450a.1	The Company maintains catastrophe insurance cover to mitigate its financial exposure arising from natural disasters. However, owing to the current limitations in the availability of data required to achieve full alignment with SASB metrics, the relevant indicators are not presently quantifiable. Notwithstanding this, the Company remains committed to progressively strengthening its data capabilities and enhancing the quality and scope of its disclosures over time.
	Total amount of monetary losses attributable to insurance pay-outs from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographical segment (net and gross of reinsurance)	Quantitative	Presentation currency	FN-IN-450a.2	Page 52
	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of entity-level risks and capital adequacy	Discussion and Analysis	n/a	FN-IN-450a.3	Page 186 - 187

Topic	Metric	Category	Unit of Measure	Code	Page Reference / Details
Systemic Risk Management	Exposure to derivative instruments by category: (1) total exposure to non-centrally cleared derivatives, (2) total fair value of acceptable collateral posted with a central clearinghouse, and (3) total exposure to centrally cleared derivatives	Quantitative	Presentation currency	FN-IN-550a.1	No derivative instruments as at 31st December 2025
	Total fair value of securities lending collateral assets	Quantitative	Presentation currency	FN-IN-550a.2	Detailed disclosures relating to financial investments are provided in Note 11 to the Financial Statements, set out on page 415.
	Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	Discussion and Analysis	n/a	FN-IN-550a.3	Page 282

Table 2. Activity Metrics

Activity Metric	Category	Unit Of Measure	Code	Page Reference/ Details
Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	Quantitative	Number	FN-IN-000.A	Detailed disclosures relating to Gross Written Premiums are provided in Note 32 to the Financial Statements, set out on pages 450-451.

INDEPENDENT LIMITED ASSURANCE REPORT ON INTEGRATED REPORTING

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INDEPENDENT PRACTITIONERS' LIMITED ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF HNB ASSURANCE PLC

REPORT ON THE CONTENT ELEMENTS INCLUDED IN HNB ASSURANCE PLC'S INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2025

CONCLUSION

We have performed a limited assurance engagement on whether the Content Elements ("Subject matter Information" or "SMI") in HNB Assurance PLC's ("the entity") Integrated annual report for the year ended December 31, 2025 have been prepared in accordance to the IFRS Foundation's International <IR> Framework ("Criteria").

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Content Elements in the Integrated Report of HNB Assurance PLC for the year ended 31st December 2025 are not prepared, in all material respects, in accordance with the Criteria.

Our conclusion on the SMI as mentioned above does not extend to other information that accompanies or contains the SMI and our assurance report.

BASIS FOR CONCLUSION

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for limited assurance conclusion.

INTENDED USE OR PURPOSE

We have been engaged by the Board of Directors of HNB Assurance PLC to provide limited assurance on whether the SMI have been prepared in accordance with the Criteria.

RESTRICTION ON USE OR DISTRIBUTION

This report has been prepared for the Board of Directors of HNB Assurance PLC for the purpose of providing an assurance conclusion on whether the SMI in the HNB Assurance PLC's Integrated Annual Report for the Year ended 31st December 2025 has been prepared in accordance with the Criteria and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than HNB Assurance PLC, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than HNB Assurance PLC, for any purpose or in any other context. Any party other than HNB Assurance PLC who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than HNB Assurance PLC for our work, for this independent assurance report, or for the conclusions we have reached.

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Our conclusion is not modified in respect of this matter.

Responsibilities of Management for the SMI

The management of the entity are responsible for:

- Selecting or developing suitable criteria for preparing the Subject Matter Information and appropriately referring to or describing the criteria
- Determining that the criteria is appropriate to meet the needs of intended users, being the Entity's Board Directors and any other intended users.
- Preparing and presenting the SMI in accordance with the criteria set out in the IFRS Foundation's International<IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Design and implementation of internal controls that the Entity determines necessary to enable the preparation and presentation of the SMI that is free from material misstatement, whether due to fraud or error.
- Ensuring the Entity's strategy is well- presented in the SMI and reflects how the Entity creates value as they operate in practice
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the SMI; and
- Preparation and fair presentation of the SMI;
- Informing us of any known and/or contentious issues relating to the SMI.
- Preventing and detecting of fraud and ensuring that the Entity complies with laws and regulations applicable to its activities;
- Process to ensure that the Entity's personnel involved with the preparation and presentation of the SMI are properly trained, systems are properly updated and that any changes in reporting is relevant to SMI encompass all significant business units.
- The responsibility also includes informing changes in the Entity's Operations since the date of our most recent assurance report on the SMI.
- The maintenance and integrity of HNB Assurance PLC's website, including the presentation of our independent limited assurance report on the website is the responsibility of the HNB Assurance PLC's management. Management is responsible for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on HNB Assurance PLC's website.

Those charged with governance are responsible for overseeing the reporting process for the entity's SMI.

INHERENT LIMITATIONS

The preparation of SMI is subject to inherent limitations arising from the nature of non financial data, including the use of estimates, assumptions, and third party information. In addition, due to the inherent limitations of any internal control system, errors or irregularities may occur and not be detected.

Our engagement was not designed to detect internal control weaknesses because the procedures were performed on a test basis and not continuously throughout the period. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report

OUR RESPONSIBILITIES

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the SMI is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Board of Directors of HNB Assurance PLC.

SUMMARY OF THE WORK WE PERFORMED AS THE BASIS FOR OUR CONCLUSION

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the SMI that is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our procedures selected depended on our understanding of the SMI , other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

1. Assessing the suitability of the criteria used by the Entity in preparing SMI;

2. Through inquiries, obtained an understanding of the Entity's control environment, processes and information systems relevant to the preparation of the Information subject to Limited Assurance, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;

3. Obtaining an understanding of the relevant internal policies and procedures developed by the Entity, including those relevant to determining what matters most to the Entity's stakeholders, how the Entity creates value, the Entity's external environment, strategy, governance and reporting.

INDEPENDENT LIMITED ASSURANCE REPORT ON INTEGRATED REPORTING

4. Obtaining an understanding of the description of the Entity's strategy and how the Entity creates value in the SMI and enquiring of management as to whether the description accurately reflects their understanding;

5. Assessing of the alignment between the Entity's strategy, the disclosures on how the Entity creates value and what matters most to the Entity's stakeholders.

6. Checking Board minutes to ensure consistency with the SMI.

7. Evaluated the overall presentation of the Information subject to Limited Assurance to determine whether it is consistent with the criteria and in line with our overall knowledge of, and experience with, the entity's processes.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



Chartered Accountants

Colombo
25th February 2026

INDEPENDENT LIMITED ASSURANCE REPORT ON SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

Shape the future with confidence

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Independent practitioner's assurance report to the Board of Directors of HNB Assurance PLC on the Integrated Annual Report 2025

SCOPE

We have been engaged by HNB Assurance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on HNB Assurance PLC's SLFRS Sustainability-related Financial Disclosures (the "Subject Matter") contained in HNB Assurance PLC's (the "Entity's") Integrated Annual Report for the year ended 31 December 2025 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

CRITERIA APPLIED BY HNB ASSURANCE PLC

In preparing the Subject Matter, HNB Assurance PLC applied the e Sri Lanka Sustainability Disclosure Standards, SLFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S2 – Climate-related Disclosures ("Criteria"):

Such Criteria were specifically designed for the disclosure of material information on climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity; As a result, the subject matter information may not be suitable for another purpose.

HNB ASSURANCE PLC'S RESPONSIBILITIES

HNB Assurance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with HNB Assurance PLC on 02 December 2025. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies quality management standards, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

INDEPENDENT LIMITED ASSURANCE REPORT ON SLFRS S1 AND S2 SUSTAINABILITY DISCLOSURE STANDARDS

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

OUR PROCEDURES INCLUDED:

- Conducted interviews with selected key management personnel and relevant staff to understand the business, value chain and sustainability reporting process of the Company
- Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified.
- Performed procedures to understand the Company's disclosures in relation to the Conceptual Foundation of SLFRS S1, including fair presentation, materiality, reporting entity, and connected information
- Conducted procedures to understand the governance processes, controls and procedures employed by the Company to monitor, manage and oversee climate-related risks and opportunities, supported by relevant evidence.
- Perused the minutes of the Board of Directors and Board Audit Committee meetings from the financial year to ensure alignment with the content of governance related disclosures
- Conducted procedures to comprehend the Company's strategy for managing identified climate-related risks and opportunities, supported by relevant evidence and calculations
- Performed analytical procedures to obtain explanations and supporting evidence regarding the Company's processes for identifying, assessing, prioritising, and monitoring climate-related risks and opportunities, including their integration into the overall risk management framework.
- Conducted analytical procedures to gather explanations and supporting evidence to evaluate the Company's performance in relation to its identified climate-related risks and opportunities, including progress towards any targets the Company has set during the assurance engagement.
- Conducted analytical procedures to gather explanations and supporting evidence to evaluate the Company's performance in relation to its identified climate-related risks and opportunities, including progress towards any targets the Company has set.
- Conducted procedures to evaluate the disclosures regarding judgments and uncertainties in the process of preparing the Company's sustainability-related financial disclosures.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of HNB Assurance PLC for the year ended 31 December 2025, in order for it to be in accordance with the Criteria.

RESTRICTED USE

This report is intended solely for the information and use of HNB Assurance PLC for the purpose of providing an assurance conclusion on the Subject Matter based on the Criteria and is not intended to be and should not be used by anyone other than those specified parties.

Ernst + Young

Colombo
27th February 2026

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp), M U M Mansoor ACA

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CAPITAL MANAGEMENT REVIEW



RELENTLESS PRECISION

Archery demands steady focus, disciplined control, and precise execution. Every shot requires balance, concentration, and the ability to adapt to changing conditions. Success in archery depends on relentless accuracy, where every action is intentional and all effort is directed towards a clearly defined target.

HNB Assurance approaches capital management with precision and discipline. Through careful allocation, risk-aware decision-making, and strategic focus, we ensure resources are directed effectively to support sustainable growth. This disciplined approach strengthens our financial resilience and supports long-term stability.

EESG DASHBOARD

EESG Factor	Measurement Criteria	Unit	2025	2024	2023	Capital	Page No
ECONOMY	Total equity	Rs Mn	**14,133**	12,517	10,277		140
	Capital Adequacy Ratio - HNBA	%	**283**	379	339		144
	Capital Adequacy Ratio - HNBGI		**190**	219	208		144
	Determination Ratio - HNBA	%	**112**	113	116		144
	Determination Ratio - HNBGI		**150**	160	143		144
	Total assets	Rs Mn	**80,651**	62,449	51,263		140
	Insurance contract liabilities - HNBA	Rs Mn	**49,248**	38,648	30,946		142
	Insurance contract liabilities - HNBGI		**6,789**	4,507	4,694		143
ENVIRONMENT	GHG emissions	t CO2 e	**5,083**	5,315	N/A		208
	Electricity consumption	kWh	**1,854,516**	2,041,445	1,582,469		207
	Water consumption	Units	**11,154**	14,494	12,509		207
	Paper consumption	kg	**11,236**	10,542	10,125		206
SOCIAL	Total employees	No. of employees	**1609**	1541	1,453		162
	% of female employees	%	**40%**	39%	38%		158
	Employee training and development	No. of hours per employee	**14.7**	17.4	10.1		154
	Community Impact (Micro insurance claims paid)- HNBA	Rs Mn	**10**	6	-		88
	Investment in CSR Activities	Rs Mn	**11**	6	4		200
	Customer complaints per 10,000 claims - HNBA	%	**0.02**	0.26	0.12		182
	Customer complaints per 10,000 claims - HNBGI	%	**0.05**	0.01	0.03		183
	MDRT qualifiers	No	**256**	222	203		178
	No. of reinsurers	No	**19**	17	13		199
	No. of suppliers	No	**536**	529	516		199
	No. of branches	No	**82**	79	78		163
	Investment in IT	Rs Mn	**988**	763	683		171
GOVERNANCE	ESG committee		**Established ESG Committee**	N/A	N/A	N/A	236
	Percentage of Independent Directors	%	**38**	45	50	N/A	237
	Representation of women on the board	%	**15**	9	20	N/A	237

FINANCIAL CAPITAL

During the year under review, the Group delivered a strong financial performance, supported by robust premium growth, resilient earnings, and disciplined capital and investment management. This performance strengthened the Group's financial position, enabled the maintenance of healthy liquidity and capital buffers above regulatory requirements, and positioned the Group well to support future growth.

VALUE CREATED

34% Growth in GWP
2025: Rs. 30,450 Mn.
2024: Rs. 22,738 Mn.

27% Growth in Net Income
2025: Rs. 33,658 Mn.
2024: Rs. 26,525 Mn.

26% PAT Increase
2025: Rs. 2,385 Mn.
2024: Rs. 1,897 Mn.



27% Growth in Financial Investments
2025: Rs. 68,717 Mn.
2024: Rs. 54,305 Mn.

30% Increase in Insurance Contract Liabilities
2025: Rs. 56,037 Mn.
2024: Rs. 43,155 Mn.

13% Growth in Equity
2025: Rs. 14,133 Mn.
2024: Rs. 12,517 Mn.

Relevant Material Topics

- Financial performance and capital stability
- Managing macroeconomic and market risks

Relevant Strategies

Relevant Stakeholders

Relevant SDGs



FINANCIAL CAPITAL

MANAGING FINANCIAL CAPITAL

As providers of long-term financial protection and risk solutions, HNBA and HNBGI place strong emphasis on the disciplined stewardship of financial resources to ensure the timely fulfilment of obligations to policyholders and other stakeholders. Financial management practices are aligned with regulatory expectations, including liquidity and capital adequacy requirements prescribed by the Insurance Regulatory Commission of Sri Lanka, contributing to the overall stability of the insurance sector.

Oversight of financial capital is embedded within a robust governance framework. The Board is supported by specialised committees, namely the Audit Committee, Strategy Review Committee, Investment Committee, and Risk Management Committee, which provide guidance and oversight across key financial and strategic areas. While the Board retains ultimate accountability for financial capital management, day-to-day financial oversight, control, and reporting are managed by the Chief Financial Officer, who reports directly to the Chief Executive Officer. As a core member of the Group's senior management team, the CFO plays a central role in upholding sound financial governance, supporting strategic decision-making, and driving operational effectiveness.

Responsibilities of the Board Committees are as follows,

Audit Committee

Oversees financial reporting, evaluates internal controls, and ensures assurance over the reliability of the financial statements

Strategy Review Committee

Balance the optimisation of investor returns with the pursuit of sustainable growth objectives

Risk Management Committee

Oversight and management of capital and liquidity exposures linked to other risks

Investment Committee

Oversees asset allocation and offers strategic direction on investment management

TRADE-OFFS WITH OTHER CAPITALS

Our management of Financial Capital aligns with other forms of capital, balancing synergies and trade-offs. We maintain strong buffers, disciplined underwriting, prudent claims practices, and responsible reinsurance to ensure long-term stability, regulatory trust, and policyholder confidence, even if it limits short-term returns. Investing in technology, infrastructure, talent, and governance may increase immediate costs but enhances resilience and sustainable earnings. The Group prioritises franchise strength and stakeholder assurance over short-term gains, ensuring Financial Capital drives ongoing value creation.

Capital	Effect
	• Maintaining strong relationships with policyholders, intermediaries, reinsurers, regulators, and corporate clients may require pricing discipline, prudent claims settlement practices, and strategic participation in protection-oriented product segments. • Disciplined underwriting and reinsurance utilisation may moderate short-term net margins but protect long-term capital stability and stakeholder confidence. Similarly, maintaining adequate capital buffers above regulatory thresholds enhances trust among regulators and policyholders, even if it constrains aggressive capital deployment. HNBA prioritises long-term stakeholder trust and franchise strength over short-term financial optimisation.
	• Investments in branch upgrades, technology infrastructure, plant, and equipment increase short-term capital outflows but improve operational efficiency and scalability over time. • Strengthening digital platforms and service infrastructure may moderate near-term margins, yet enhance customer retention and long-term revenue stability.
	• Investments in talent acquisition, training, performance incentives, and leadership development increase operating costs in the short term. However, these investments strengthen distribution productivity, underwriting quality, risk governance, and innovation capacity over the long term. • During the year, operating expenses increased partly due to investments in people capabilities and strengthening governance. While this places pressure on short-term profitability ratios, it enhances long-term earnings sustainability and reduces operational and compliance risk.
	• Prioritising environmentally responsible investments may limit financial returns due to fewer opportunities. • Limiting exposure to environmentally sensitive or catastrophe-prone risks may restrain short-term premium expansion but protects long-term capital stability.
	• Investments in core systems, IFRS 17 readiness, and data governance increase short-term expenditure but strengthen regulatory compliance and operational resilience. • Developing analytics, digital capabilities, and process automation requires financial commitment upfront, yet drives long-term efficiency, risk optimisation, and competitive advantage.

THE INCOME STATEMENT

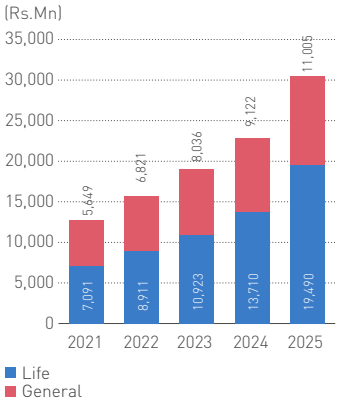
Rs. Mn.	Life		General		Group	
	2025	2024	2025	2024	2025	2024
Gross Written Premium	19,490	13,710	11,005	9,122	30,450	22,738
Net Written Premium	18,441	12,935	6,267	5,311	24,664	18,152
Net Earned Premium	18,441	12,935	5,743	5,510	24,140	18,352
Total Other Revenue	8,348	7,031	1,197	1,193	9,518	8,174
Net Income	26,790	19,966	6,940	6,704	33,658	26,525
Total Benefits, Claims and Other Expenses	(23,759)	(17,607)	(6,585)	6,349	(30,273)	(23,813)
Profit Before Taxation	3,030	2,358	355	354	3,385	2,713
Income Tax Expenses	(908)	(701)	(93)	(114)	(1,000)	(816)
Profit for the Year	2,123	1,657	262	240	2,385	1,897

GROSS WRITTEN PREMIUM (GWP)

Gross Written Premiums (GWP) recorded a 34% year-on-year growth, reaching Rs. 30.5 billion (2024: Rs. 22.7 billion), reflecting the Group's continued ability to scale our operations while maintaining portfolio quality and underwriting discipline. This performance was achieved against the backdrop of an improving macroeconomic environment, rising insurance awareness, and enhanced effectiveness of distribution channels across both Life and General Insurance businesses.

The Life Insurance business remained the principal contributor to growth, recording an exceptional 42% growth in GWP to Rs. 19.5 billion (2024: Rs. 13.7 billion), while the General Insurance business delivered a strong 21% growth, with GWP increasing to Rs. 11.0 billion (2024: Rs. 9.1 billion). Life Insurance accounted for 64% of total Group GWP, with General Insurance contributing the remaining 36%, reflecting a well-balanced premium mix and diversified revenue base.

Gross Written Premium - Group



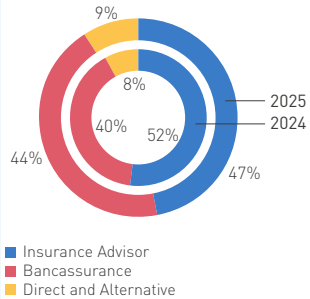
LIFE INSURANCE

Life Insurance GWP growth was broad-based, driven by strong performance across both new and renewal business, supported by improvements in distribution productivity and business quality parameters. Regular premium new business recorded a growth of 38%, reflecting enhanced agency productivity, expansion of bancassurance relationships, and increased penetration through alternate distribution partnerships. Renewal premiums grew by 37%, underpinned by improved persistency levels and customer retention.

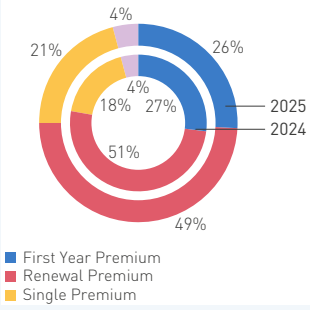
The Group Life segment recorded a robust 49% growth, supported by increased demand from corporate clients and heightened awareness of employee protection solutions. Single premium business recorded an exceptional growth of 63%, benefiting from customer preference for capital-efficient and protection-oriented offerings in a low interest rate environment.

Long-term savings and protection products continued to anchor the Life Insurance portfolio, generating stable recurring premium inflows and supporting the growth of the Life Fund. The balanced contribution from regular premiums, renewals, group life and single premium business enhanced the sustainability of premium income and strengthened the long-term financial capital base of the Life Insurance business.

Channel Distribution: Life



Category wise GWP - Life



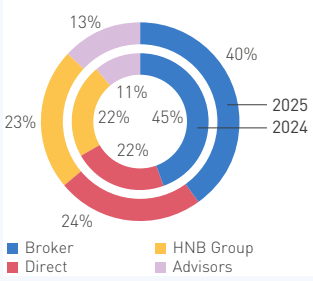
FINANCIAL CAPITAL

GENERAL INSURANCE

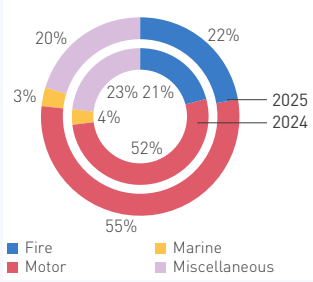
The General Insurance business recorded GWP of Rs. 11.0 billion, reflecting growth across key classes of business and improved market activity during the year. The Motor segment, which remained the largest contributor to General Insurance GWP at approximately 54%, recorded a growth of 25%, supported by the easing of vehicle import restrictions and increased new vehicle registrations. Despite intensified competition and pricing pressures, underwriting discipline was maintained to protect portfolio quality.

The Non-Motor segment delivered strong performance, recording a GWP growth of 16%, significantly outperforming overall industry growth. Fire and Engineering classes benefited from increased construction and infrastructure-related activity, while Medical and Marine segments recorded improved performance in line with higher economic activity and trade volumes. The Non-Motor segment accounted for approximately 46% of General Insurance GWP, supporting improved diversification and reduced concentration risk within the portfolio.

Channel Distribution: General



General Insurance - Class Wise GWP



PREMIUM CEDED TO REINSURERS

Reinsurance continued to play a critical role in safeguarding the Group's financial capital by mitigating underwriting risk, managing volatility arising from large losses, and supporting sustainable growth across both Life and General Insurance businesses. The Group maintained a prudent and well-structured reinsurance arrangements during the year, balancing effective risk transfer with cost efficiency. During the year, the Group's reinsurance programs provided effective protection against elevated catastrophe-related claims arising from Cyclone Ditwah, limiting volatility in underwriting results and supporting the preservation of capital.

Premiums ceded to reinsurers increased in line with the strong growth in GWP. In the Life Insurance segment, reinsurance premiums grew by 35%, broadly aligned with the expansion of new business volumes and increased protection coverage, and accounted for approximately 13% of the Group's total ceded premiums.

In the General Insurance segment, reinsurance premiums accounted for 87% of the Group's total ceded premiums, largely due to the continued requirement to remit Motor SRCC and TC premiums in full to the National Insurance Trust Fund (NITF). Reinsurance premiums increased by 24% during the year, reflecting the expansion of the underwriting portfolio. In addition, the ongoing diversification of the General Insurance business, particularly the growth of Non-Motor lines, resulted in higher reinsurance utilisation as the Group actively managed exposure to catastrophe-prone and large-risk classes.

Overall, the Group's total premiums ceded to reinsurers increased by 26% to Rs. 5.8 billion.

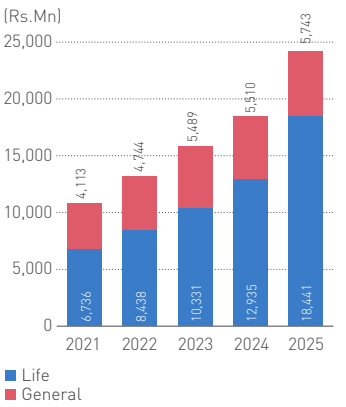
NET EARNED PREMIUM (NEP)

Net Earned Premium (NEP) growth reflected the combined impact of strong topline expansion and regulatory-driven reinsurance structures. Life Insurance NEP increased by 43% to Rs.18.4 billion, broadly in line with the growth in Life GWP, supported by the recurring nature of premium inflows and stable reinsurance arrangements.

In contrast, General Insurance NEP recorded a growth of 4%, despite a 21% increase in GWP, primarily due to regulatory requirements mandating the remittance of 100% of certain premiums, which constrained the immediate translation of topline growth into earned premiums.

As a result, the Group's total NEP reached Rs. 24.1 billion, representing an overall growth of 32%. The expanding NEP base continues to support future underwriting income, investment income generation, and the strengthening of the Group's financial capital position over time.

Net Earned Premium



NET INCOME (NI)

The Group delivered a resilient Net Income performance in 2025, underpinned by strong underwriting growth, expanding Assets Under

Management, and disciplined investment management in a persistently low interest rate environment. The scale achieved through sustained premium growth continued to support earnings capacity across both Life and General Insurance businesses.

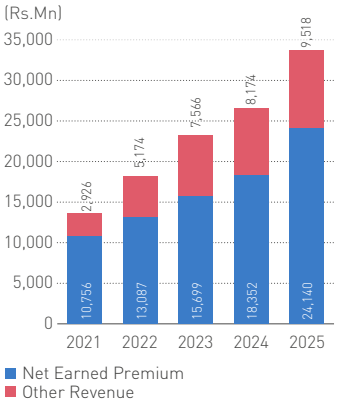
Net Income for the year amounted to Rs. 33.7 billion, with growth primarily driven by higher earned premiums and investment income generated from a significantly expanded asset base. Other Revenue totalled Rs. 9.5 billion, representing approximately 28% of Group Net Income. The contribution from Other Revenue remained a key earnings driver, supported by effective portfolio construction and active management of financial investments.

The Life Insurance business continued to be the dominant contributor to Group earnings, generating 80% of Net Income and 88% of total Other Revenue. Interest income from financial assets increased to Rs. 7.5 billion, reflecting a 10% year-on-year growth, despite ongoing pressure on fixed income yields. This outcome was driven by the continued expansion of the Life Fund, improved scale efficiencies. In addition to interest income, the Life Insurance portfolio recorded gains from equity and unit trust investments amounting to Rs. 700 million, notwithstanding the relatively limited exposure of 2% of total funds under management to such instruments. Fee and commission income amounted to Rs. 102 million, reflecting movements in profit commissions received from reinsurers during the year.

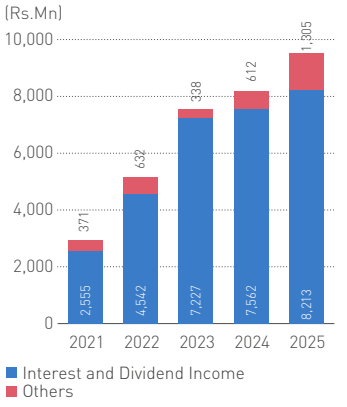
The General Insurance business recorded Other Revenue of Rs. 1.2 billion, representing a slight increase compared to the previous year. Interest income declined to Rs. 720 million, in line with prevailing market conditions.

Overall, the Group's Net Income performance reflects the benefits of scale, prudent capital deployment, and disciplined investment management, positioning the Group to sustain earnings momentum while navigating ongoing macroeconomic and market-related challenges.

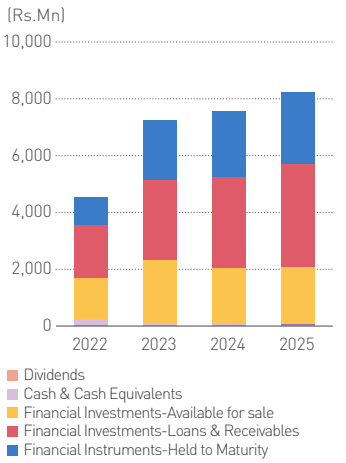
Revenue by Type - Group



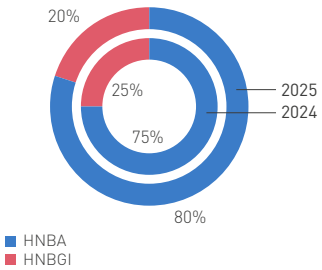
Other Revenue - Group



Interest & Dividend Income



Analysis of Net Income by Segment



NET BENEFITS, CLAIMS AND EXPENSES

Total Benefits, Claims and Other Expenses increased by 27% to Rs. 30.3 billion during the year, reflecting the overall expansion of the Group's underwriting portfolio, higher policyholder activity across both Life and General Insurance businesses, and an increase in catastrophe-related claims arising from Cyclone Ditwah.

Rs. Mn.	2025	2024	% Change
Net Insurance Benefits and Claims Incurred	8,446	6,711	26%
Change in Contract Liabilities - Life Fund	10,547	7,680	37%
Other Operating and Administration Expenses	7,476	6,430	16%
Underwriting and Net Acquisition Costs	3,575	2,749	30%
Finance and Other Insurance Related Costs	229	242	(6%)
Total Benefits, Claims and Other Expenses	30,273	23,813	27%

Net Insurance Benefits and Claims

Net Insurance Benefits and Claims recorded a, increase of 26%, primarily driven by the Life Insurance segment. Life Insurance claims increased by 46%, with higher payouts arising from an increase in business volume and policy maturities and elevated claims across death, hospitalisation and other categories. Growth in maturity claims was broadly in line with expectations, reflecting the ageing profile of the in-force book and sustained growth in long-term savings products.

FINANCIAL CAPITAL

The General Insurance segment maintained disciplined claims management during the year, despite operating in a more volatile risk environment. Net Claims Incurred increased by 9% compared to the previous year, reflecting the combined impact of portfolio growth, catastrophe-related claims arising from Cyclone Ditwah, and continued underwriting actions to improve overall portfolio quality.

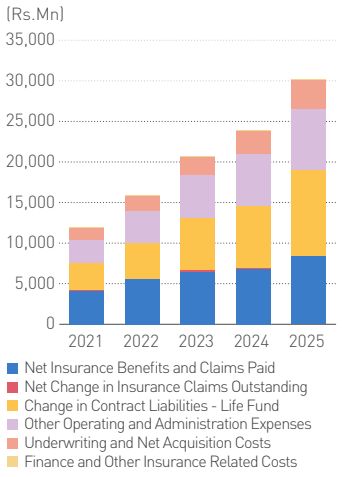
Targeted measures to exit or reprice underperforming accounts, particularly within the Motor and Medical portfolios, continued to yield positive outcomes. As a result, the Motor claims ratio improved to 60% (2024: 61%), while the overall claims ratio for the General Insurance business stood at 70%, compared to 67% in the prior year. These improvements highlight the effectiveness of strengthened risk selection, tighter underwriting controls, and enhanced claims monitoring processes.

Despite the elevated claims from adverse weather events, the General Insurance business demonstrated resilience by maintaining a stable claims profile and improving portfolio profitability, reinforcing the sustainability of its underwriting strategy.

Life Insurance (Rs. Mn.)	2025	2024	% Change
Death and Other	841	438	92%
Hospitalisation	224	176	27%
Maturity	2,715	1,679	62%
Surrender	557	689	(19%)
Annuity	13	13	0%
Total	4,350	2,995	45%

General Insurance (Rs. Mn.)	2025	2024	% Change
Motor	2,378	2,424	(2%)
Fire	20	40	(51%)
Marine	9	20	(56%)
Medical	1,558	1,283	21%
Miscellaneous	52	21	149%
Total	4,017	3,788	6%

Net Benefits, Claims & Expenses



Expenses

Other Operating and Administrative Expenses increased by 16% to Rs. 7.5 billion in 2025, reflecting higher operating scale and continued investments to support long-term growth and regulatory readiness.

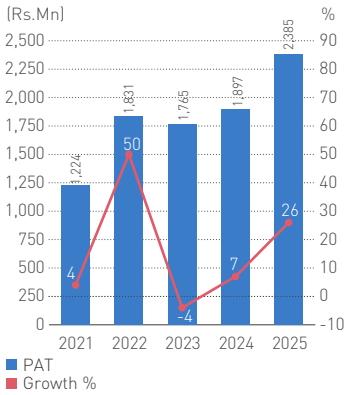
Expenditure during the year increased primarily due to targeted investments in digitalisation, including core system upgrades and stabilisation, and enhancements to IT infrastructure, as well as professional services associated with the ongoing implementation of IFRS 17 systems and the strengthening of governance and control frameworks. These investments were undertaken to support future scalability, regulatory readiness, and operational efficiency.

Despite these investments, the Group maintained a strong focus on cost discipline. Cost pressures were partially mitigated through targeted efficiency initiatives, including process redesign, increased automation and digitisation of manual workflows, and the continued adoption of flexible and role-based work arrangements. These measures helped improve productivity and contain overhead growth relative to business expansion.

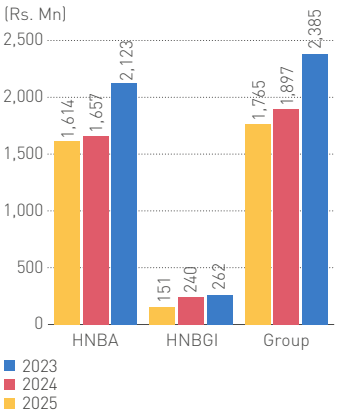
Underwriting and net acquisition costs increased by 31% to Rs. 3.6 billion, in line with the strong growth in GWP and the expansion of distribution capacity. In the Life Insurance business, net acquisition costs accounted for approximately 18% of GWP, driven by a 38% increase in new business premiums, which typically attract higher upfront acquisition expenses. In the General Insurance business, acquisition costs represented approximately 1% of GWP, reflecting continued focus on portfolio quality, improved commission structures, and tighter cost controls.

Overall, the Group's expense profile reflects a balanced approach between investing for future growth and maintaining operational efficiency, supporting sustainable profitability and the effective management of financial capital.

Group Profitability



Profit After Tax



PROFIT BEFORE TAX

The Group recorded a Profit Before Tax (PBT) of Rs. 3.4 billion in 2025, representing a 25% year-on-year increase, driven by strong growth in underwriting volumes, improved scale efficiencies, and resilient investment performance despite a challenging interest rate environment.

The Life Insurance business remained the dominant contributor to Group profitability, accounting for approximately 90% of total PBT. The segment reported a PBT of Rs. 3.0 billion, reflecting a growth of 28% compared to the previous year. This performance was underpinned by higher GWP, expansion of the Life Fund, and growth in investment income arising from a broadened asset base. The Life Insurance PBT includes a surplus transfer of Rs. 1.9 billion from the Life Fund to shareholders (2024: Rs. 1.35 billion), reinforcing shareholder value creation.

Profitability of the Life Insurance business was partially moderated by higher operating costs associated with strategic investments in information technology, digital transformation initiatives, and business expansion, as well as the impact of declining interest rates on fixed income instruments.

The General Insurance business recorded a PBT of Rs. 355 million, broadly in line with the prior year. This outcome was achieved despite continued regulatory requirements mandating full remittance of Motor SRCC and TC premiums, and elevated claims arising from Cyclone Ditwah and the decline in investment income experienced during the year. Profitability was supported by disciplined underwriting, improvements in claims management, and timely execution of investment strategies, which helped mitigate external pressures.

Overall, the Group's PBT performance highlights the resilience of its diversified business model and its ability to deliver sustained profitability while continuing to invest in long-term growth and operational capabilities.

PROFIT AFTER TAX

The Group recorded a Profit After Tax (PAT) of Rs. 2.4 billion in 2025, a strong growth of 26% reflecting the strong improvement in pre-tax profitability and disciplined cost management across both Life and General Insurance businesses. The increase in post-tax earnings was achieved in an operating environment characterised by low interest rates and elevated claims activity during the year.

The effective tax rates applicable to both the Life Insurance and General Insurance segments remained unchanged during the year. Accordingly, the Life Insurance business generated a PAT of Rs. 2.1 billion, representing a robust year-on-year growth of 28%, supported by higher earned premiums, growth in investment income and continued focus on operational efficiency.

The General Insurance business reported a PAT of Rs. 262 million, recording a growth of 9% despite the challenging operating landscape. Profitability was underpinned by disciplined underwriting, effective claims management, and gains realised on financial investments, which helped offset pressures arising from regulatory remittance requirements, foreign exchange movements, and catastrophe-related claims.

Overall, the Group's PAT performance reflects the benefits of scale, prudent capital deployment, and a stable tax environment, reinforcing its ability to deliver sustainable returns to shareholders while maintaining financial resilience.



FINANCIAL CAPITAL

FINANCIAL POSITION

Rs. Mn.	Life		General		Group	
	2025	2024	2025	2024	2025	2024
Assets						
Financial Investments	**62,493**	48,486	**6,224**	5,818	**68,717**	54,305
Cash and Cash Equivalents	**962**	841	**631**	561	**1,593**	1,402
Fixed and Intangible Assets	**1,152**	1,124	**664**	292	**1,816**	1,416
Other Assets and Receivables	**3,834**	2,953	**5,865**	3,558	**8,525**	5,326
Total Assets	**68,441**	53,404	**13,384**	10,229	**80,651**	62,449
Equity and Liabilities						
Equity	**12,194**	10,809	**3,090**	2,858	**14,133**	12,517
Liabilities						
Contract Liabilities	**49,248**	38,648	**6,789**	4,507	**56,037**	43,155
Other Liabilities	**6,999**	3,947	**3,505**	2,864	**10,481**	6,777
Total Liabilities	**56,247**	42,595	**10,294**	7,371	**66,518**	49,932
Total Equity and Liabilities	**68,441**	53,404	**13,384**	10,229	**80,651**	62,449

TOTAL ASSETS

The Group's asset base expanded significantly during the year, with Total Assets increasing by 29% to Rs. 80.7 billion, reflecting sustained business growth, strong premium inflows, and favourable valuation movements within the investment portfolio. This continued balance sheet expansion reinforces the Group's financial strength and its ability to support long-term policyholder commitments.

Financial investments remained the dominant component of the Group's asset mix, accounting for 85% of Total Assets as at year end. The value of Financial Investments increased to Rs. 68.7 billion, supported by higher business-generated cash flows and mark-to-market gains, despite the persistence of a low interest rate environment. The growth in Assets Under Management also contributed to improved investment income generation capacity during the year.

Intangible Assets increased by Rs. 411 million, reflecting continued capitalisation of investments in core systems, digital platforms, and other technology upgrades, including the stabilisation phase of the recently implemented core insurance systems in both companies. These investments are expected to enhance operational scalability, efficiency, and customer experience over the medium to long term.

Capital expenditure on property, plant and equipment and systems amounted to Rs. 232 million during the year (2024: Rs. 250 million), reflecting a measured approach to infrastructure investment following the completion of several major system initiatives in prior periods.

HNBA accounted for the majority of the Group's assets, with Total Assets increasing by 28% to Rs. 68.4 billion. This growth was supported by the continued expansion of the Life Fund, backed by a high-quality and well-diversified investment portfolio aligned with the long-term nature of policyholder obligations.

HNBGI recorded a strong increase in Total Assets of 31%, reaching Rs. 13.4 billion, driven by higher underwriting volumes, improved liquidity levels, and growth in financial investments. In addition, intangible assets increased significantly during the year, reflecting the capitalisation of the new core insurance system and other technology-related investments undertaken to strengthen digital capabilities and operational scalability. The resulting enhancement of the General Insurance balance sheet enhances the HNBGI's capacity to withstand underwriting volatility while supporting continued portfolio diversification.

Overall, the growth in Total Assets reflects the Group's disciplined capital deployment, prudent investment strategy, and effective balance sheet management, reinforcing financial resilience and supporting sustainable value creation for all stakeholders.

Rs. Mn.	2025	2024	2023	2022	2021	Growth in 2025
Financial Investments	**68,717**	54,305	43,855	34,624	29,094	**27%**
Cash and Cash Equivalents	**1,593**	1,402	1,123	1,033	2,113	**14%**
Fixed and Intangible Assets	**1,816**	1,416	1,182	856	741	**28%**
Other Assets & Receivables	**8,525**	5,326	5,103	4,583	3,921	**60%**
Total Assets	**80,651**	62,449	51,263	41,096	35,869	**29%**

COMPOSITION OF ASSETS

%	2025	2024	2023	2022	2021
Financial Investments	85	87	86	84	81
Cash and Cash Equivalents	2	2	2	3	6
Fixed and Intangible Assets	2	2	2	2	2
Other Assets & Receivables	11	9	10	11	11
Total Assets	100	100	100	100	100

FUND MANAGEMENT

KEY HIGHLIGHTS

Group FUM	Group FUM Growth	Group Investment Income	Group Investment Income Growth	Group Investment Return
Rs. 70 Bn.	27 %	Rs. 9 Bn.	17 %	15.5 %
(HNBA Rs. 63 Bn.)	(HNBA 29%)	(HNBA Rs. 8.2 Bn.)	(HNBA 19%)	(HNBA 15.8%)

FOCUS AREAS

1. Maintain a well-diversified portfolio mix to enhance stability and optimise risk-adjusted returns.
2. Deliver sustainable returns through disciplined investment strategies with continuous market monitoring.
3. Ensure effective asset - liability management and liquidity needs.
4. Maximize portfolio performance within an accepted risk–return framework aligned with investment policy.
5. Drive the portfolio toward future-ready opportunities, including Green, Social and Sustainable investments etc.

2025 posed moderate challenges to Sri Lanka's economy, particularly in the latter part of the year due to adverse weather conditions that affected economic activity. Strong fiscal performance and prudent macroeconomic management helped mitigate these pressures, supporting overall economic stability. Inflation remained well anchored, and the exchange rate was broadly stable throughout the year. In this environment, interest rates eased slightly and remained stable with less market volatility. Taking together, these factors created a more predictable environment for fund management in 2025.

Against this backdrop, the Group adopted investment strategies focused on maximising returns within an accepted risk-return profile and regulatory framework, ensuring effective Asset-Liability Management (ALM), liquidity management, and diversified asset allocation.

Investment performance of HNBA

In 2025, HNBA delivered a strong investment performance despite operating in a lower interest rate environment, achieving a three-year CAGR of 28%. Total investment income for the year reached Rs. 8.2 billion, representing a year-on-year growth of 19% while delivering a portfolio return of 15.8%. The investment portfolio remained well diversified, with a strategic emphasis on long-duration government securities and high-quality corporate debt instruments, supporting the Company's long-term life insurance liabilities while maintaining sufficient liquidity.

The Company maintained a broadly diversified investment portfolio across multiple asset classes, with approximately 52% allocated to Treasury Bonds, 18% to debentures, and 22% to term deposits, underscoring a continued emphasis on long-term investments. In addition, around 7% of the portfolio was invested in short-term instruments, including repurchase agreements and unit trusts, supporting liquidity management while further enhancing overall portfolio diversification.

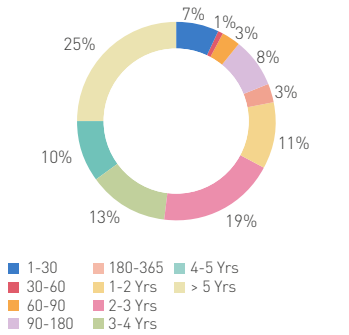
In October 2025, the Company partnered with an external asset manager to manage its equity portfolio, leveraging specialised expertise under a dedicated equity mandate to enhance portfolio value creation.

78% of the investment portfolio is strategically held for periods exceeding one year, supporting effective asset–liability matching, preserving a strong Capital Adequacy Ratio, and enhancing the sustainability of returns. These positioning decisions also contributed to an increase in the portfolio's average duration during the year, while maintaining a high blended credit quality, with the average rating remaining above 'A'.

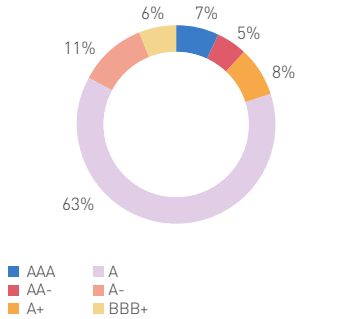
Total Funds Under Management of HNBA increased by 29% to Rs. 63.2 billion in 2025. This growth was primarily driven by the continued expansion of the Life Fund, which grew by 29% and represented approximately 82% of total funds under management. The Life Shareholders' Fund also recorded strong growth of 21%, contributing the remaining 18%, reflecting a balanced expansion across the Company's core investment segments.

FINANCIAL CAPITAL

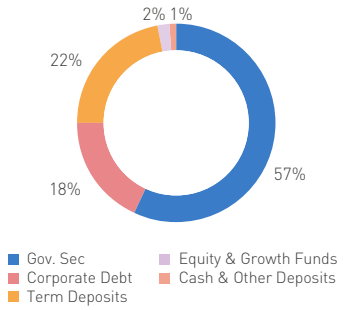
Maturity Mix - HNBA



Asset Quality - HNBA



Asset Allocation - HNBA

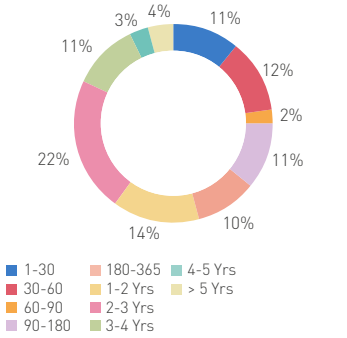


Investment performance of HNBGI

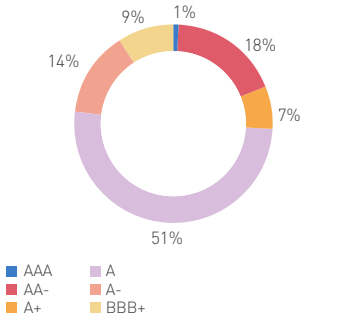
Fund management for HNBGI in 2025 continued to prioritise capital protection, Liquidity and flexibility, reflecting the shorter-term nature of general insurance liabilities. HNBGI generated investment income of Rs. 772 million during the year, reflecting a marginal contraction of 5%. Performance remained resilient despite portfolio dilution with the lower market yields compared to last year. Proactive investment decision-making, supported by disciplined portfolio monitoring and timely execution, helped mitigate these impacts and supported consistent investment returns.

HNBGI maintained a diversified investment portfolio during the year, with 28% allocated to Treasury Bonds, 21% to Debentures, and 32% to Term Deposits, supporting portfolio stability and consistent returns. The balance of the portfolio was invested in short-term instruments such as Treasury Bills, repurchase agreements, and Unit Trusts, ensuring adequate liquidity and further diversification of risk. Total Funds Under Management of HNBGI increased by 9% to Rs. 6.7 billion during the year. Growth in managed funds was moderated by elevated claims volumes witnessed across the industry.

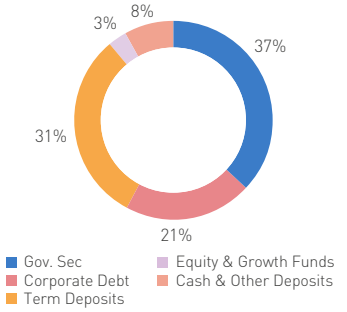
Maturity Mix - HNBGI



Asset Quality - HNBGI



Asset Allocation - HNBGI



Future Focus

Looking ahead to 2026, our investment strategy will be guided by expectations of continuing macroeconomic stability, assuming no major environmental or global disruptions, and the Government's continued operation within the International Monetary Fund programme. While there could be post-cyclone impacts on the economy, these are not expected to significantly disrupt the projected economic growth. Interest rates are anticipated to stabilise with minor volatility, supported by a steady macroeconomic environment and positive fiscal operations. The exchange rate is expected to remain broadly stable, with a slight depreciation.

Our focus on fixed income investments will continue to secure stable returns with maturity mix and asset allocation strategies within our risk parameters, while we cautiously increase our equity exposure to capitalise on potential growth opportunities. HNBA's strategy will follow an asset-liability management approach with a long-term focus, while HNBGI will maintain comparatively a more short-medium term approach aligned with the nature of its business. This balanced strategy aims to deliver sustainable value while effectively managing risks including solvency.

TOTAL LIABILITIES

The Group's Total Liabilities increased by 33% to Rs. 66.5 billion as at the end of the financial year, largely reflecting the continued expansion of the insurance portfolio and the resulting growth in policyholder-related obligations. The increase was primarily driven by higher Insurance Contract Liabilities, which remained the most significant component of the Group's liability structure.

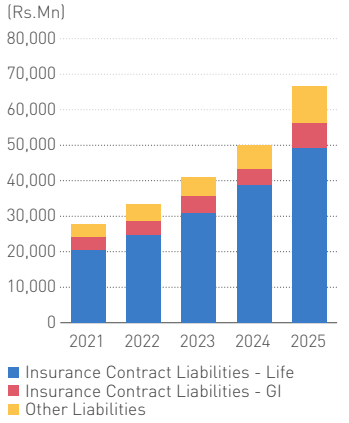
Insurance Contract Liabilities accounted for approximately 84% of total Group liabilities, underscoring the scale and growth of the Group's core insurance operations. The expansion of these liabilities was aligned with strong growth in GWP and the accumulation of policyholder funds in Life Insurance business and expansion in business and cyclone Ditwah outstanding claims in General Insurance Business.

The Life Insurance segment recorded an increase of 27% in Insurance Contract Liabilities, reaching Rs. 49.2 billion, in line with the growth in premium volumes and the continued expansion of the Life Fund. In accordance with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka, the Life Insurance Fund is maintained through distinct Participatory, Non-Participatory, and Universal Life Funds, ensuring appropriate segregation and governance of policyholder liabilities.

The General Insurance segment recorded Insurance Contract Liabilities of Rs. 6.8 billion, reflecting changes in underwriting volumes, claims experience, and the impact of regulatory requirements on premium recognition. The liability profile of the General Insurance business remained well managed, supported by strong liquidity and effective reinsurance arrangements.

Overall, the growth in Total Liabilities reflects the expansion of the Group's insurance operations and policyholder base, while prudent liability management and strong capital buffers continue to support financial stability and regulatory compliance.

Total Liabilities



CAPITAL STRUCTURE

The Group's capital base remained strong during the year, with Group Equity increasing by Rs. 1.6 billion to Rs. 14.1 billion, representing a growth of 13% compared to the previous year.

The increase in equity was primarily supported by higher retained earnings, reflecting improved profitability and continued internal capital generation.

The Group continued to maintain a Restricted Regulatory Reserve amounting to Rs. 381 million, held within equity and invested in term deposits. In compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), this reserve is required to be retained and may only be distributed to shareholders upon meeting the conditions stipulated by the regulator.

Overall, the Group's capital structure remains robust, supported by strong retained earnings and adequate regulatory reserves, providing a solid foundation to support business growth, absorb market volatility, and maintain financial stability.

CASH FLOW

Effective cash flow management remains a key priority for the Group, underpinning liquidity, financial resilience, and the ability to meet policyholder and operational obligations as they fall due. During the year, the Group continued to benefit from strong operating cash generation, supported by growth in premium inflows, disciplined claims settlement, and effective working capital management.

The Group generated net cash flows from operating activities of Rs. 7.2 billion in 2025 (2024: Rs. 3.1 billion), representing an increase of 132% compared to the previous year. The improvement in operating cash flows was driven primarily by higher underwriting volumes across both Life and General Insurance businesses, improved collection efficiency, and sustained profitability.

Cash flows from investing activities reflected the Group's continued focus on prudent capital deployment, including investments in financial assets to support the growth of policyholder funds and targeted capital expenditure on technology and system enhancements. Financing cash flows primarily related to routine funding activities and dividend-related movements, in line with the Group's capital management strategy.

Overall, the Group maintained a healthy liquidity position throughout the year, with cash and cash equivalents remaining at adequate levels to support business growth, absorb short-term volatility, and meet regulatory liquidity requirements. The strength of operating cash flows reinforces the Group's ability to sustain its operations, fund strategic investments, and support long-term value creation.

Rs. Mn.	2025	2024	Change
Net cash flow generated from operating activities	7,197	3,124	132%
Net cash flow used in investing activities	6,155	2,076	198%
Net cash used in financing activities	774	717	8%
Cash and cash equivalents at the end of the year	1,251	983	27%

FINANCIAL STABILITY

Capital Adequacy

The Group continued to maintain strong capital buffers throughout the year, supporting financial resilience and compliance with regulatory requirements. Both companies maintained Capital Adequacy Ratios (CAR) comfortably above the minimum thresholds prescribed by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

FINANCIAL CAPITAL

As at year end, HNBA reported a CAR of 283%, while HNBGI recorded a CAR of 190%, both exceeding the regulatory minimum requirement of 120% and the intervention threshold. Capital adequacy was supported by improved profitability, growth in retained earnings, and prudent capital planning.

Both entities also maintained Total Available Capital well above the minimum regulatory requirement of Rs. 500 million. Regular stress testing and scenario analysis continued to confirm the adequacy of capital buffers under adverse conditions.

Overall, the Group's strong capital adequacy position reflects disciplined capital management and effective risk governance, reinforcing its ability to support sustainable growth and protect policyholder and shareholder interests.

Capital Adequacy Ratio	HNBA		HNBGI	
	2025	2024	2025	2024
Total Available Capital (TAC) (Rs. Mn.)	24,191	21,310	2,249	2,460
Risk Based Capital Requirement (Rs. Mn.)	8,548	5,616	1,181	1,124
Risk Based Capital Adequacy Ratio	283%	379%	190%	219%
Regulatory Minimum CAR	120%		120%	

Approved Assets

Both HNBA and HNBGI continued to comply fully with the Approved Assets requirements stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL) during the year.

As at the end of the financial year, each entity maintained approved assets in excess of 100% of the respective Long-Term Insurance Fund and Technical Reserves, in line with the requirements of Determination No. 1 issued by the IRCSL. This was supported by a high-quality and well-diversified asset portfolio, aligned with the nature and duration of underlying policyholder liabilities.

The continued maintenance of approved assets above regulatory thresholds reflects the Group's prudent investment strategy, disciplined asset–liability management practices, and strong governance over capital deployment. These measures ensure the Group's ability to meet policyholder obligations as they fall due while maintaining regulatory compliance and financial stability.

Approved Assets Position	HNBA		HNBGI	
	2025	2024	2025	2024
Approved assets maintained in business (Rs. Mn.)	54,919	43,141	6,669	6,086
Long Term Insurance Fund /Technical Reserve (Rs. Mn.)	48,870	38,337	4,438	3,809
Approved assets in excess of Long Term Insurance Fund/Technical Reserve (Rs. Mn.)	6,049	4,803	2,231	2,277
Approved assets as a % of Long Term Insurance Fund/Technical Reserve	112%	113%	150%	160%
Regulatory Minimum Ratio	100%		100%	

FINANCIAL RATIOS

Ratios (Group)		2025	2024	2023	2022	2021
Return on Equity	%	17.89	16.64	19.53	22.99	15.00
Return on Assets	%	3	3	4	5	4
Net Assets per Share	Rs.	94.21	83.45	68.51	51.99	54.15
Earnings per Share	Rs.	15.89	12.65	11.76	12.20	8.16
Earnings Yield	%	14	16	21	28	17
Price Earnings Ratio	times	7.22	6.33	4.81	3.52	5.93
Price to Book Value	times	1.22	0.96	0.83	0.83	0.89

SUSTAINABILITY FOCUSED INVESTMENTS

During the year, the Company initiated investments in sustainability related fixed income instruments as part of commitment to responsible and sustainable investment practices. As at end 2025 and early 2026, total investments in Green, Social and Sustainability (GSS) bond issuances amounted to more than Rs. 1 billion, comprising Rs. 675 million invested during 2025 and a further Rs. 362 million invested within the first two months of 2026.

The proceeds of these investments are utilised to finance and refinance eligible green and social projects in line with the respective issuers' Sustainable Finance Frameworks. These include renewable energy projects, energy efficiency improvements, sustainable infrastructure development, MSME and SME financing, women-led business initiatives, and climate resilience initiatives, thereby supporting environmentally and socially responsible economic development in Sri Lanka.

Building on this initial progress, the Company intends to continuously consider sustainability related investment opportunities going forward as part of its long-term investment strategy and focus on sustainable value creation.

Future Focus

	HNBA	HNBGI
Short-term	• Preserve strong capital adequacy and liquidity through disciplined underwriting, prudent reinsurance utilisation, and stable Life Fund growth. • Optimise asset–liability management and investment performance to protect margins and earnings stability in a low interest rate environment.	• Safeguard capital stability through disciplined underwriting and focused management of Motor and Medical claims volatility. • Strengthen liquidity, reinsurance optimisation, and cost discipline to sustain solvency and near term profitability.
Medium-term	• Strengthen the investment portfolio by increasing exposure to high-quality, long-duration assets and selective equity participation to improve risk-adjusted returns. • Maintain capital buffers comfortably above regulatory thresholds to support growth and long-term shareholder value creation.	• Improve earnings quality and capital efficiency through portfolio diversification, increasing the contribution of Non Motor business. • Align pricing, underwriting, and investment strategies with evolving risk profiles, including climate related and catastrophe exposures.
Long-term	• Position HNBA as a financially resilient, future ready life insurer with strong solvency, sustainable returns, and disciplined capital stewardship. • Deliver long-term value to policyholders and shareholders through stable returns, transparent financial governance, and responsible capital allocation.	• Build a resilient capital base capable of absorbing underwriting volatility and market cycles while supporting scalable growth. • Maintain sustainable financial strength over the long term by effectively balancing profitability, solvency, and prudent risk management in an evolving insurance environment.

HUMAN CAPITAL

Our people are our most valuable asset – we are committed to a culture that develops talent, rewards performance, and cares for employee well-being, because our growth and achievements are deeply rooted in their performance.

VALUE CREATED

28% ↑
GWP per Employee
2025: Rs. 18.9 Mn
2024: Rs. 14.8 Mn

20% ↑
Employee Benefits
2025: Rs. 3,063 Mn
2024: Rs. 2,545 Mn



21% ↑
Investment in Learning & Development
2025: Rs. 43.2 Mn
2024: Rs. 35.6 Mn

18% ↑
Internal Promotions
2025: 228
2024: 194

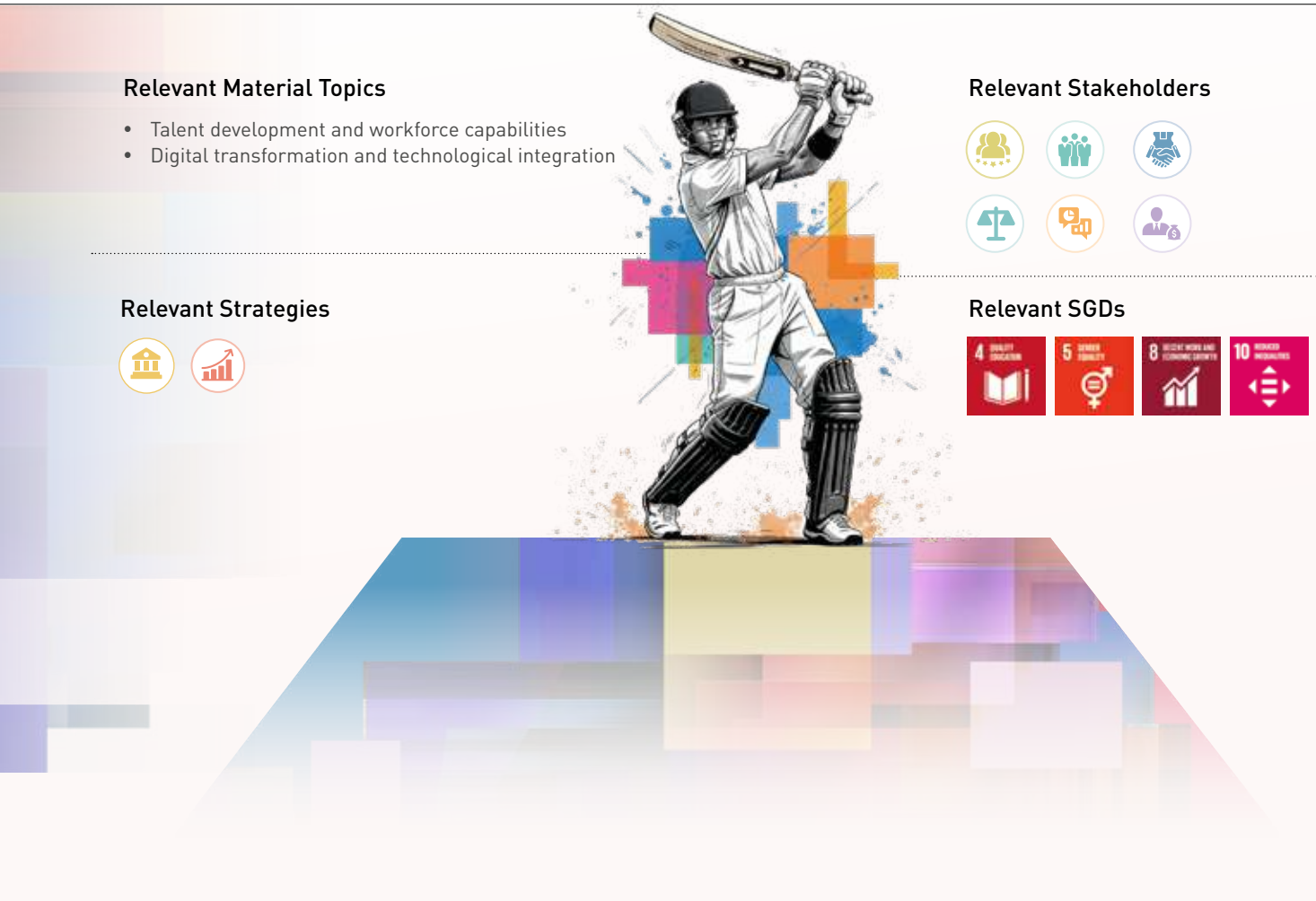
Relevant Material Topics

- Talent development and workforce capabilities
- Digital transformation and technological integration

Relevant Stakeholders

Relevant Strategies

Relevant SGDs



MANAGEMENT APPROACH

We adopt a strategic, structured, and future-oriented approach to human capital management, recognising our people as a critical driver of organisational performance, sustainability, and competitive advantage. We focus on strengthening talent, elevating employee experience, and driving efficiency through Digital HR—which collectively balance talent development, employee well-being, and operational efficiency. Through the seamless integration of talent management, employee-centric practices, and digital enablement, we focus on sustaining high performance, strengthening organisational capability, and creating long-term value through our human capital.

TRADE-OFFS WITH OTHER CAPITALS

Our initiatives to strengthen Human Capital naturally interact with all other forms of capital, creating both synergies and trade-offs. Enhancing employee skills, leadership capability, cultural alignment, and workforce well-being supports operational efficiency and consistent service delivery.

Capital	Effect
	• Investments in training, leadership development, employee benefits, and capability building increase short term expenditure. • Over time, a skilled and engaged workforce improves productivity, customer satisfaction, and operational quality—strengthening financial performance. • Effective workforce development reduces errors, rework, and turnover costs, supporting long term financial sustainability.
	• Skilled and trained employees maximise the value of physical infrastructure, digital systems, and operational tools, improving efficiency and service delivery. • Introducing new equipment or platforms requires workforce upskilling and structured change management support. • As capabilities improve, employees are better able to manage, maintain, and optimise manufactured assets, enhancing asset performance and longevity.
	• A knowledgeable, customer focused, and service oriented workforce enhances customer experience, stakeholder engagement, and trust. • Strong interpersonal skills, ethical conduct, and professionalism strengthen relationships with regulators, partners, and communities. • In the long term, this contributes to a stronger reputation and more resilient stakeholder relationships.
	• Employee awareness, training, and behavioural change drive more responsible resource use—reducing waste, energy consumption, and carbon footprint. • Well designed sustainability initiatives depend on the workforce's commitment and execution. • Enhanced environmental awareness among staff supports long term ecological stewardship and compliance with sustainability goals.
	• Continuous learning, knowledge sharing, and skills development expand organisational know-how and innovation capability. • Employees' expertise and experience strengthen institutional knowledge, underwriting excellence, process optimisation, and customer-centric design. • Over time, this builds a strong foundation of intellectual capital that underpins HNBA's competitive advantage.

In 2025, our HR strategy focused on building a strong, skilled, and future-ready workforce to support the group's growth ambitions. The strategy was anchored on three priorities: strengthening talent, elevating employee experience, and driving efficiency through digital HR practices.

HUMAN CAPITAL

Overall, the 2025 HR strategy strengthened organisational capability, enhanced employee experience, and positioned HNB Assurance to advance confidently into its next phase of growth.

HR STRATEGY

Strengthening Talent

- Introduce structured talent calibration to objectively assess performance and potential.
- Implement succession planning to ensure readiness for critical roles.
- Roll out leadership development programs to build a strong leadership pipeline.

Elevating Employee Experience

- Deploy continuous listening tools to capture and act on employee feedback.
- Launch wellness initiatives to support physical and mental well-being.
- Enhance performance governance for transparency and fairness across the organisation.

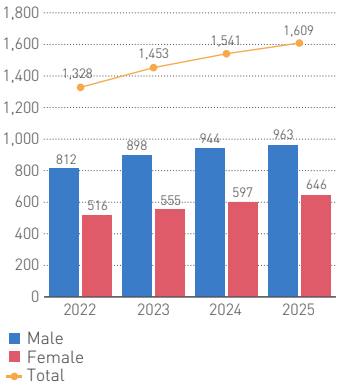
Driving Efficiency Through Digital HR

- Increase automation of HR processes to streamline operations.
- Advance HR analytics for data-driven decision-making.
- Strengthen HR governance to ensure compliance and consistency.

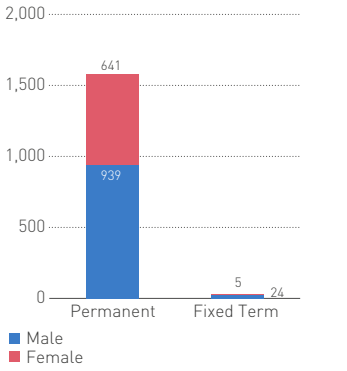
HNBA GROUP TEAM PROFILE GRI 2-7, 2-8, 2-30

The Group consists of 920 employees from HNBA and 689 from HNBGI, forming a key source of competitive strength. During the year, the Group faced retention challenges driven by macroeconomic conditions, resulting in a notable brain drain. In response, the Group strengthened its employee value proposition through enhanced learning and development initiatives, targeted retention strategies, and structured career progression pathways. The team profile is outlined below.

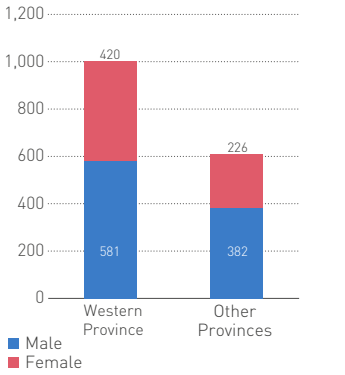
Employees by Gender



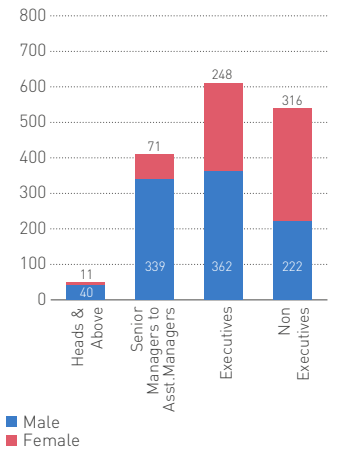
Employees by Contract



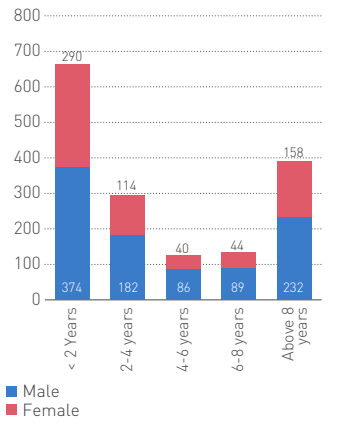
Employees by Region



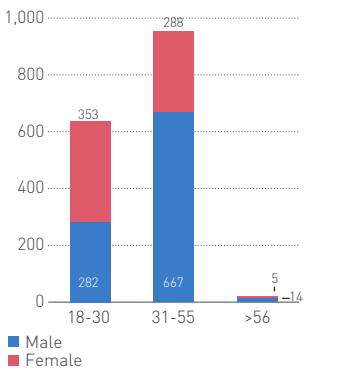
Employees by Category



Employees by Years of Service



Employees by Age



The Human Resource Department of HNBA compiles the above data based on head count as of 31 December 2025 relating to permanent staff who are full time employees. The Group does not have part-time employees.

HNBA employees do not belong to trade unions and therefore there are no collective agreements.

HR GOVERNANCE

Effective from 13 June 2025, the Remuneration and Human Resources Committee (RHRC) was segregated into two separate committees representing HNBA and HNBGI. Each committee comprises three board members, including a Chairman (a board member appointed as the subcommittee chair) and two non-executive directors. Separate charters were established for both companies to ensure clarity and accountability.

Board-approved policies embed corporate values and ethical standards, forming the foundation for a high-performing and principled workforce. The RHRC convenes quarterly to review critical HR metrics—including recruitment, retention, training, promotions, attrition, engagement, and performance management—along with related risks and challenges. Group HR policies are aligned with the United Nations Sustainable Development Goals (SDGs), reinforcing our commitment to responsible and inclusive practices.



Board of Directors - HNBA	Board of Directors - HNBGI
↓	↓
RHRC - HNBA	RHRC - HNBGI
↓	↓
ED/CEO - HNBA	ED/CEO - HNBGI
↓	↓
HOHR-HNBA	HOHR - HNBGI

During the year, employees were communicated with and trained on the group's anti-corruption policies and procedures, reinforcing a strong culture of ethical conduct and compliance. No incidents of corruption were reported during FY 2025, and there were no legal actions or confirmed cases relating to anti-competitive behaviour, anti-trust violations, or monopolistic practices.

STRENGTHENING HR GOVERNANCE

During the year, we enhanced our HR governance framework to deliver a more consistent, transparent, and strategy-aligned approach to people management. Key improvements included:

- Comprehensive review and update of the HR policies and frameworks to align with regulatory requirements, internal controls, and industry best practices.
- Introduced a structured Talent Calibration Framework incorporating performance ratings and leadership capability scores for fair and objective identification of high-potential employees.
- Standardised rating discussions, calibration processes, and governance checkpoints to ensure fairness and clarity across divisions.
- Implemented a structured succession planning model, improving visibility of critical roles, readiness assessments, and development plans.
- Enhanced data governance practices, including standardised dashboards, improved accuracy controls, and stronger confidentiality and access protocols.



HUMAN CAPITAL

HR RELATED RISKS & OPPORTUNITIES

LOW MEDIUM HIGH

	Risk/Opportunity	Mitigation	Impact	Likelihood
RISKS	Talent Shortage & Skills Gaps	• Skills mapping • Reskilling programmes • Leadership development • Internal mobility • Conducting salary surveys • Career development programme • Identifying problems during exit interviews and sharing findings with management • Organising employee engagement initiatives	• Increased hiring and training costs • Decreased productivity • Drop in service standards	
	Attrition of Critical Talent	• Succession planning, HiPo development, retention strategies, continuous engagement • Building strong EVP through Social Media Campaigns • Visiting Universities • Obtain certifications from Global Forums • Presence on external summits & conferences	• Delay in the recruitment process • Decreased productivity • Pressure on the existing workforce	
	Regulatory & Compliance Risk	• Updated HR policies • Stronger governance frameworks Audits • Data protection controls • Streamlining HR Policies & Procedures according to the EFC Guidelines • Conducting Awareness on Branch procedure manual	• Adverse brand image • Loss of revenue • Legal Penalties & Legal fees	
	Employee Experience & Engagement Decline	• Continuous listening, wellness initiatives • EX 4.0 tools, manager–employee interactions • Offer structured learning and growth opportunities to support career progression. • Organise initiatives that strengthen collaboration and improve team synergy. • Build an inclusive culture where employees feel respected, valued, and inspired to perform at their best.	• Employee burnout • High turnover • Impact on productivity • Lack of innovation	
	Adaptation to Climate Change	• Leverage insights through the Strategy, Analytics & Business Transformation unit to stay ahead of industry shifts. • Drive innovation and identify growth opportunities to redefine the future of the insurance sector.	• Risk of declining differentiation and reduced ability to compete effectively. • Potential drop in income caused by shrinking customer base.	

LOW MEDIUM HIGH

OPPORTUNITIES	Building a Future-Ready Workforce	AI-driven skills profiles, digital learning, analytics-led workforce planning	Enhanced organisational resilience and workforce agility to support sustainable growth	
	Strengthening Employer Brand	Purpose-driven EVP, recognition programs, women-in-leadership agenda	Enhanced talent attraction, retention, and workforce diversity.	
	Automation of operational processes by reducing manual tasks	Implementation of Core system for the operation processes Implementing workflows through OASYS	Streamlined operations by transitioning to a fully paperless environment.	
	Experienced Workforce	Development of internal talent pools	Experienced talent pool to provide guidance for the freshers. Building a strong second-line leadership.	

STRENGTHENING OUR POSITION AS A PREFERRED EMPLOYER

As a financial services organisation, our people remain a key differentiator in the market. To sustain this advantage, we strive to attract highly motivated individuals with the right skills, experience, and attributes. Being a preferred employer enhances our ability to recruit and retain top talent, and our policies, processes, and strategies are aligned to position HNBA and HNBGI as employers of choice. Indicators of this status include our success in meeting recruitment needs, retaining high performers, and gaining external recognition.

In 2025, we strengthened our employer brand through a strategic focus on culture, people practices, learning, leadership development, and recognition. We launched programmes that expanded internal career pathways and learning opportunities, reinforcing HNBA as a place where talent grows and thrives. Continuous listening and employee experience initiatives ensured that the voice of our employees was heard and acted upon. Diversity, equity, and inclusion (DEI) were further embedded into leadership pipelines and talent practices, underscoring our commitment to inclusivity and future readiness. HR governance was strengthened, and people practices were standardised to build trust and consistency across the organisation. Additionally, we promoted our brand externally through awards, recognition, and positive employer messaging—helping us stand out in the talent market.

A key milestone was our Employee Value Proposition (EVP), "Challenging You to Grow," which became central to our employer branding efforts. This EVP showcased our culture, people-friendly policies, and growth opportunities, generating strong traction on social media and increasing engagement with potential talent. Industry recognition and awards further reinforced our credibility and attractiveness as an employer of choice. These initiatives collectively enhanced our visibility and positioned us as a competitive and desirable workplace in the insurance sector.

Further strengthening our employer brand, seven leaders from HNB Assurance PLC and two leaders from HNB General Insurance Limited were recognised as "Great Managers" by the Colombo Leadership Academy. In addition, both HNB Assurance and HNB General Insurance were honoured as "Companies with Great Managers" in 2025.

This recognition reflects the depth of leadership capability across the Group, the strength of our people practices, and our shared commitment to cultivating high-performing, people-centric managers across our organisations.

Moreover, we leveraged automation and AI to streamline HR processes and create a seamless employee experience. Our strengthened position as a preferred employer was validated by numerous accolades received during the year, reflecting our commitment to building a workplace where people thrive.









The following awards and accolades were garnered in 2025.

HNBA	HNBGI
Great Place to Work Certification for 2025 Jul – 2026 Jul from Great Place to Work Sri Lanka	Great Place to Work Certification for 2025 Jul – 2026 Jul from Great Place to Work Sri Lanka
Recognised as "Best Life Insurance Company – Sri Lanka 2024" by Global Brands Magazine (UK).	Women Friendly Workplace by Satyn Magazine
Winner of the Insurance Sector category at the National Business Excellence Awards 2025.	Recognition for contribution in highlighting and empowering working fathers in Fatherhood Forum 2025 – by Parenthood Global
Recognised among Sri Lanka's top workplaces, including being listed in the Top 40 Best Workplaces and ranking 9th among large-scale workplaces by Great Place to Work.	Recognised as Best HR Policies Empowering Working Parents 2024/25 by Parenthood Global Awards
Honoured as one of Sri Lanka's "Women-Friendly Workplaces" for 2024/25 — reinforcing our inclusive employer reputation.	Recognised as the Most Outstanding mom-inclusive workplace at the Mom Leaders Conference 2025
Recognised as a "Company with Great Managers" by the Colombo Leadership Academy	SLII Inter Insurance Company – Quiz Competition Champions 2025
Merit Award - The Great HR Awards 2025 - Finance/Insurance/ Real Estate & Investment Sector	Recognised as a "Company with Great Managers" by the Colombo Leadership Academy
Recognised as the Most Outstanding mom -inclusive workplace at the Mom Leaders Conference 2025	Recognition in Great HR Awards 2025 – Finance/ Insurance/ Real Estate & Investment Sector
Recognition for the commitment in Empowering Working Fathers - by Parenthood Global	
Best Well-being initiative for Working Parents - by Parenthood Global	

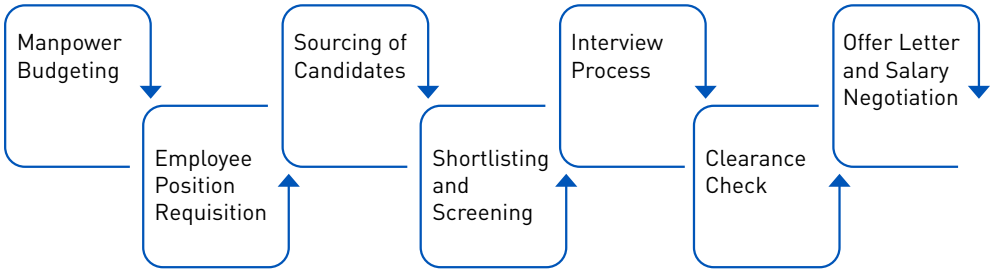
HUMAN CAPITAL

RECRUITMENT AND RETENTION

Our strong commitment to growth and talent has driven remarkable progress this year. HNBA welcomed 268 new employees, while HNBGI added 179 employees, reflecting our strategic focus on expansion. These additions, coupled with productivity gains through digitalisation and employee development, position us for sustained success.

As an equal-opportunity employer, we prioritise attracting and retaining top talent. Our recruitment process, featuring multiple assessments and interviews, ensures we select the best candidates. This commitment is evident in our retention rates of 74% for HNBA and 77% for HNBGI, as well as the fact that 21% of HNBA employees and 19% of HNBGI employees have served for over a decade.

By working closely with business units and understanding their needs, we filled vacancies swiftly, minimising delays in critical areas and enhancing operational efficiency. Additionally, 136 employees at HNBA and 92 employees at HNBGI earned promotions in 2025, reinforcing our commitment to career growth while reducing reliance on external hiring.



Our people strategy is strengthened by a balanced generational mix. In 2025, Gen Z representation grew to 28%, reflecting our continued focus on attracting future-ready talent aligned to digital enablement and modern ways of working. Millennials (55%) remained the core of our workforce, driving collaboration and execution, while Gen X (16%) continued to provide experienced leadership. We continue to reinforce structured knowledge transfer, leadership development, and capability-building initiatives to sustain performance and strengthen succession depth.

Generational Workforce Composition

Our Multi-Generational Workforce	Workforce Composition				Strategic Contribution
	2024		2025		
Gen X		18%		17%	Experienced leaders
Millennials		59%		55%	Collaboration & innovation drivers
Gen Z		23%		28%	Digital-first, future-ready talent

Our Employee Policy Framework

Integrity & Governance

- Code of Business Conduct
- Anti Bribery & Corruption
- Integrity Reporting
- Whistleblowing
- Data Protection

Safe & Inclusive Workplace

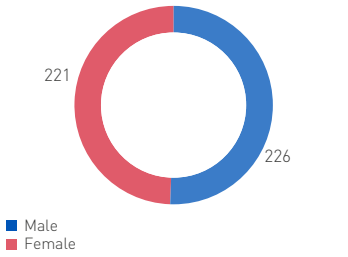
- Sexual Harassment
- Occupational Health & Safety
- Single Parent Support

Work Design, Talent & Rewards

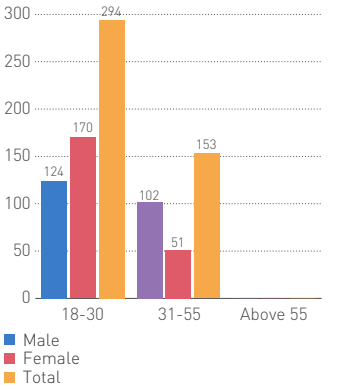
- Learning & Development
- Total Reward
- Telecommuting
- Transfer



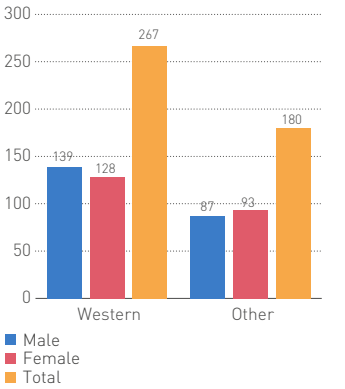
Recruitment by Gender



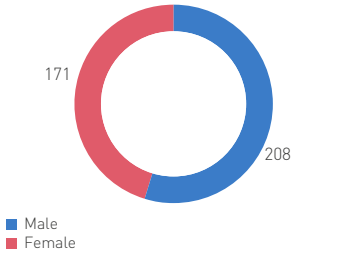
Recruitment by Age



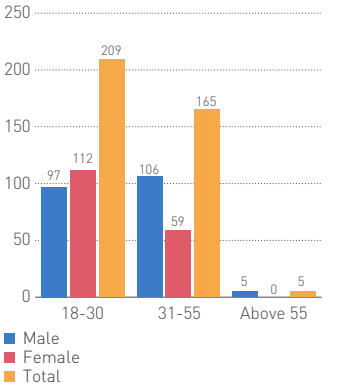
Recruitment by Region



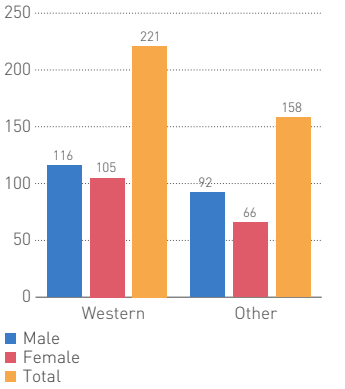
Turnover by Gender



Turnover by Age



Turnover by Region



EMPLOYEE REMUNERATION & BENEFITS

The Group's compensation framework comprises fixed pay (base salary, allowances, and statutory pension contributions), variable pay (incentives and bonuses), benefits, and investment in training and development. Approximately 70% of HNBA staff and 79% of HNBGI staff are eligible for variable pay, which is directly linked to performance management. A comprehensive salary structure review was conducted, supported by market data surveys to benchmark compensation and guide adjustments. Our goal was to ensure competitive, industry-standard pay, with implementation planned in the near future.

In 2025, HNB Assurance strengthened its remuneration and benefits framework to reinforce competitiveness and fairness. To maintain strong market alignment and position ourselves around the 50th percentile, we conducted three salary surveys, enabling us to benchmark and adjust pay structures accordingly.

Key benefits were significantly enhanced, with several increased by 50% to over 100%, particularly the vehicle loan facility. The mobile allowance will be revised to better reflect current needs, and provisions for the annual bonus were increased to ensure a transparent and structured process.

These initiatives underscore our commitment to employee well-being and reaffirm HNB Assurance's position as a leading employer in the industry.

Non-monetary benefits offered to full-time employees include:

- Recreation facilities
- Loan facilities at concessionary rates
- Donations on death of employees and their immediate family members
- Welfare events
- Non-monetary awards
- Medical benefits and Life and medical insurance
- Maternity Leave of 100 working days
- Paternity leave, Adoption leave
- Exam leave and exam fee reimbursements
- Accredited training partnerships for CA Sri Lanka and CIMA

Our work-from-home policy remained unchanged during the reporting period, continuing to offer employees flexibility and peace of mind. This arrangement, managed at the discretion of divisional heads, is a key contributor to employee satisfaction.

Flexible work-from-home options were available to approximately 40% of HNBA employees and 47% of HNBGI employees whose roles allowed effective remote work, as determined by departmental requirements. This benefit, carefully assessed for role suitability, helps reduce commuting costs for employees and contributes to lowering Scope 3 emissions for HNBA—though the exact reduction remains unquantified.

Employee commuting is classified as an upstream emission source under the Greenhouse Gas Protocol, which serves as the standard for measuring emissions in line with SLFRS S2: Climate Disclosures.

HUMAN CAPITAL

OUTSOURCED STAFF

In 2025, HNB Assurance continued to strengthen its workforce structure through the strategic use of outsourced personnel. Across the Sales and Operations Divisions, we currently engage approximately 178 outsourced staff, enabling us to maintain efficiency, ensure smooth operational delivery, and provide flexibility to meet business demands throughout the year.

Outsourced staff are employed through reputable agencies under contracts that ensure compliance with all relevant regulations governing remuneration for personnel working on HNBA and HNBGI projects and premises. In 2025, HNBA engaged 40 outsourced personnel (2024: 25), while HNBGI engaged 138 outsourced employees (2024: 144).

To further enhance staffing flexibility, quality, and cost-effectiveness, we are reviewing existing outsourcing partnerships and exploring new opportunities to align with industry best practices. This approach will be continuously evaluated to ensure ongoing improvement and operational excellence.

GRIEVANCE HANDLING

In 2025, HNB Assurance strengthened its grievance-handling framework by introducing fair, consistent, and transparent policies. A standardised inquiry panel, fully aligned with IRCSL guidelines, was implemented to ensure impartiality and professionalism in all investigations. Grievance handling now involves both the department head and the Head of HR for balanced oversight. For female-related matters, the dedicated In.She Pink Line provides specialised support, while the DEI Catalyst Team addresses diversity, equity, and inclusion concerns. These enhancements create a structured, employee-centred approach that promotes fairness, trust, and alignment with company values and regulatory expectations.

HNBGI maintains a formal grievance procedure aligned with ILO standards and developed in collaboration with the Employee Federation Council, ensuring accessibility for all employees. Staff are encouraged to raise concerns with their line managers first; unresolved issues are escalated by HR to senior leadership and, if necessary, to the Board. High standards of accountability and integrity are upheld, including timely communication of significant operational changes. Industrial Relations practices are continuously reviewed with the Employee Federation Council to improve grievance handling, supported by new guidelines and best practices that expedite resolutions, enhance transparency, and foster a positive work environment. All reported grievances are addressed promptly, with significant matters escalated to senior management as appropriate.

PERFORMANCE MANAGEMENT

The performance management system of HNBA and HNBGI promotes holistic employee growth by balancing measurable outcomes with behavioural excellence. In 2024, a revised 70:30 evaluation model was implemented, where 70% of performance assessments are based on clearly defined Key Performance Indicators (KPIs) and 30% on competencies, including leadership, collaboration, and professional development. This approach strengthens strategic alignment, enhances accountability, and ensures fair, transparent promotion and succession planning processes to support both individual and organisational growth.

High achievers are recognised through prestigious awards such as the Chairman's Excellence Awards, the Annual Sales Convention's "Best Sales Personnel" ceremony, and the CEO Recognition Programme—initiatives that celebrate exceptional contributions and foster a culture of high performance and continuous improvement.

672 (73%) employees of HNBA and 523 (76%) of HNBGI employees underwent regular performance appraisals during the year under review.

TRAINING AND DEVELOPMENT

In 2025, HNB Assurance advanced its people capability agenda through strategic, future-focused initiatives aimed at building a high-performing and agile workforce. A key milestone was the introduction of a comprehensive Talent Review and Succession Planning process, anchored to the HNBA Leadership Capability Framework, ensuring leadership continuity and early identification of high-potential talent. Training needs were identified through the annual Performance Management Cycle and divisional consultations, enabling targeted interventions aligned with the 70:20:10 Learning Model—balancing formal training, coaching, and experiential learning. These efforts strengthened leadership capability, enhanced technical expertise, and



supported meaningful business impact, while continued investment in technical and soft skills ensured employees remain equipped to meet evolving industry and customer expectations. While total training hours reduced during the year, this reflects a strategic recalibration toward focused, outcome-driven capability development and leadership depth enhancement rather than volume-based learning delivery.

Rs. 43.21 Mn.
Investment in Training in 2025

Avg. 14.7 Hours
of Training per Employee

87%
Workforce Training Coverage

IDENTIFICATION OF TRAINING AND DEVELOPMENT NEEDS

Training and development needs are identified through the annual Performance Management Cycle and consultations with divisional heads, ensuring alignment with business priorities and future competency requirements. Development plans for high-potential employees follow the 70:20:10 Learning Model—combining formal training (10%), coaching and mentoring (20%), and experiential learning (70%) through on-the-job projects and stretch assignments. This blended approach strengthens leadership capability, technical expertise, and business impact, with 87% training coverage during the year reinforcing succession readiness across critical roles. Beyond leadership development, the Company invests in technical training across core insurance functions and soft skills programmes to enhance communication, customer engagement, managerial effectiveness, and productivity, ensuring employees remain agile and future-ready. Investments in training, leadership development, and workforce stability are expected to enhance productivity, reduce recruitment cost volatility, and support long-term margin sustainability.

HNBA

Leadership Training Initiatives – 2025

Programme	Description
"Pinnacle" Leadership Development Programme	Six-month program designed to strengthen strategic thinking, people leadership, and business execution for emerging leaders.
"EvolveU" Mentorship Programme	Structured mentoring platform to support professional growth, knowledge transfer, and cross-generational leadership learning.
Executive Coaching Programme	Tailored one-on-one coaching for identified successors to top management roles, ensuring a strong future-ready leadership pipeline.

Organisation-wide Capability Building

Program Area	Key Initiatives
Sales Training for Non-Sales Staff	Comprehensive sales orientation via workshops and LMS; mandatory for Year-End Review.
Customer-Centricity & Service Excellence	Sessions on treating internal customers as VIPs, leading with emotional intelligence, building trust & transparency; knowledge-sharing forums.
Soft Skills & Professionalism	Business writing workshops for junior executives, work-life harmony sessions, "IGNITE" personality development programme.
Intern Development	Insure Pro programme offering structured exposure to insurance functions; recognised for impact and design.
Technical Upskilling for Senior Management	Actuarial knowledge sessions for Corporate Management; training on compliance, data protection, and core system transformation.
Future Workforce Management	"Leading Gen Z to Success" training for supervisors to engage and retain next-generation talent.

Sales Leadership Development – 2025

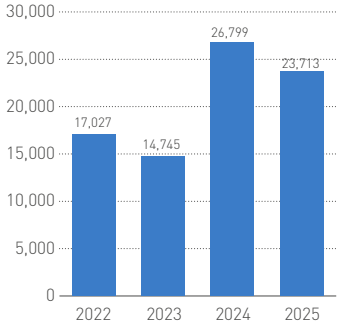
Programme	Description	Key Impact
"Top Gun" Training Series	Conducted with PIM to equip 120 Distribution Managers with advanced leadership, sales management, and performance coaching skills.	Strengthened leadership and sales capability across the distribution network.
Management Development Program (Tamil)	Delivered for Distribution Managers in Northern & Eastern regions by an industry specialist from Malaysia; focused on managerial and leadership competencies.	Promoted inclusivity and regional capability development.
"HNBA Aspire" Professional Development Programme	Exclusive program for top 42 Achievers of the sales force, in partnership with the University of Colombo; focused on strategic thinking, financial acumen, and career readiness.	Enhanced professional growth and prepared future sales leaders.

HUMAN CAPITAL

KEY TRAINING PROGRAMME CONDUCTED IN 2025

HNBGI	
Focus Area	**Key Programs & Initiatives**
Building a Learning Culture	• Continuous learning environment to support skill growth and career development. • Monthly English Club sessions to enhance communication and language skills.
Professional & Soft Skill Development	• License to Sell (with SLIM): Three-day certification for sales staff. • Elevate Your Service: Customer service enhancement for frontline teams. • Unlock Your Corporate Superpower: Workplace readiness for Gen Z. • Beyond Boundaries: Strengthening Millennial–Gen Z collaboration and team dynamics.
Leadership & Managerial Development	• HNBGI Elevation Programme (with PIM): Transition to managerial roles. • Executive leadership development through coaching and mentoring. • Lead Forward: Executive Development Program for next-level leadership.
Technical & Industry-Specific Training	• Parametric insurance training for strategic advantage. • Core system training for Motor and Non-Motor operations. • Department-specific technical training (Taxation, AML/CFT Compliance). • Data Classification & Data Protection training. • Life in Balance: Work-life harmony program. • Face in Brand: Personal branding and professional presence initiative.
Organisational Integration & Alignment	• Quarterly familiarisation sessions on company values and policies. • Core system transformation training for smooth adoption. • Foreign training opportunities: Protection Re-Seminar (Dubai & Bahrain), Certificate Course on Technical Aspects of Reinsurance, FALIA Seminar for global exposure.

Training Hours



	2025	2024	2023
Total investment in training – Rs. Mn.	43.2	35.6	18.3
Total No. of training hours	23,713	26,799	14,745
No. of training programmes	252	223	73

Type of programme	HNBA	HNBGI
Internal training courses	57	69
External training courses	62	64

Looking ahead, we will accelerate our leadership development agenda by introducing structured leadership pathways, comprehensive capability assessments, and personalised development plans. These initiatives will be complemented by coaching partnerships and cross-functional learning opportunities, reinforcing our commitment to building a strong, future-ready leadership pipeline.

EMPLOYEE ENGAGEMENT

In 2025, HNBA and HNBGI strengthened employee engagement through a dynamic mix of team based initiatives, structured monthly events, and vibrant cultural celebrations designed to foster collaboration, inclusivity, and an enjoyable workplace atmosphere. Activities ranged from interactive challenges and creative workshops to major events such as Aurudu Uthsawaya and Halloween, along with family oriented programmes including Women's Day. Religious and cultural observances further promoted diversity and unity.

SUPPORT FOR EMPLOYEES AFFECTED BY THE DITWAH FLOODS

Following Cyclone Ditwah, we mobilised Rs. 4.25 million in direct financial assistance to support our employees who were affected and an additional Rs. 2.71 Mn through voluntary employee solidarity contributions, reinforcing our people-first crisis response framework. This timely intervention enabled impacted colleagues to stabilise their immediate living conditions while demonstrating strong organisational cohesion and responsiveness to climate-related disruptions. In light of the situation, the annual Christmas celebration and Kiddies' Party were cancelled, and the allocated funds were redirected to further assist flood-affected employees—reflecting our collective prioritisation of people and purpose during times of need.

EMPLOYEE WELL-BEING

We recognise that employee well-being is fundamental to sustaining high performance and engagement. In 2025, we strengthened our holistic wellness framework by introducing a range of initiatives focused on both physical and mental health. These programmes were designed to promote healthier lifestyles, reduce stress, and create a supportive work environment that nurtures overall vitality and resilience. From fitness challenges and preventive health screenings to mindfulness sessions and emotional intelligence training, our efforts reflect a deep commitment to helping employees thrive—physically, mentally, and emotionally—while maintaining a healthy work–life balance.

FOSTERING A WINNING CULTURE BEYOND THE WORKPLACE

We continued to cultivate a performance-driven culture that transcends business operations. Demonstrating teamwork, discipline and resilience, our Football Team secured Runners-Up position in the MFA League Division 1, while our Cricket Team emerged Champions of the MCA 'G' Division 25-Over League Tournament 2025. These accomplishments reinforce our commitment to holistic employee engagement and a winning mindset across all arenas.

Physical Well-Being



FitQuest 21-Day Step Challenge



Vision Screening Camp



Zumba & Yoga Sessions



Health & Safety Week



Corporate Football Team



Corporate Cricket Team

HUMAN CAPITAL

Mental Well-Being



Emotional Intelligence Training



Mentoring Programme



Work–Life Balance Training



"Doodle Your Stress Away"



Dharma Preaching Session

DIVERSITY AND INCLUSION

Diversity, Equity, and Inclusion (DEI) was a key priority for our Organisation in 2025. Initial steps have been taken to implement more inclusive hiring practices and address pay equity, with ongoing work focused on comprehensive DEI programme development and rollout across all organisational levels. This includes efforts to mitigate bias in recruitment processes, such as reviewing recruitment technology and proactively increasing diversity in senior leadership.

EQUAL OPPORTUNITY EMPLOYMENT

Our commitment to equal opportunity employment is reflected in fair recruitment practices, equitable compensation structures, comprehensive training programmes, and transparent career progression pathways. Female representation stood at 40%, exceeding the national labour force participation rate of 33.9% (Q3 2025), while maintaining a 1:1 basic salary ratio between men and women, reinforcing our commitment to pay equity and inclusive growth.

THE IN.SHE PROGRAMME

In.She, the Group's flagship initiative launched in 2022, is dedicated to empowering women through mentorship, career development, and leadership training, while fostering an inclusive corporate culture. Beyond professional growth, In.She prioritises women's well-being by supporting working mothers, advocating for family-friendly policies, and enforcing a zero-tolerance stance on sexual harassment.

The initiative's influence extends beyond the organisation through partnerships with community groups, promoting health and wellness, and delivering personal safety education. In recognition of these efforts, In.She has earned multiple accolades, underscoring HNB Assurance's commitment to gender inclusivity and women's empowerment both within the company and across the wider community.

IN. SHE INITIATIVES

As part of our commitment to fostering an inclusive, supportive, and empowering workplace for women, the In.She agenda continued to advance a range of targeted programmes throughout the year. These initiatives focused on enhancing the wellbeing, professional development, leadership visibility, and work–life balance of female employees while extending meaningful support to mothers, families, and women in the wider community. The following table summarises the key In. She initiatives implemented during the year and their corresponding impact.

ESG Pillar	Impact Area	Key Initiatives	Primary Beneficiaries	Strategic Impact
E – Environmental	Climate & Disaster Response	Donation Drive for Ditwah Flood Victims	Flood-affected women, children & families	Supported dignified disaster relief and strengthened corporate responsiveness to climate-related events.
S – Social	Health & Wellbeing	Donation to Husma Foundation (Paediatric Nutrition) Eye & Hearing Screening by Vision Care Zumba Wellness Sessions Support for National Breast Cancer Awareness Event "Fit for All" – Body Positivity Workshop Nutri Baskets for Expecting Mothers	Employees, families, paediatric patients, national community	Enhanced preventive healthcare, maternal wellbeing, physical fitness, and early detection awareness.
S – Social	Women Empowerment & Inclusion	Women's Executive Leadership Programme – NEXT Campus "She Invests" Financial Literacy – John Keells Stock Brokers Support for Female-Owned Small Business	Women employees & women entrepreneurs	Strengthened leadership pipeline, improved financial literacy, and promoted inclusive economic growth.
S – Social	Recognition & Inclusive Culture	Women Icon AwardsMom Leaders Recognition – Parenthood Global Mother's Day High-Tea	Working mothers & female employees	Reinforced appreciation culture, strengthened emotional wellbeing, and fostered a family-friendly workplace.
S – Social	External Recognition & Brand Strength	Global CEO Awards – Punsirini Perera Best Wellbeing Initiative – Parenthood Global Summit	Organisation & employees	Elevated employer brand credibility and validated commitment to gender equity and wellbeing.
G – Governance	Ethical & Responsible Leadership	Structured nomination processes for global awards Partnership governance with external institutions	Stakeholders & regulators	Demonstrated transparent leadership development, fair recognition frameworks, and responsible corporate partnerships.







PROGRESS ON DEI AGENDA

Launched in 2025, In.Together is HNBA's flagship Diversity, Equity, and Inclusion (DEI) initiative, developed to strengthen a workplace where all employees feel respected, valued, and empowered. The programme reflects our long-term commitment to building a people centric culture that embraces individual differences and promotes equal opportunities.

During the year, a series of structured activities were implemented to build awareness, capability, and shared ownership of DEI principles. A key component was the selection and development of DEI Catalysts—employees from diverse functions who were trained on topics such as unconscious bias, inclusive communication, respectful workplace behaviours, psychological safety, and equitable decision making. These catalysts now act as DEI ambassadors within their teams, supporting inclusive practices and helping embed DEI into daily operations.

Organisation-wide awareness sessions, interactive workshops, and dialogue forums also played a central role, creating safe spaces for employees to share experiences, identify challenges, and contribute to shaping future DEI priorities. These engagements helped strengthen trust, transparency, and cross functional collaboration.

As part of building a sustainable foundation, we initiated a review of existing people practices—including recruitment, development, flexibility, accessibility, and wellbeing—against DEI principles. Insights from this assessment are guiding the development of a comprehensive DEI framework aligned to the organisation's culture and growth strategy.

HUMAN CAPITAL

Our Commitment to Gender Equity in 2025

We reinforced our dedication to gender equity by implementing targeted initiatives that empowered women and advanced their professional growth. Key actions included:

1. **Career Progression**
   Structured talent reviews identified high-potential female employees, leading to several merit-based internal promotions, including leadership roles.

2. **Leadership Development**
   Women received priority access to leadership training, mentorship programs, and capability-building initiatives such as the Pinnacle Leadership Programme, supporting succession planning.

3. **Work–Life Balance**
   Flexible work arrangements, parental leave, and wellness programs helped women manage personal and professional responsibilities, improving retention and engagement.

4. **In-She Empowerment Platform**
   Workshops, networking sessions, and wellbeing programmes boosted confidence, leadership presence, and peer support.

5. **Strategic Participation**
   Women were actively included in cross-functional teams, innovation projects, and decision-making forums for greater visibility and impact.

6. **Recognition of Achievers**
   Female contributions were recognised through external awards and spotlight features, including Padma Dahanayake at the WFW Awards and Punsirini Perera by Global CEO's Women in Management

7. **Inclusive Workplace**
   Policies on sexual harassment and inclusivity were strengthened to ensure a safe, respectful environment for all female employees.

Equal Opportunity Commitment

A total of 82 female employees hold positions at the Assistant Manager level and above, reflecting our focus on nurturing women for leadership roles.

Gender-Balanced Management

Corporate Management team of the Group includes 11 female leaders, underscoring our commitment to gender-balanced leadership.

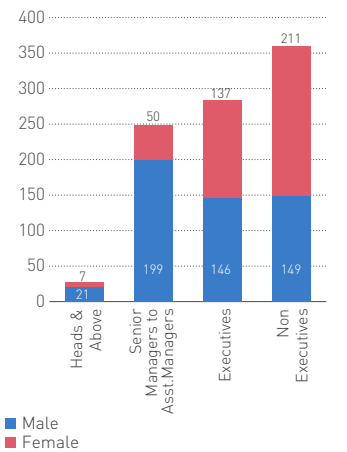
Leadership Development

20 participants completed the Leading Liyo women's leadership development programme, strengthening our pipeline of future female leaders.

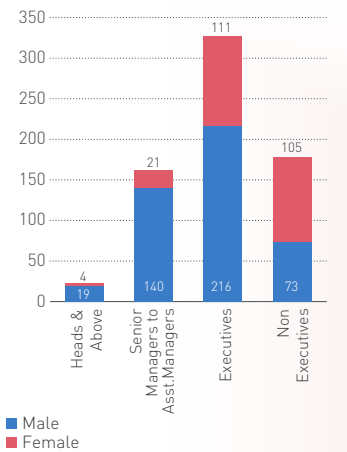
Maternity Return-to-Work and Retention - 2025

	HNBA	HNBGI	Group
Employees entitled to maternal leave	407	241	648
Employees on maternal leave	8	8	16
Employees who returned after maternal leave	23	6	29
Employees still in employment 12 months	15	2	17

Employees by Category - HNBA



Employees by Category - HNBGI





ADVANCING GENDER PARITY AND INCLUSIVE LEADERSHIP

	Disclosure Requirement	Our Response	Page Reference
RISKS	Strategies and Goals for Gender Parity	Female representation increased to 40% of total workforce (above national female labour force participation rate of 33.9%). Strengthened female leadership pipeline through structured talent calibration, succession planning, and programmes such as Leading Liyo and Pinnacle Leadership.	161
	Diversity and Inclusion Policies	Launched In.Together DEI framework to embed inclusive recruitment, unbiased talent reviews, DEI Catalyst training, and leadership accountability across the Group.	158
	Gender Pay Equity Policy	Maintained 1:1 basic salary ratio between men and women for comparable roles. Compensation benchmarked through three market salary surveys.	158
	Grievance Handling Mechanism for Sexual Harassment	Zero-tolerance policy. Structured inquiry panels aligned with IRCSL guidelines. Dedicated In.She Pink Line and DEI Catalyst support ensure confidential, impartial resolution.	154
	Work Place Practices to Promote Gender Parity	100 working days maternity leave; paternity & adoption leave; flexible work (40% HNBA / 47% HNBGI eligibility); women-focused leadership programmes; merit-based promotion through talent calibration.	160
Composition	Governing Body	Oversight through separate Remuneration & HR Committees (RHRCs) for HNBA and HNBGI.	149
	Senior Leadership	11 female leaders in Corporate Management.	160
	Middle Management	82 female employees at Assistant Manager level and above, reflecting strong leadership pipeline depth.	160
	Other Major Employment Categories	Gender-balanced representation across Executives and Non-Executives supported by structured development and succession planning.	160
	Recruitments	447 new hires (HNBA: 268 / HNBGI: 179) through equal opportunity recruitment processes.	153
	Promotions	228 promotions (HNBA: 136 / HNBGI: 92) through merit-based calibrated assessments.	152
	Key Departments	Women represented across Finance, HR, Legal & Compliance, Operations, Risk & Control, Distribution, Customer Experience, Investment, and IT functions.	162
	Major Geographic Location	Gender diversity maintained across Western Province and regional branches including Northern & Eastern operations.	148
	Proportion of Women at Work 12 Months After Maternity Leave	29 employees returned from maternity leave; 17 remained employed after 12 months, supported by structured return-to-work initiatives.	160
	Proportion of Women in IT, Engineering and Production Related Activities	Women represented in IT, Core System Transformation, Actuarial, and technical functions, supported through targeted upskilling and leadership development initiatives.	162

HUMAN CAPITAL

WORKFORCE GENDER DISTRIBUTION BY FUNCTION

HNBA and HNBGI			
	Male(Nos.)	Female (Nos.)	Total (Nos.)
Actuarial	6	7	13
Administration	10	4	14
Business Process Excellence & Strategy	5	4	9
CEO's Office	3	2	5
Customer Experience	26	30	56
Distribution & Training	674	423	1,097
Finance	38	21	59
Human Resources	7	11	18
Internal Audit	4	3	7
Investment	4	2	6
IT	50	12	62
Legal & Compliance	4	7	11
Marketing	10	3	13
Operations	116	110	227
Procurement	3	4	7
Risk and Control	3	3	6
Grand Total	**963**	**646**	**1,609**

Future Focus

Short-term

- Build a digitally skilled, future-ready workforce
- Strengthen leadership pipelines and succession readiness
- Enhance employee experience through EX 4.0
- Drive efficiency through HR digitalisation and data-driven decisions
- Position HNB Assurance as an employer of choice

Medium-term

- Accelerate capability building by integrating AI fluency across all roles.
- Create structured learning pathways to strengthen succession readiness.
- Leverage predictive analytics and continuous feedback to tailor employee growth.
- Integrate advanced dashboards into operational and people decisions for data-driven insights.
- Enhance inclusive practices, employer branding, and internal mobility pathways to attract and retain top talent.

Long-term

- Build strong digital and analytical capabilities across all roles to future-proof the organisation.
- Ensure succession readiness for all critical positions through structured talent development.
- Leverage EX 4.0 to strengthen engagement and employer brand differentiation.
- Embed automated, insight-led HR ecosystems to enable predictive and agile decision-making.
- Foster an inclusive, innovative, and high-performance culture that attracts top talent.
- Centralise structured learning under one unified platform to enhance knowledge sharing and capability building.
- Streamline HR processes through system segregation and automated workflows for improved efficiency and accuracy.

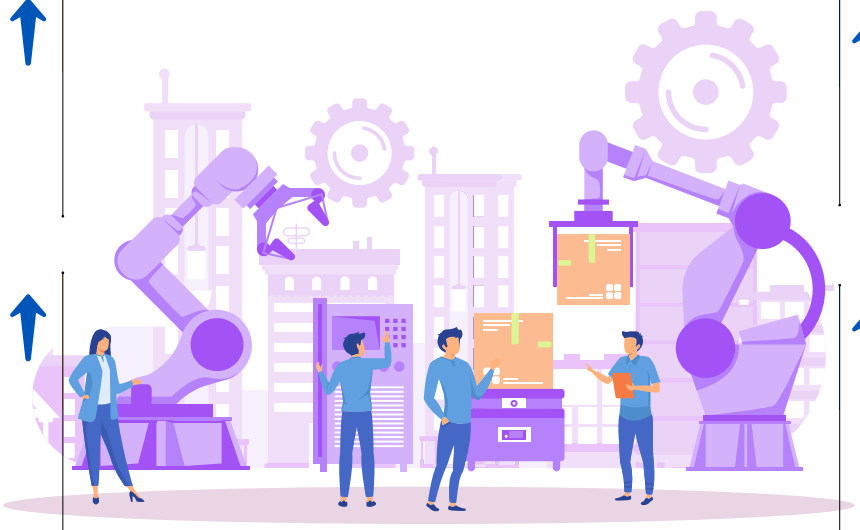
MANUFACTURED CAPITAL

Manufactured capital, comprising Property, Plant and Equipment (PPE), is a key enabler of our Company's value creation process. Our extensive island wide branch network forms the backbone of this capital, providing convenient and direct access to customers across the country. This well-distributed physical infrastructure enhances service efficiency, supports consistent delivery of our insurance solutions, and strengthens customer engagement. By strategically investing in and optimising our physical assets while prudently expanding our footprint, we reinforce our market presence, maintain operational excellence, and support sustainable long term growth.

VALUE CREATED

68% ↑
Investment in PPE & Intangible Assets
2025: Rs. 643 Mn.
2024: Rs. 382 Mn.

56% ↑
Premium Collections from Digital Modes
2025: 83%
2024: 27%



29% ↑
GWP Per Branch
2025: Rs. 371 Mn.
2024: Rs. 288 Mn.

4% ↑
Number of Branches
2025: 82
2024: 79

Relevant Material Topics

- Digital transformation and technological integration
- Operational efficiency and process excellence
- Sustainability, climate considerations and resource efficiency
- Risk management, governance, and compliance

Relevant Strategies

Relevant Stakeholders

Relevant SDGs



MANUFACTURED CAPITAL

MANAGEMENT APPROACH

We manage our manufactured capital through a disciplined and scalable approach that optimises our physical and technological infrastructure to support sustainable growth, operational efficiency, and consistent service delivery. Moreover, we carefully balance branch expansion with long term cost, profitability, and reputational considerations, while increasingly leveraging a franchise based distribution model to extend market reach with lower fixed costs. Significant emphasis is placed on digitally enabling branches, franchises, agents, and freelance officers through robust core systems and integrated platforms, ensuring efficiency, resilience, and a uniform customer experience. Ongoing investments in maintenance, cybersecurity, business continuity, and sustainable operations are governed by strong oversight and performance monitoring, enabling manufactured capital to effectively support our value creation objectives over the short, medium, and long term.

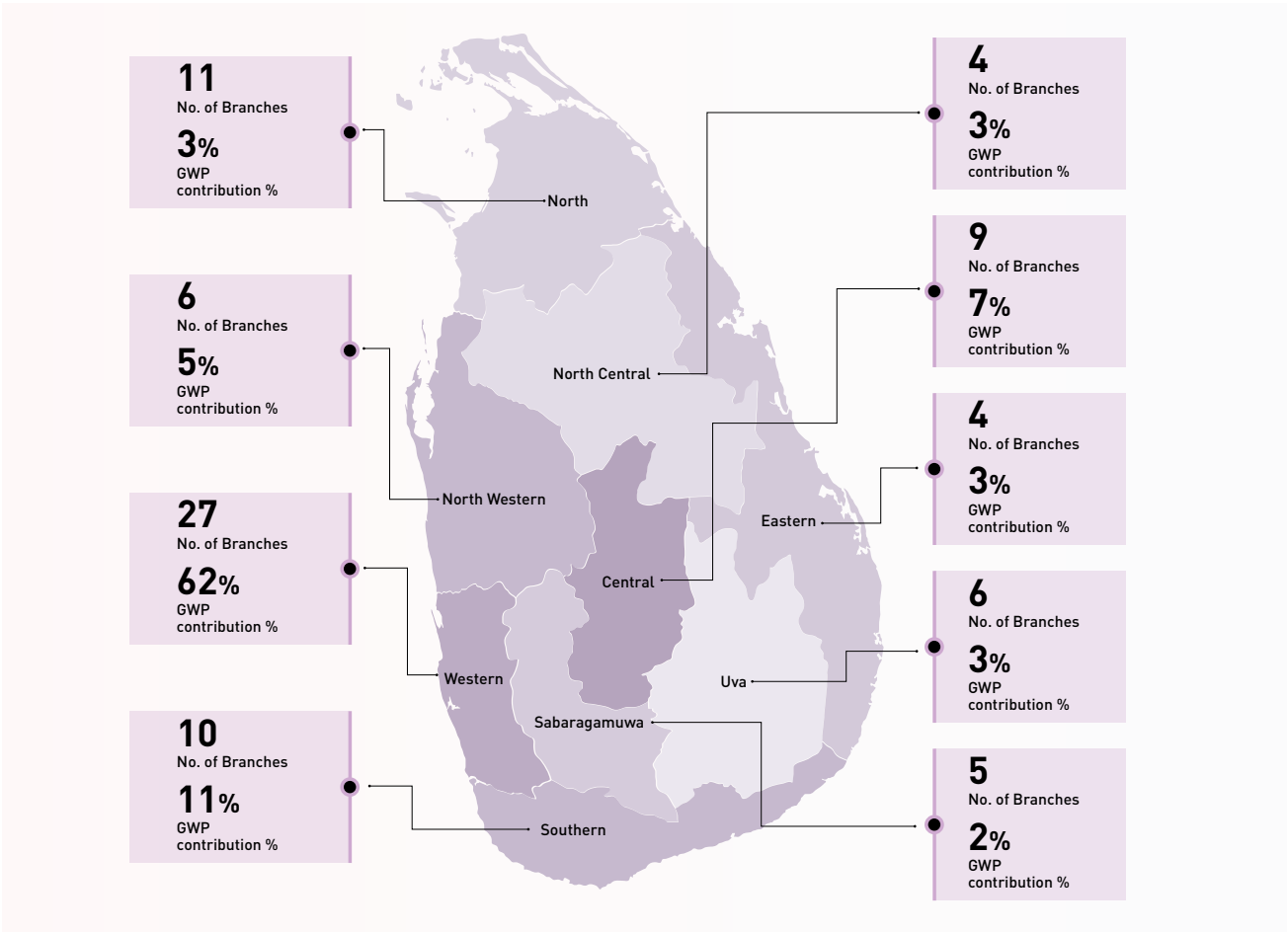
TRADE-OFFS WITH OTHER CAPITALS

Our initiatives to strengthen Manufactured Capital naturally influence the other forms of capital, creating both synergies and trade offs. Enhancing physical infrastructure, branch facilities, technology hardware, and operational systems improves service delivery, resilience, and customer convenience. However, these upgrades also require financial investment, employee training, and resource consumption. At HNBA, all such decisions are evaluated holistically to ensure that improvements in manufactured assets support balanced, responsible, and sustainable value creation across all capitals in the short, medium, and long term.

Capital	Effect
	• Investments in branch upgrades, technology infrastructure, plant, and machinery increase short term capital expenditure. • Over time, improved operational efficiency, reduced downtime, and better service delivery strengthen revenue generation and financial resilience. • Well designed infrastructure and digital channels enhance customer retention, contributing to long term financial stability.
	• Modern facilities, ergonomic workspaces, and upgraded systems enhance employee comfort, productivity, and safety. • New technologies require training, reskilling, and change management support, creating short term capability gaps. • In the long run, these investments enable a more skilled, motivated, and digitally empowered workforce.
	• Enhanced branch environments, improved accessibility, and reliable service platforms strengthen customer trust and overall experience. • Investments in robust digital and physical infrastructure build confidence among regulators, partners, and distributors. • Improved service consistency fosters long term stakeholder relationships and supports brand reputation.
	• Efficient facilities, energy saving equipment, and reduced paper based processes lower environmental impact and minimise the carbon footprint. • Infrastructure upgrades may initially require material resources, but long term operational efficiencies improve sustainability outcomes. • Sustainable building practices.
	• Modern infrastructure and digital platforms enhance organisational knowledge, data availability, and process optimisation. • Improved systems support innovation, analytics, and continuous improvement across operations. • Physical and digital upgrades create an enabling environment that strengthens the company's intellectual assets and competitive advantage.

OUR DISTRIBUTION NETWORK

Our extensive island wide branch network ensures consistent and convenient access to insurance services for customers across the country.



Optimising Our Footprint

In 2025, our general insurance business introduced a variable-cost "Development Office" model—a franchise-style mini-branch concept operated by agency partners. This approach enables market expansion without significant fixed investment. The pilot office, launched mid-year, surpassed expectations, validating the model as a scalable, cost-efficient pathway to strengthen our distribution footprint.

Strengthening Bancassurance Reach

We continued to maintain a strong bancassurance presence through a nationwide deployment of specialised officers across the full spectrum of banking segments, enabling deeper customer access and enhancing collaboration within the branch network.

Modernising the Core Platform

A major strategic milestone was the successful completion of our Core Insurance System upgrade. This cloud-enabled platform modernises our technology stack, significantly improving system performance, processing capability, and integration across all front-end channels. With enhanced reliability and scalability, it now forms a robust backbone for future digital innovation.

Digitising the Branch Experience

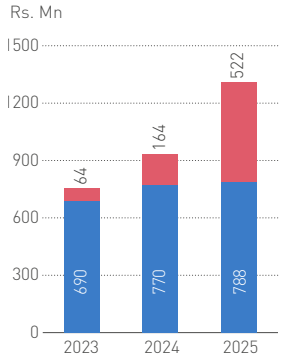
Our branch operations transitioned fully to paperless and cashless processes during the year. End-to-end digital workflows—from proposal submission to policy issuance—eliminated physical documentation. The shift to online and mobile payment channels also removed the need for in-branch cash handling. These advancements have improved accuracy, reduced waiting times, and delivered a more seamless customer experience.

Building Resilient, Secure Infrastructure

We continued to strengthen operational resilience and cybersecurity. Investments included the establishment of a 24/7 Security Operations Centre and the deployment of advanced protection tools such as Privileged Access Management, Mobile Device Management, and enterprise-wide data security systems. Our disaster recovery and continuity capabilities were further enhanced through a diversified multi-cloud architecture, reducing single-point vulnerabilities and improving system availability. Modern network technologies, including secure access solutions, now support more reliable connectivity for both customers and employees.

MANUFACTURED CAPITAL

NBV of PPE and Intangible Assets as at 31st December



OUR BRANCH EXPANSION STRATEGY

Our branch expansion strategy is guided by a disciplined, analytics-driven approach that balances market penetration, capital efficiency, and long-term value creation. Rather than pursuing footprint growth alone, we focus on optimising location strategy, enhancing productivity per square foot, and strengthening distribution density in high-potential regions.

During the year, we expanded our physical presence through the opening of three new branches in Elpitiya, Jaffna Metro, and Kahawatte, strengthening accessibility in emerging and strategically important markets. In parallel, we enhanced capacity in high-volume regions by securing additional space for our partnership channels in Kandy, Jaffna, and Kurunegala, as well as expanding the Wellawatta branch, ensuring improved service turnaround and better customer flow management.

To elevate service delivery, we also relocated our Customer Experience Centre to Nawam Mawatha, Colombo 2, creating a more focused, customer-centric environment designed to deliver personalised advisory support and enhanced engagement.

A significant strategic enhancement during the year was the establishment of a dedicated Business Intelligence Unit under the IT function. This specialised unit serves as the central hub for company-wide MIS, advanced analytics, and data governance. By consolidating performance reporting, real-time dashboards, and analytical insights, the unit strengthens data-driven decision-making across branches, bancassurance channels, and franchise operations. This integration of physical expansion with analytical intelligence ensures that footprint optimisation is continuously informed by granular performance metrics and predictive insights.

Our expansion philosophy integrates three core pillars:

1. **Market-Led Deployment –** Leveraging GWP density, demographic trends, and distribution analytics to identify high-impact locations.

2. **Capital-Light Growth Models –** Scaling through our variable-cost "Development Office" (franchise-style) model to extend reach while managing fixed cost exposure.

3. **Digital-First Infrastructure –** Ensuring all new and upgraded branches operate within a fully paperless, cashless, and cloud-enabled ecosystem to maximise operational efficiency and consistency.

Through this balanced approach, we strengthen geographic reach while preserving capital discipline, enhancing customer experience, and improving long-term branch productivity.

Enhancing our manufactured capital

During the year under review, we continued to refurbish and modernise selected branches and relocated certain locations to optimise accessibility and customer convenience. These enhancements were designed to improve service efficiency, elevate customer experience, and strengthen long-term asset productivity.

Our key enhancement initiatives included:

- **Branch Modernisation and Space Optimisation –** Upgrading layouts, improving customer flow, and creating more ergonomic and technology-enabled service environments to reduce waiting times and enhance service quality.
- **Digital Enablement of Branch Operations –** Transitioning all branches to fully paperless and cashless workflows, supported by our upgraded cloud-enabled core insurance platform, improving processing speed, accuracy, and operational control.
- **Establishment of the Business Intelligence Unit –** Creating a centralised MIS and analytics hub at Nawam Mawatha to strengthen real-time performance monitoring, data governance, and strategic decision-making across the distribution network.
- **Strengthening Cybersecurity and Resilience –** Establishing a 24/7 Security Operations Centre, implementing Privileged Access Management and enterprise data security tools, and enhancing disaster recovery through a diversified multi-cloud architecture.
- **Sustainable Infrastructure Improvements –** Reducing paper consumption, optimising energy usage, and embedding environmentally responsible practices into branch operations.

These initiatives collectively enhanced the reliability, efficiency, and resilience of our physical and digital infrastructure, ensuring that our manufactured capital continues to support scalable growth and consistent service delivery.

Future Focus

Short-term	• Optimise branch productivity through data-led footprint rationalisation • Strengthen enterprise-wide Business Intelligence and real-time performance visibility • Elevate customer experience through modernised, service-focused environments • Accelerate automation across investment and operational workflows • Reinforce IT governance, system integrity, and infrastructure reliability
Medium-term	• Expand selectively into high-growth corridors using analytics-driven deployment models • Integrate unified performance dashboards across finance, sales, and operations • Scale automation to enhance accuracy, speed, and cost discipline • Advance cyber resilience and data governance frameworks • Embed sustainability principles into infrastructure planning and asset management
Long-term	• Establish a fully integrated, insight-driven infrastructure ecosystem • Build a smart, productivity-optimised branch network • Institutionalise automation and compliance-ready digital architecture • Centralise enterprise data governance under a unified BI backbone • Develop resilient, scalable infrastructure aligned to long-term value creation • Transition towards sustainable, capital-efficient infrastructure models

INTELLECTUAL CAPITAL

Intellectual capital comprises the Group's knowledge-based and intangible assets that enable value creation and long-term competitiveness. This includes intellectual property such as patents, copyrights, software, rights, and licences, as well as tacit knowledge embedded in systems, processes, procedures, and Group protocols. A core component of intellectual capital is the suite of technologies, systems, and digital capabilities that support the Group's operational excellence and strategic growth. At HNBA & HNBGI, these capabilities are strengthened by a focused digital transformation agenda, sustained IT investment, and strong leadership oversight—together building an agile, scalable, and resilient digital ecosystem for the future.

Intellectual capital also reflects the collective knowledge assets owned by the Group, including the strength of the brand, Group values and ethical standards, corporate culture, and the accumulated expertise and competencies of its people. These elements drive innovation, enhance operational efficiency, and support continuous improvement across the Group.

Collectively, Group's intellectual capital forms the foundation of its competitive advantage and long-term sustainability, enabling the Group to deliver superior service, adapt to market changes, and create enduring value for stakeholders.

VALUE CREATED

29% ↑
IT investment in 2025
2025: Rs.988Mn
2024: Rs.763Mn

42% ↑
Workflow Automation
2025: 248
2024: 175



↑ **12 added**
Robotic Process Automation (RPA) in Live
2025: 13
2024: 1

↑ **28%**
IT Project Pipeline
2025: 23
2024: 18

Relevant Material Topics

- Digital transformation and technological integration
- Brand strength and market reputation
- Operational efficiency and process excellence

Relevant Strategies

Relevant Stakeholders

Relevant SDGs

MANAGEMENT APPROACH GRI 3-3

We manage our intellectual and digital capital by developing, protecting, and leveraging Group knowledge, innovation capability, and technology to enhance competitiveness and long term value creation. We strengthen core expertise in product development, underwriting, actuarial science, risk management, and customer centric service design through continuous learning and upskilling across employees and distribution channels. Investments in digital platforms, data analytics, automation, and knowledge management improve decision making, operational efficiency, and service consistency, while strong governance safeguards intellectual property, institutional knowledge, data privacy, and cybersecurity. By fostering a culture of innovation and collaboration and maintaining secure, scalable digital infrastructure, we enhance business resilience, deliver seamless customer experiences, and support sustainable long-term growth.

TRADE-OFFS WITH OTHER CAPITALS

Our initiatives to strengthen Intellectual Capital inherently interact with other forms of capital, creating both synergies and trade offs. Enhancing digital capabilities, organisational knowledge, and innovation capacity may require financial investment, process changes, or resource allocation that affects other capitals. At HNBA, these decisions are evaluated holistically to ensure that improvements in intellectual assets contribute to balanced, sustainable value creation across all capitals in the short, medium, and long term.

Capital	Effect
	• Upfront investments in digitalisation, system automation, increase short-term expenditure. • Long-term benefits include improved efficiency, customer satisfaction, enhanced risk management, and stronger business resilience. • By strengthening analytics, process optimisation, and digital service delivery, intellectual capital ultimately supports long term financial stability and sustainable value creation
	• Digital workflows, automation, and advanced platforms enhance employee productivity, reduce manual workloads, and enable more strategic, value adding work. • To fully realise these gains, ongoing training, upskilling, and structured change management initiatives are required to build digital capabilities across the workforce. • This creates a short term learning curve but results in a more skilled, future ready workforce.
	• Automation and digitalisation improve service reliability, responsiveness, and transparency, strengthening relationships with customers, communities, regulators, and partners. • Enhanced digital channels support better stakeholder engagement, improving trust and reinforcing the Company's reputation. • These improvements contribute to stronger long term relationships and business sustainability.
	• Digital platforms and system automation reduce paper consumption, energy usage associated with manual processes, and other resource-intensive activities—strengthening environmental performance. • Over time, more efficient digital operations enhance organisational resilience and support integration of environmental and climate-related considerations into decision making. • These benefits contribute to more sustainable operations and a reduced ecological footprint.

100%
Digital Customer Onboarding

7
AI Driven Initiatives

83%
Digital Collections

INTELLECTUAL CAPITAL

HNBA BRAND

HNBA's brand is a core component of its intellectual capital, reflecting the trust, credibility, and distinct market identity the Company has built over time within Sri Lanka's insurance sector. The brand embodies HNBA's values of reliability, professionalism, and customer centricity, and serves as a strategic asset that supports customer acquisition, retention, and long term loyalty across retail and corporate segments. It is actively managed through consistent brand positioning, ethical conduct, and high quality service delivery across physical, digital, and partner channels, including branches, franchises, and intermediaries. Continuous investment in brand communication, market insight, and reputation management ensures that HNBA's brand remains relevant, differentiated, and aligned with evolving customer expectations, regulatory standards, and national priorities, thereby strengthening the Company's competitive advantage and long term value creation.

Enhancing the HNBA brand

In 2025, HNB Assurance PLC continued to strengthen its brand as one of Sri Lanka's most trusted and progressive insurance companies, positioning the brand as a key component of the Group's intellectual capital. The brand represents accumulated trust, market knowledge, creative capability, and customer insight, enabling differentiation in a highly competitive industry. During the year, HNBA enhanced brand visibility, engagement, and marketing effectiveness through a cohesive and integrated communication strategy spanning traditional, digital, and on-ground channels, reinforcing the Company's protection promise and long-term value proposition.

Key brand achievements in 2025

- Won the Company's first Mobex Gold Award in the Lifestyle & Entertainment category, reflecting growing creative and digital marketing excellence.
- Secured multiple recognitions across leading industry platforms for digital effectiveness and campaign performance.
- Strengthened brand awareness and consideration through consistent messaging and strong storytelling deployed across multiple consumer touchpoints.
- Deepened emotional brand affinity through culturally relevant initiatives and community-focused engagement.
- Enhanced brand credibility through employee and customer storytelling, sharing authentic lived experiences, personal journeys, and policyholder stories that humanised the brand and reinforced trust.

HNBA brand strategy

HNB Assurance continued to execute a cohesive and disciplined brand strategy centred on visibility, trust, and engagement. The strategy was anchored in a three-pillar communication framework encompassing Traditional, Digital, and On-ground—ensuring a balanced and integrated approach to reach diverse customer segments effectively. Throughout the year, the focus remained on enhancing brand relevance, reinforcing the Company's protection promise, and building deeper emotional connections through authentic employee and customer storytelling.

Measures Implemented to Strengthen the Brand in 2025

- Delivered award-winning marketing campaigns, including the Mobex Gold Award, elevating brand credibility and recognition in the digital and creative space.
- Expanded authentic storytelling, highlighting employee journeys and customer experiences to humanise the brand and deepen trust.
- Strengthened digital brand assets through always-on campaigns, enhanced content strategy, performance marketing optimisation, and refined user journeys.
- Increased on-ground and community engagement via CSR initiatives, regional activations, and outreach programmes aligned with societal wellbeing.
- Enhanced visibility through impactful TV, radio, outdoor, and press campaigns to sustain strong top-of-mind recall.
- Improved brand consistency and coherence through aligned messaging, refreshed visual identity application, and standardisation across customer touchpoints.
- Fostered internal brand advocacy through employee-centric communication and recognition platforms, empowering staff to act as brand ambassadors.



We are proud to announce that the Company secured the Gold Award for Best Campaign – Lifestyle & Entertainment Category at the prestigious MOB-EX Awards 2025.

HNBGI BRAND

In 2025, HNBGI further strengthened its position as one of Sri Lanka's fastest-growing general insurers, underpinned by consistent financial performance and rising market recognition. Brand visibility improved across retail and corporate segments through targeted digital engagement, enhanced customer experience initiatives, and sustained trust in claims servicing. Brand equity was reinforced by a stronger presence in key non-motor categories, customer-centric campaigns, and deeper distribution partnerships, while purpose-driven initiatives focused on safety, sustainability, and responsible insurance positively influenced stakeholder perceptions.

HNBGI's brand strategy during the year was anchored on three core pillars: customer-centricity, positioning the Company as a dependable insurance partner through simplified onboarding, faster claims handling, and improved

digital self-service; purpose and trust, reinforcing core themes of safety, protection, and sustainability to support responsible insurance and community wellbeing; and a digital-led brand experience, expanding digital engagement, automating customer journeys, and elevating service quality to meet evolving expectations for speed, transparency, and accessibility.

Measures implemented to strengthen the HNBGI brand in 2025

- Revamped digital and social media presence with data-driven, educational content focused on safety awareness, seasonal risks, and product understanding.
- Enhanced customer experience initiatives, including faster claims turnaround, strengthened call-centre support, and service assurance measures to improve consistency and reliability.
- Amplified sustainability-led communications, aligning brand narratives with growing consumer demand for responsible and purpose-driven organisations.
- Strengthened partner engagement through targeted communications, brand-support tools, and improved alignment across distribution channels.
- Maintained consistent public-relations visibility, highlighting business milestones, financial performance, and product developments to reinforce credibility and trust.
- Implemented internal brand alignment programmes to cultivate a service-first culture among employees and intermediaries, ensuring brand values are consistently reflected at all customer touchpoints.

Digital Transformation

Digital transformation remains a strategic priority for the HNBA Group, driving stronger connectivity with stakeholders and shaping a shared digital future. This commitment is reflected in significant investments in information technology, amounting to Rs. 988 Mn. in 2025 across HNBA and HNBGI. The Group's leadership provides active oversight to ensure successful implementation and alignment with strategic objectives.

Information Technology (IT) Strategy

The digital strategy, first introduced in 2023 with the ambitious goal of achieving "Ten in 5," was further refined and strengthened in 2025 to address evolving business needs and leverage advancements in technology. This strategy provides a clear and structured roadmap for digital transformation, fostering an agile, scalable, and resilient IT environment. It encompasses projects designed to overcome challenges, enhance operational efficiency, and minimise disruptions.

The roadmap also incorporates a 'Fail Fast – Fail Cheap' approach, enabling rapid experimentation through research and proof-of-concept initiatives. This ensures emerging technologies are tested quickly, resources are allocated effectively, and returns on technology investments are maximised.

Our customised Digital Maturity Model—adapted from Deloitte's global framework to reflect HNBA's unique organisational, operational, and regulatory context—will continue to guide progress in 2026, with a structured focus across five critical pillars.



Digital Customer

Empowering customers with seamless digital tools and experiences.



Digital Advisor

Equipping agents with advanced platforms for efficient operations.



Business Strategy Alignment

Ensuring IT initiatives align with overall business objectives.



Integrated Systems, Technology Platforms & Governance

Adopting modern systems and strong governance practices



People, Processes & Culture

Driving change management, process re-engineering, and cultural transformation

TECHNOLOGY PRINCIPLES

To ensure strategic coherence and long-term sustainability, we have established four core Technology Pillars that form the foundation of all digital initiatives. These pillars guide every system upgrade, technology investment, and innovation, ensuring alignment with the Group's broader digital vision. The four pillars are:

Cloud First	Mobile First	Information Security First	AI & Data First
• Prioritising cloud-based solutions for scalability and accessibility.	• Designing platforms for mobility and flexibility across devices.	• Embedding security into every solution to safeguard data and systems.	• Leveraging AI and analytics for insights, smarter decisions, and enhanced experiences.

INTELLECTUAL CAPITAL

Cloud-First Strategy:	All new solutions and modernisation initiatives are designed for cloud deployment to ensure scalability, resilience, cost efficiency, and faster innovation. Major milestones include hosting the Core Insurance System on the cloud and progressing toward full migration of remaining systems by 2027, enabling complete decommissioning of on-premise infrastructure. A multi-cloud architecture (Oracle OCI, Azure, AWS) ensures flexibility, performance, and security, while supporting future AI and data-driven initiatives.
Mobile-First Strategy:	Focused on delivering seamless, responsive mobile experiences for customers, partners, and employees. Key initiatives include an AI-driven chatbot launched in 2025 and upcoming mobile platforms in 2026—such as B2B/B2C portals, a dedicated customer app, and QR-based solutions—to enhance accessibility and engagement.
Information Security-First Strategy:	Implements a layered security approach with SOC monitoring, PAM, MDM, next-gen firewalls, DLP, EDR/XDR, and security-by-design principles. Preparing for full compliance with the Personal Data Protection Act (PDPA) to ensure robust data governance, privacy, and trust across all digital platforms.
AI and Data-First Strategy:	HNBGI is embedding AI and data intelligence across all business processes to drive automation, analytics, and decision-making. Key achievements include an AI-powered customer chatbot, Document AI for Motor business, and RPA automations with AI-driven decisioning. The next phase focuses on Agentic AI for autonomous, end-to-end process orchestration. Data modernisation is advancing with Microsoft Fabric for SLFRS 17 and POCs on Oracle Autonomous Data Warehouse and Snowflake to support enterprise-scale analytics and AI workloads. Upcoming initiatives include predictive modelling for reinsurance, advanced dashboards with geospatial insights, and mobile document submission for faster processing. Looking ahead, HNBGI aims to build a hybrid data ecosystem and integrate AI seamlessly into its daily operations—enhancing productivity, accuracy, customer experience, and overall organisational performance.

DIGITAL CUSTOMER

We recognise the need to adapt to evolving customer expectations and rapid technological advancements. While our current products and services meet customer needs, the changing market landscape demands a shift toward modern, fully digital service delivery. Our "Digital Customer" (DC) initiative addresses this by enhancing customer experiences through advanced digital tools and channels.

The key objectives of this initiative include enabling anytime, anywhere engagement, offering diverse service channels, promoting eco-friendly paperless operations, improving efficiency, ensuring transparency, and delivering comprehensive lifecycle support through digital platforms. Our ultimate goal is to empower customers to complete all insurance-related activities digitally—without physical interactions. This includes fully online inquiries, payments, policy servicing, and claims, creating a seamless, paperless, end-to-end digital experience.

Digitalising Customer Journeys - Key Initiatives in 2025

- Released initial version of Customer Portal, where customers can have 360 views of their policies, make payments and initiate requests
- Released the initial version of AI based virtual assistant (HANA)
- Introduced many payment platforms for easy payment of premiums



Future Focus (2026 & Beyond)

- **Enhanced Customer Portal**
  – More features and deeper integrations.
- **Fully Fledged Mobile App**
  – Complete policy, claims, and payment management.
- **Advanced AI Assistant (HANA)**
  – Personalised, voice-enabled, and social media integrated.
- **Expanded Digital Payments**
  – Broader channels and real-time flexibility.
- **Paperless Communication**
  – 100% digital correspondence.
- **Self-Service Policy Purchase**
  – Through app, HANA, HNB Mobile Banking, SOLO, and partner platforms.

DIGITAL ADVISOR

The Digital Advisor (DA) initiative is designed to empower agents, bancassurance teams, and other distribution channels to deliver comprehensive support throughout the customer lifecycle. It offers advanced sales tools—such as detailed product information, transparent platforms, and lead management—alongside streamlined advisor workflows for scheduling and progress tracking. Additionally, continuous digital training ensures agents remain equipped to provide exceptional service. The DA initiative focuses on enhancing agent productivity while maintaining a strong customer-centric approach.

Key Initiatives in 2025

- Delivered a more user-friendly and informative interface, enriched with multiple levels of MIS reporting for better insights.
- Tailored certain sales portals to meet specific customer and partner requirements, ensuring flexibility for third-party integrations.
- Transitioned to a fully digital workflow, eliminating physical documentation.
- Enabled sales platforms to be accessible anytime, from any device, supporting mobility and convenience for the sales team.
- Introduced Robotic Process Automation (RPA) in selected sales channels to automate quotation and cover note generation, improving speed and accuracy.
- Implemented a Lead Management System for sales platforms and management units to streamline lead tracking and conversion.
- Upgraded LMS to provide a more interactive and user-friendly learning environment, enhancing agent training and engagement.

PEOPLE, PROCESSES AND CULTURE

To sustain our digital transformation journey, we continue to invest in people, processes, and culture. These initiatives focus on fostering innovation, agility, and resilience while equipping teams with the skills and tools needed to thrive in a rapidly evolving technology landscape.

Key Initiatives in 2025

- Implemented modern DevOps platforms to streamline software development, enhance collaboration, automate workflows, and accelerate testing and deployment cycles.
- Research underway to embed AI-driven automation across PDLC stages—requirements analysis, design validation, testing, and deployment—to improve quality and reduce time-to-market.
- Adopted a pragmatic strategy for emerging technologies (AI, BOTs, Analytics, ML) to enable rapid prototyping, early experimentation, and cost-controlled testing.
- Established dedicated teams for core IT projects and innovation initiatives, ensuring operational stability while driving technological advancement.
- Leveraging partnerships for complex technologies including AI and advanced analytics to accelerate adoption and access specialised expertise.
- Introduced comprehensive programmes to upskill IT and business teams in AI, cloud, analytics, cybersecurity, and modern development practices.
- Embedded IT value creation across all departments, reinforcing technology as a strategic enabler.

INTEGRATED SYSTEMS AND TECHNOLOGY PLATFORMS

Until early 2025, our primary IT focus was the successful implementation of the new Core System. Following this milestone, several enhancements and modernisation initiatives have been introduced to strengthen performance, integration, usability, and long-term sustainability:

Key Initiatives in 2025

- Deployed an open-source API middleware platform to enable seamless inter-system communication. In 2026, this integration approach will extend to Core System APIs for improved scalability and governance.
- A major UI/UX upgrade is underway to migrate Core System interfaces to Java-based GUIs, delivering more user-friendly screens, enhanced responsiveness, and mobile compatibility.
- Comprehensive upgrades to modules such as Group Life are in progress to address functional gaps and performance issues. The revamped versions will significantly improve efficiency, accuracy, and user experience.

INTELLECTUAL CAPITAL

KEY DIGITAL TRANSFORMATION INITIATIVES IN 2025

Core System Implementation

Completed the new core system and associated data migration activities—a major achievement for 2025.

Revamped Sales Platforms

Delivered enhanced, user-friendly portals with improved MIS capabilities for:

- Bancassurance Sales Portal
- Agency Sales Portal

Introduced AI based Virtual Assistant (HANA) – Phase I

Launched the first phase of HANA, our AI-driven virtual assistant, to improve customer engagement and support.

HANA Phase 1 capabilities include:

- Providing customers with details of ongoing promotions and special offers.
- Handling inquiries related to job openings and recruitment processes.
- Sharing the latest updates, news, and official announcements from HNBA.
- Offering information on corporate social responsibility programmes and initiatives.
- Enabling customers to submit feedback and raise complaints digitally.
- Allowing customers to download all relevant HNBA documents easily.
- Responding to inquiries related to the company background and details.
- Providing answers to frequently asked questions and integrating all website content for easy access.

Hybrid Data Warehouse and Data Lake Ecosystem

Implemented a hybrid data architecture that combines the structured, governed capabilities of a Data Warehouse with the flexibility and scalability of a Data Lake. This integrated approach enables advanced analytics, machine learning, and real-time insights, supporting our transition to a fully data-driven culture.

Advanced Analytics Initiatives

Launched multiple analytics projects to tackle critical business challenges and uncover previously unseen insights. These efforts focus on transforming raw data into actionable intelligence, identifying emerging trends, and enabling informed decision-making—ultimately strengthening customer service, enhancing operational effectiveness, and elevating the overall customer experience through data-driven interventions.

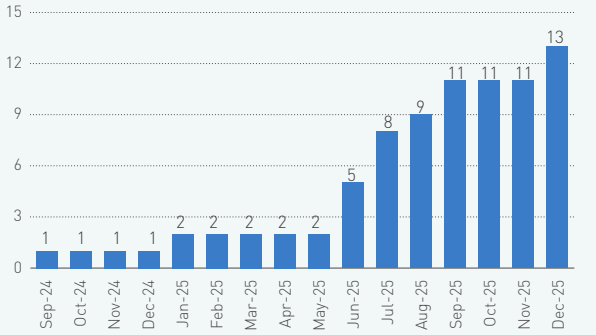
Robotic Process Automation (RPA)

Our RPA programme marks a major step in digitising and modernising insurance operations. By automating repetitive, rule-based tasks, RPA significantly reduces processing time, minimises manual effort, and enhances customer experience—without increasing workforce size. This initiative ensures scalable efficiency and accuracy across core processes.

Powered by UiPath and Microsoft Power Automate, the journey began with attended bots and advanced in 2025 with unattended bots, enabling fully autonomous execution of high-volume tasks. This evolution reflects our commitment to intelligent automation and continuous improvement in operational excellence.

There are 13 RPAs currently in Operation. Some RPA workflows are combined with AI to eliminate human intervention in decision-making steps. Five additional RPA initiatives are under development, covering key operations in Underwriting, Finance, and Sales divisions.

RPAs in Operation



Establishment of the Business Intelligence (BI) Unit

We have set up a dedicated Business Intelligence Unit that goes beyond traditional MIS reporting to enable advanced, data-driven decision-making across the organisation. The unit focuses on:

- Data Analytics – Deep data exploration and actionable insights for business functions.
- Machine Learning – Predictive models for churn analysis, risk assessment, and customer segmentation.
- Predictions & Forecasting – Accurate forecasts for sales, operations, and customer behaviour.
- Advanced Visualisation – Intuitive dashboards and visual insights for enhanced reporting.
- Automation – Streamlined reporting and analytical workflows for efficiency and accuracy.
- Data Warehouse Integration – Collaboration with enterprise platforms (Snowflake, Fabric, Oracle DWH) to ensure robust data pipelines, governance, and centralised analytics.

Strengthening Information Security

To fully support our Cloud-First and Mobile-First strategies, robust information security measures were implemented and expanded. Key enhancements include:

- Security Operations Centre (SOC): Advanced monitoring, threat detection, and incident response capabilities.
- Privileged Access Management (PAM): Enhanced control over privileged accounts and high-risk access points.
- Data Classification & Data Loss Prevention (DLP): Comprehensive protection and leakage prevention for sensitive information across all channels.
- Mobile Device Management (MDM) & Endpoint Security: Strengthened security for mobile devices and the remote workforce, ensuring compliance with mobility and cloud adoption.
- Additional Controls & Governance: Adoption of modern cybersecurity frameworks and best practices to safeguard systems and data.

Revamping the Payment Platforms

Revamped the organisation's payment platforms to enhance customer experience and convenience by:

- Enabling 24/7 digital payments across online and mobile channels.
- Providing instant payment confirmations for improved transparency.
- Introducing multiple new digital payment methods for flexibility.
- Modernising user interface and workflows for a smoother, faster, and more intuitive payment journey.

AI-Powered Call Centre

Introduced AI-driven initiatives to enhance call quality, real-time monitoring, and agent training effectiveness. Key advancements include:

- Automated evaluation of tone, sentiment, script adherence, and service standards for consistent customer experience.
- Implemented real-time systems to flag potential service issues, compliance risks, or customer dissatisfaction during calls.
- Leveraged AI insights to identify skill gaps, recommend targeted training, and support structured performance improvement.
- Reduced manual audits while improving accuracy, speed, and transparency of quality evaluations.

Empowering Paperless Workflows for a Digital-First Future

Expanded and enhanced the enterprise workflow management system, establishing it as a cornerstone of the organisation's paperless transformation and digital-first culture. Key achievements include:

- Positioned the system as a central enabler for eliminating manual processes and reducing paper usage across departments.
- Implemented digital tracking for tasks, approvals, and process steps, ensuring clear ownership, auditability, and governance.
- Introduced automated SLA monitoring to reduce delays, enhance internal service levels, and improve cross-functional efficiency.
- Increased coverage to support 100+ ticket types and 130+ workflows, enabling organisation-wide consistency and operational excellence.

Document AI Project: Transforming Customer Lifecycle with Intelligent Automation

Implemented the Document AI initiative to modernise and streamline end-to-end customer lifecycle processes—including onboarding, new business processing, policy servicing, and claims—by leveraging advanced AI-driven document understanding. Key achievements include:

- Captured and classified documents digitally, reducing manual effort and processing time.
- Extracted and validated key information with high precision, improving data quality and minimising rework.
- Accelerated policy issuance and onboarding for quicker turnaround times.
- Improved efficiency for servicing requests, ensuring faster responses and better customer experience.
- Enabled quicker assessment and reduced operational bottlenecks.
- Integrated with backend systems and workflows to support end-to-end automation.

Intelligent Intra-Bots

Initiated the deployment of AI-powered bots to assist internal staff by automating routine queries, providing quick access to operational information, and supporting HR/IT service tasks—significantly improving internal service delivery.



INTELLECTUAL CAPITAL

GENERAL INSURANCE

HNBGI is driving its digital transformation through a balanced mix of in-house developments, third-party system integrations, and legacy modernisation, all aligned with its core technology pillars. Key highlights include:

- Operational Enhancements: Internal solutions including the Spare Parts Database – Maintenance module are live, improving claims efficiency. Upcoming projects in 2026 include the Bidding module and digitalisation of 2W/3W policy issuance for faster turnaround and transparency.
- Customer & Talent Enablement: Enhancements to the eLearning platform (iContext) will continue, supporting capability building, while external initiatives such as the Integrated Communication Strategy and 365 Insurance Operations Programme aim to boost customer engagement and automation.
- Core System Integration: Most third-party platforms are integrated via APIs; remaining systems will be completed in 2026 for a unified operational environment. Key workflows (Motor Underwriting, Motor Claims, SLFRS 17) initiated in 2025 are on track to go live in 2026.
- Legacy Rationalisation & Modernisation: Redundant systems are being sunset, reducing technical debt. Modernised systems will migrate to the cloud in 2026, supporting scalability, resilience, and future readiness.
- Skill Upliftment: Significant investment in upskilling the in-house development team through modern tools, AI-driven productivity enhancements, and improved release management processes.

Collectively, these initiatives will create a streamlined, scalable, and secure technology ecosystem, strengthening HNBGI's digital foundation for long-term growth.

DIGITAL INVESTMENTS AND GOVERNANCE

HNBA and HNB General Insurance have established a Board IT Steering Committee to oversee the Group's digital transformation. This committee ensures robust governance by monitoring key projects, setting digital priorities, and mitigating cybersecurity risks.

A dedicated IT department of 40+ professionals, supported by external expertise when required, drives the Group's technology initiatives. To reinforce strategic alignment and timely execution, we have implemented a multi-tier governance structure that provides oversight across IT projects, vendor partnerships, and innovation programmes.

- Internal IT Steering Committee (Monthly): Oversees project prioritisation, resource allocation, funding, and progress monitoring for all IT initiatives.
- Core Insurance Vendor Steering Committee (Bi-Monthly): Collaborates with vendor leadership to manage system enhancements, development, and performance of the core insurance platform.
- Digital Innovation Committee (Quarterly): Board-appointed forum guiding digital innovation programs to align with strategic priorities and deliver customer and business value.
- Board & Risk Committees: Provides top-level governance through regular reviews of major IT and digital transformation projects, ensuring risk management and strategic compliance.

Activities in 2025

HNBA

- Customer Portal
- Customer App
- New RPAs
- Document AI for New Business
- Document AI for Claims
- Document AI for Servicing
- HANA – Phase II
- Intrabots go LIVE
- Oracle and Snowflake DWH Enhancements
- Go Green Project Phase II
- AI support for Sales – Phase I
- Data Lake
- Big Data related developments
- Go Green Project Phase III
- AI support for Sales – Phase II

HNBGI

- B2B and B2C portals
- Non-Motor Claims WF
- Non-Motor UW WF
- Chatbot – Phase II
- Intrabots
- Datawarehouse
- Data Lake
- Big Data-related developments

Future Focus

	HNBA	HNBGI
Short-term	• Differentiate the brand more clearly by combining sharper narrative storytelling, segmented product communication, and data led optimisation of marketing channels.	• Strengthen brand impact by boosting digital visibility through performance marketing and customer education, enhancing customer touchpoints with real time, technology enabled service interactions, and further differentiating the brand through continuous improvement in claims service excellence.
Medium-term	• Enhance brand loyalty by delivering experience driven initiatives, continuously improving service quality, and deepening post purchase engagement across all customer touchpoints.	• Enhance brand differentiation by strengthening a sustainability-led narrative that integrates climate resilience, safety awareness, and eco-friendly product features, while expanding penetration in underserved and emerging segments through insight-driven communication. Customer experience differentiation will be further deepened through AI-enabled personalisation and predictive service tools that support proactive and tailored engagement.
Long-term	• Sustain brand leadership by continuously investing in digital capabilities, elevating customer experience, and delivering measurable community impact.	• Position HNBGI as a future-ready, purpose-led insurer with strong national relevance by strengthening trust through transparent communication, innovative product ecosystems, and a high-performance service culture, while establishing clear leadership in digital general insurance through continuous technology enhancement and data-driven decision-making.

SOCIAL AND RELATIONSHIP CAPITAL

This refers to the quality and strength of the Group's relationships with its customers, communities, stakeholder groups, and broader networks. It encompasses the Group's ability to foster collaboration, share information, and build connections that enhance both individual and collective well-being. This capital includes the depth of key stakeholder relationships, as well as the trust, mutual respect, and willingness to engage that the Group has established and continues to develop and safeguard with external stakeholders.

VALUE CREATED

26% ↑
Claims & Benefits
2025: Rs. 8.4 Bn.
2024: Rs. 6.7 Bn.

15% ↑
MDRT Achievers
2025: 256
2024:222



30% ↑
GWP per Advisor
2025: Rs. 3.9 Mn.
2024: Rs. 3.0 Mn.

83% ↑
Investment in CSR
2025: Rs. 11 Mn.
2024: Rs. 6 Mn.

Relevant Material Topics

- Managing macroeconomic and market risks
- Product innovation and evolving customer needs
- Customer experience and service excellence
- Brand strength and market reputation
- Group synergies and strategic partnerships
- Social impact and community development

Relevant Strategies





Relevant Stakeholders



Relevant SDGs



MANAGING SOCIAL AND RELATIONSHIP CAPITAL GRI 3-3

Over the years, we have built strong, trust based relationships with our customers and business partners, underpinned by integrity, reliability, and consistent service delivery. The goodwill associated with the HNB Assurance brand, and its people has enabled sustained growth across our customer base and supplier network through long term collaboration and mutual value creation. In parallel, we remain committed to positively engaging with the communities in which we operate by supporting inclusive development initiatives and acting as responsible corporate citizens, thereby strengthening social trust and shared prosperity.

TRADE-OFFS WITH OTHER CAPITALS

Our initiatives to strengthen Social and Relationship Capital inherently interact with other forms of capital, creating both synergies and trade-offs. Efforts to deepen stakeholder trust, enhance customer relationships, and build credibility with regulators, partners, and communities reinforce business reputation and long-term sustainability.

Capital	Effect
	• Investments in customer engagement, community initiatives, relationship management, brand building, and regulatory compliance increase short term costs. • Strengthened trust and improved customer loyalty drive long term revenue growth and reduce churn. • Strong stakeholder confidence lowers business risk and supports financial sustainability.
	• Customer and stakeholder feedback informs improvements in branch infrastructure, service channels, accessibility, and digital touchpoints. • Investments to meet stakeholder expectations—such as safer facilities or enhanced service environments—may require upfront spending. • In the long term, these upgrades improve service consistency and strengthen customer experience.
	• Strong relationships with customers and communities motivate employees, reinforcing purpose, pride, and engagement. • Customer insights and stakeholder feedback guide employee training needs, skill enhancement, and service quality improvements. • Building trust requires staff time and capability development, but ultimately increases employee effectiveness and satisfaction.
	• Stakeholder expectations increasingly drive environmentally responsible practices and sustainability commitments. • Initiatives to minimise environmental impact—such as reducing waste, adopting greener processes, or improving compliance—may require investment and behaviour change. • Strong environmental stewardship improves reputation and aligns the group with community and regulatory expectations.
	• Deep stakeholder relationships generate valuable insights that enhance product development, service design, and innovation. • Increased engagement supports knowledge sharing, refinement of processes, and continuous improvement. • Maintaining transparency and trust requires robust systems, data governance, and communication capabilities, strengthening the group's intellectual assets.

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

Our customer strategy and value proposition

Our customer strategy enabled the Board and senior management to proactively engage with and address the priorities of our largest stakeholder group—our customers. By systematically identifying customer needs and responding with targeted, effective solutions, we differentiated ourselves in an increasingly competitive market, strengthened customer experience outcomes, and expanded our market share, while gaining deeper insights into evolving customer expectations.

To deliver on this value proposition, we invested in enhancing employee capabilities and optimising every customer touchpoint across the Group. We also strengthened continuous engagement throughout the customer journey and established a resilient, responsive customer contact centre, ensuring timely, consistent, and high quality service that builds trust and long term loyalty.

Our customer service strategy revolves around exceptional customer service at every touchpoint. This is built on four pillars:

LISTEN

Understand customer requirements through:

- Customer feedback
- Social listening
- Surveys
- Track complaints

ADDRESS

Address those requirements by:

- Enhancing the quality of all customer touchpoints
- Addressing all customer pain points
- Developing points of service differentiation

ADOPT

Foster a Group-wide customer-centric culture by:

- Staff embodying the commitment to exceptional service
- Staff actions reflecting the customer promise
- Measuring the behavioural change through ongoing training and feedback

MEASURE & IMPROVE

Monitor performance using:

- Net Promoter Score (NPS) - Customer satisfaction (CSAT) surveys
- Complaint management data
- Learnings from customer feedback drive improvements in systems, procedures, and processes.

BUILDING TRUST AND LONG-TERM RELATIONSHIPS

GRI 416-1, 416-2, 417-1, 417-2, 417-3, 418-1

Our sales teams are continuously trained to provide outstanding experiences at every stage of the customer journey and beyond. By focusing on customer retention and loyalty, they act as ambassadors of protection and trust within our group. Through a blend of rigorous training, genuine empathy, transparency, and deep expertise, our teams are equipped to meet the unique needs of each client.

Our sales professionals guide clients from initial consultation through ongoing support, building lasting relationships and delivering financial security. This commitment led to a customer retention ratio of 60% in 2025.

Demonstrating our ongoing dedication to outstanding customer service, there were no incidents relating to breaches of customer privacy or loss of customer data during the reporting period. Additionally, no products were subject to regulatory concerns, and no fines or penalties were imposed on the Group for non-compliance with laws and regulations relating to product information and labelling. There were no incidents of non-compliance regarding health and safety of products and services.

SASB FN-IN-270a.3

Customer Retention Ratio

2025	2024
60%	58%





"An Evening with Assurance" at Cinnamon Life – An exclusive gathering of over 100 Prime Circle customers with the Board of Directors and EXCO, creating an opportunity for direct engagement and enduring long-term relationships.

INITIATIVES IMPLEMENTED TO ENHANCE CUSTOMER SATISFACTION

During the year, we implemented several initiatives aimed at enhancing customer experience and strengthening engagement:

24/7 Call Centre Operations

We established a round-the-clock call centre to ensure uninterrupted support and improved accessibility for customers.

Customer Feedback Mechanisms

Our Customer Satisfaction (C-SAT) process was revamped to capture feedback at key touchpoints, including service centres and selected locations.

Compliance Readiness

We began preparations to comply with IRCSL Direction No. 02 of 2025, which mandates obtaining Net Promoter Scores (NPS) for the entire customer base. This proactive approach ensures readiness for Implementation from 2026 onwards.

Prime Circle Customer Care

- Introduced a goodwill gesture for Prime Circle customers admitted to hospitals, such as sending flowers or fruit baskets.
- Implemented a process to proactively call hospitalised customers post-discharge to ensure service quality from third-party providers.

Policy Lapse Prevention

We initiated proactive follow-ups on failed standing orders to prevent unintended policy lapses, particularly when customers' payment instruments are renewed.

Celebrating Customer Milestones

Upgraded our milestone celebration program for Prime Circle customers by expanding our supplier network, enabling us to offer cakes and brownies for birthdays and special occasions.

Welcome Call Process

Enhanced onboarding through structured Welcome Calls to ensure customers fully understand their purchased policies, reducing post-purchase dissonance and improving transparency.

Digital Engagement

Launched HANA, an AI-powered Virtual Assistant on our website, designed to provide intelligent responses and self-service options. Future enhancements will allow customers to manage policies through the chatbot.

Service Standards and Training

- Conducted extensive training programmes for staff, focusing on customer centricity, soft skills, and internal service excellence to ensure seamless customer experiences.
- Strengthened complaint management processes by introducing stricter timelines for resolution, ensuring fair and timely outcomes.



HNBA has been ranked among the Top 5 in the LMD Customer Excellence Rankings 2025 by LMD. This recognition reflects our unwavering commitment to delivering exceptional customer experiences, building lasting relationships, and continuously enhancing service standards across all touchpoints.

SOCIAL AND RELATIONSHIP CAPITAL

Call Centre

We enhanced Contact Centre efficiency through real-time performance monitoring, continuous quality assurance, and tracking key metrics such as call handling times and abandonment rates. These measures drive ongoing improvements and ensure superior customer service across all touchpoints.

COMPREHENSIVE PAYMENT OPTIONS AVAILABLE TO OUR CUSTOMERS

The Company continues to enhance customer accessibility by expanding digitally enabled premium payment platforms, most of which offer immediate update capability. This diverse payment ecosystem facilitates a smooth customer experience across physical, digital, and monetary networks while enhancing operational efficiency and collection timeliness.



INFORMING CUSTOMERS ABOUT OUR PRODUCTS

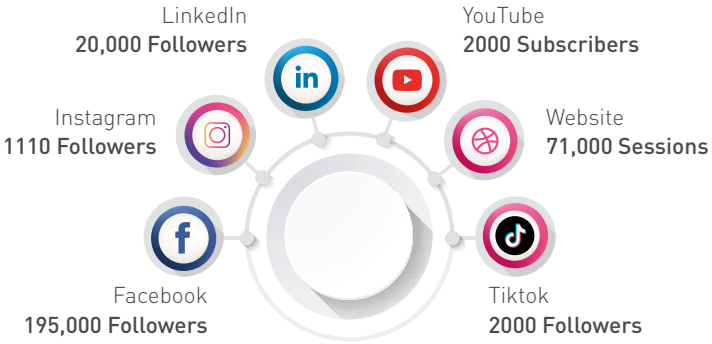
SASB FN-IN-270a.4

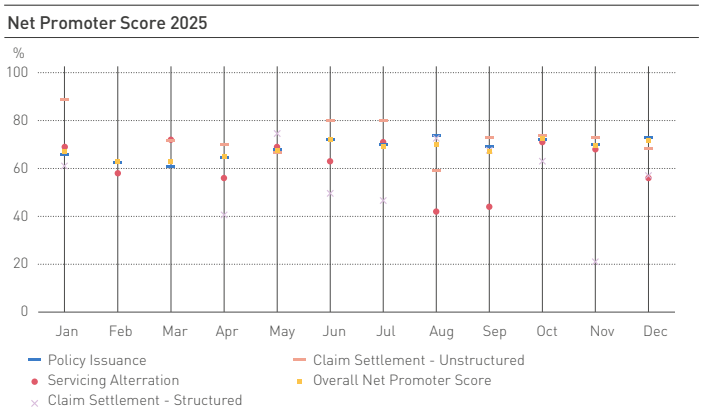
Our strategy for customer engagement focuses on building awareness through diverse channels, including social media, print, and mass media. The actual sales process is led by expert advisors who undergo comprehensive training to provide clear, detailed explanations of product features, including policy inclusions and exclusions, at the point of sale. To enhance understanding, our sales officers are equipped with both physical brochures and digital tools. Furthermore, to ensure complete transparency, our call center agents proactively contact customers during the cooling-off period to re-emphasise policy exclusions and answer any remaining questions.

Life Insurance	2025	2024	2023	2022
Number of customer complaints received	267	485	389	218
Number of settlements – fully resolved	255	470	350	195
Investigations ongoing as at year end	12	15	39	23

HNBA SOCIAL MEDIA FOOTPRINT- 2025

In 2025, HNBA continued to strengthen its digital presence, expanding its reach and engagement across key social and owned media platforms. Our digital ecosystem now connects with a broad and diverse audience base, reinforcing brand visibility, customer engagement, and stakeholder communication.





SASB FN-IN-270a.2

Complaints to Claims Ratio

0.02 %

0.26%
2024

Complaints Management Efficiency

(No. of complaints fully resolved as a % of Total customer complaints)

96 %

98%
2024

Net Promoter Score

68

64
2024

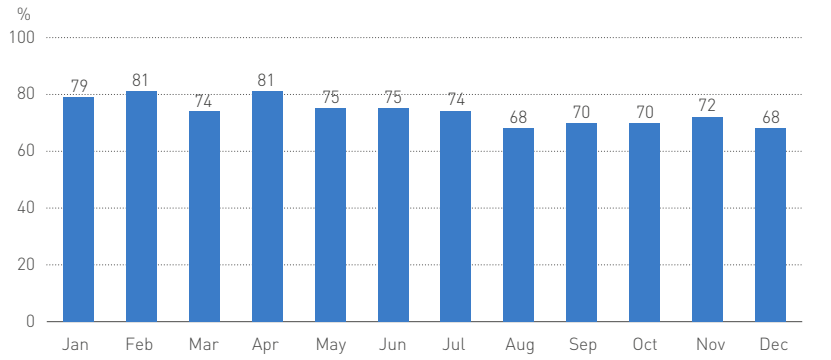
GENERAL INSURANCE

In 2025, the company strengthened its customer-centric framework through targeted digital, operational, and governance enhancements across the claims and service lifecycle. The following strategic initiatives were implemented to enhance responsiveness, operational efficiency, and overall customer engagement:

- Introduced a Proactive Claim Advisory Process for high-value customers (vehicle value above LKR 15 million), delivering personalised guidance throughout the claims journey.
- Implemented a 24-Hour Rapid Claim Settlement mechanism supported by Virtual Garage Inspections and an Assessor Tracking System, significantly improving turnaround times, transparency, and service efficiency.
- Enhanced Voice of the Customer (VoC) capabilities by aligning customer touchpoints with IRCSL guidelines and expanding feedback channels.
- Implemented Customer Effort Score (CES) and strengthened CSAT measurement through IVR, call center, and assessor interactions, enabling real-time service monitoring and continuous improvement.
- Expanded satisfaction surveys to intermediary partners to ensure a comprehensive service evaluation framework.
- Automated and centralised complaint and claim inquiry handling with defined internal SLAs (30-minute response time), improving responsiveness and accountability.
- Introduced CRM-based branch complaint tracking and a structured Root Cause Analysis (RCA) framework to address recurring issues and drive sustainable service improvements.
- Launched NEXA, a chatbot to enhance digital customer engagement by providing Motor and Medical insurance quotations.

General Insurance	2025	2024	2023	2022
Number of customer complaints received	57	21	40	34
Number of settlements – fully resolved	51	21	38	33
Investigations ongoing as at year end	6	0	2	1

Overall Net Promoter Score-HNBGI 2025



SASB FN-IN-270A.2

Complaints to Claims Ratio

0.05 %

0.01%
2024

Complaints Management Efficiency

No. of complaints fully resolved as a % of Total customer complaints

89 %

100%
2024

Net Promoter Score

71

77
2024

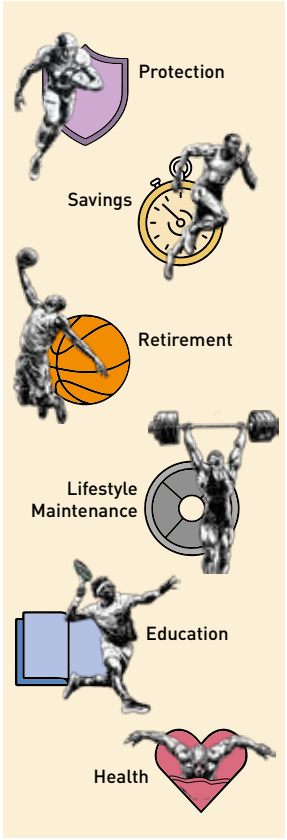


HNBGI ranked 3rd in the "General Insurance" category at the LMD Customer Excellence Rankings 2025, this recognition is based on an independent survey of over 3,200 respondents. It reflects the strong trust placed in the company and the dedication of teams delivering service excellence every day.

SOCIAL AND RELATIONSHIP CAPITAL

HNBA PRODUCT MIX

We continued to develop relevant and fit-for-purpose products balancing the risk, protection, and savings aspirations to meet customers' evolving needs.



PRODUCT NAME	Protection	Savings	Retirement	Lifestyle Maintenance	Education	Health
PrivilegedLife	✓	✓	✓	✓	✓	
My Fund	✓	✓	✓	✓	✓	
Ranmaga	✓	✓	✓	✓	✓	
Smart 5	✓	✓	✓	✓	✓	
Super 5	✓	✓				
PrivilegedFast	✓	✓				
Studyguard	✓					
Araksha	✓					
Safenet	✓					✓
FamilyGuard Overseas Plan	✓					

RIDERS

- Additional Life
- Accidental Death
- Total Permanent Disability
- Partial Permanent Disability
- Funeral Expenses
- Monthly Income

- SupremeHealth Max
- Super CI
- Hospitalisation Death Benefit
- SupremeHealth Unlimited
- Critical Illness
- Cancer Benefit
- Surgery Benefit

NEW PRODUCT DEVELOPMENT STRATEGY – HNBA

To strengthen our product development process, we focus on building a sustainable, long-term portfolio aligned with corporate objectives and KPIs. This includes continuous product monitoring to mitigate margin fluctuations caused by economic and market shifts, ensuring both customer expectations and financial targets are met. Our strategy emphasises a diversified product mix, distributed across channels to balance risk, protection, and savings features. Over the years, this approach has evolved to meet market needs and regulatory requirements. Initially centred on participating products, we shifted in 2012 to universal life products for greater flexibility and profitability.

Today, our flagship product, PrivilegedLife, offers comprehensive, customisable solutions and remains the primary contributor to new business, accounting for approximately 85%-90% of sales. Its flexibility and ability to cater to multiple needs—protection, investment, health, and education—make it the preferred choice among customers. With the implementation of IFRS 17, we strategically restructured PrivilegedLife into four distinct products to enhance profitability and compliance.

Complementing this offering, Supreme Health Unlimited, recognised as the best individual health rider in the market, provides comprehensive coverage without sub-limits—setting it apart from traditional reimbursement products. The rider also allows coverage to be extended to parents and parents-in-law, delivering a holistic family health solution. Going forward, we remain committed to universal life products that deliver flexibility, transparency, and long-term value.

New Products Introduced During the Year

Product	Features
PrivilegedFast	Introduced in response to market demand for short-term premium payment options, Privileged Fast offers 3–4-year premium payment terms with coverage extending up to 10–15 years. This universal life product is designed for customers seeking savings coupled with long-term protection.
FamilyGuard Overseas Plan	Developed to serve the growing segment of migrant workers, this universal life product provides tailored protection and investment benefits for individuals working abroad.

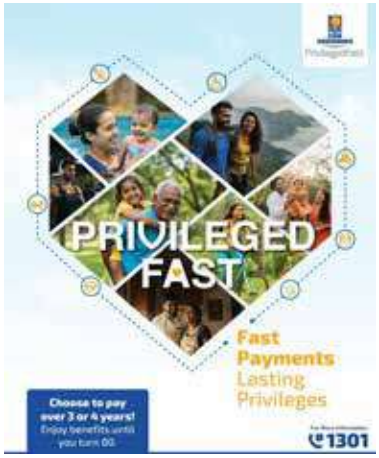
In 2025, we focused on strengthening our product portfolio and enhancing operational efficiency rather than introducing multiple new products. With a comprehensive suite already in place, we launched two strategic offerings—PrivilegedFast and FamilyGuard Overseas Plan—to address emerging needs such as short-term premium options and protection for migrant workers.

A major milestone was the completion of our core system migration in February 2025, marking a significant step in our digital transformation journey. This upgrade, now in the stabilisation phase, will enable faster processing, improved scalability, and enhanced customer experience.

PrivilegedLife continued to lead the individual business line, maintaining its position as the top-performing product, consistent with 2024. Additionally, Loan Protection Cover, a decreasing term assurance product, emerged as a strong performer, generating Rs.1,460 Mn in new business, driven by increased demand for credit protection supported by low interest rates.

Key Changes in Product Mix and Customer Segments

- **Higher average ticket size:** The average policy size rose significantly, supported by strong performance in the Bancassurance channel. Customers' increasingly perceived insurance solutions as a preferred long-term savings and wealth-building option, supported by a sustained low interest rate environment and evolving taxation considerations.
- **Shift toward universal life products:** With a guaranteed minimum return of 8%, universal life products gained traction across the industry, contributing to a 38% growth in new business for HNBA.
- **SME and micro segments:** While we do not offer a dedicated individual life product for SMEs, Loan Protection Cover reflected increased uptake among SME clients as banks mandated coverage for business loans.







SOCIAL AND RELATIONSHIP CAPITAL

HNBGI PRODUCT MIX

We developed products tailored to align with customers' evolving needs, seamlessly integrating risk mitigation, comprehensive protection, and financial growth aspirations.



Motor

- Motor Guard
- Motor Guard Extra
- Motor – Takaful
- As-Salam Motor
- Motor Third Party

Fire & Engineering

- Fire Dwelling House
- Fire Business Premise
- Business Interruption
- Machinery Breakdown
- Boiler & Pressure Vessel Insurance
- Contractor's All Risks
- Contractor's Plant & Machinery
- Erection Of All Risks
- Electronic Equipment

Miscellaneous

- Aviation Insurance
- Bankers Indemnity
- All Risks
- Travel Insurance
- Tour Operator
- Burglary
- Directors' & Officers' Liability
- Workmen's Compensation
- Fidelity Guarantee
- Money
- Neon Signs
- Personal Accident
- Plate Glass
- Professional Indemnity
- Product Liability
- Legal Liability
- Cyclone Index Insurance

Medical

- Corporate Medical
- My Health - Individual

Marine

- Marine Cargo
- Goods In Transit
- Marine Liability

Agriculture

- Crop Insurance
- Livestock Insurance

NEW PRODUCT DEVELOPMENT STRATEGY – HNBGI

Our product development strategy blends a structured process with agility to meet evolving market needs. While we follow key steps—market research, concept development, testing, regulatory approval, and targeted launch—we remain flexible to accelerate innovation when opportunities arise. As part of this approach, crop and livestock insurance, introduced in 2024, continues to perform strongly, achieving a business volume of Rs. 54.9 Mn. to date, reflecting its relevance to the agricultural community and market demand. In 2025, this approach enabled us to introduce Sri Lanka's first parametric insurance product, Cyclone Index Insurance, designed for the fishing community using global best practices and climatic risk models. Our focus remains on customer-centric innovation, leveraging insights and trends to deliver relevant, competitive solutions.

New Products Introduced During the Year

Product	Features
Cyclone Index Insurance	Sri Lanka's first parametric insurance solution designed to protect vulnerable communities—particularly fishermen—against climate-related risks. This innovative product ensures quick payouts based on predefined climatic triggers such as wind speed and cyclone intensity, offering a transparent and efficient alternative to traditional indemnity-based insurance.



Dialog Axiata PLC partnered with HNB General Insurance to introduce Sri Lanka's first parametric weather insurance solution for day-boat fishermen through the Dialog Sayuru App



Key Changes in Product Mix and Customer Segments

There were no notable changes in the product mix of HNBGI in 2025 compared to the previous year. Motor insurance continued to be the main line of business, making up 54% of total business. Medical insurance and other Non-Motor categories maintained their previous portfolio shares at 13% and 33%, respectively, highlighting the ongoing stability and consistency of the general insurance product mix.

IMPROVEMENTS IN CUSTOMER ONBOARDING AND CLAIM PROCESSES

In 2025, we advanced our digital transformation to enhance customer experience:

- Onboarding: Fully digitalised process with an ongoing project to integrate AI-powered identity verification, expected to be completed by the first quarter of 2026.
- Claims: Initiated development of an AI-driven claims app for automated processing and faster payouts; removed discharge voucher requirements to improve turnaround time.
- Bank partnerships: Introduced a dedicated portal for Bank of Ceylon to streamline onboarding for ETA loan protection policies with added free cover limit features.





SOCIAL AND RELATIONSHIP CAPITAL

Future Focus

	HNBA	HNBGI
Short-term	• Achieve a 10% market share in 2026 • Enhance rewards and recognition programmes; celebrate customer service milestones. • Develop SOPs for contact centre campaigns. • Implement the new contact centre system. • Launch an initial Net Promoter Score (NPS) measurement framework.	• Drive motor insurance business volumes to achieve targeted Net Written Premium (NWP). • Ensure effective and efficient management of motor and medical claims to control costs and improve profitability. • Achieve targeted Gross Written Premium (GWP) growth in Crop and Title Insurance segments. • Integrate a Communication Strategy – Resolution Centre. • Launch the Premier Plus Program.
Medium-term	• Enhance cost and operational efficiency • Build employee capability and motivation through structured career development, customer-centric training, and peer to peer recognition. • Improve service quality and efficiency by standardising QA frameworks, automating back office processes, and embedding continuous improvement. • Strengthen service delivery through omnichannel integration, AI driven knowledge management, and advanced performance reporting. • Deepen understanding of customer needs by expanding NPS into CSAT and CES, supported by a centralised Voice of Customer insights hub. • Drive loyalty and adoption with personalised in app journeys, targeted loyalty programs, and customer education initiatives.	• Achieve sustainable business volume with a healthy mix, with a strong focus on Motor Insurance. • Maintain claim ratios in line with budget to protect profitability. • Deliver assigned business targets for Cyclone Index Insurance through international projects and strategic partnerships, including Dialog. • Compliant Inquiry Process automation. • Automated Sentiment Analysis.
Long-term	• Establish a service led culture reinforced by long term incentives and strong CX focused leadership. • Harmonise end to end service processes and enable predictive operations through advanced analytics. • Leverage AI powered virtual assistants, integrated CRM and contact centre platforms, and advanced voice and sentiment analytics. • Operate as a fully data driven organisation with predictive customer models and real time decisioning. • Deliver immersive, omnichannel, and hyper-personalised experiences supported by digital customer communities.	• Build a sustainable Motor insurance portfolio with an optimal Car vs. Non Car business mix. • Strengthen and expand the Motor Third Party insurance portfolio. • Position HNBGI as the market leader in Parametric Insurance within the country. • Create a virtual Customer Profile. • Implement document updating Portal for Customers. • Develop a Customer Claim Tracker.

BUSINESS PARTNERS

At HNBA, our sustained growth and resilience are driven by strong, trusted business partnerships. Through close collaboration with our distribution network, financial institutions, technical advisors, regulators, and service providers, we align on shared objectives and uphold high standards of governance and accountability. These relationships enable growth, operational excellence, and responsive innovation in a dynamic environment. By fostering transparency and mutual trust, we continue to create sustainable value for our policyholders, shareholders, and the broader community.

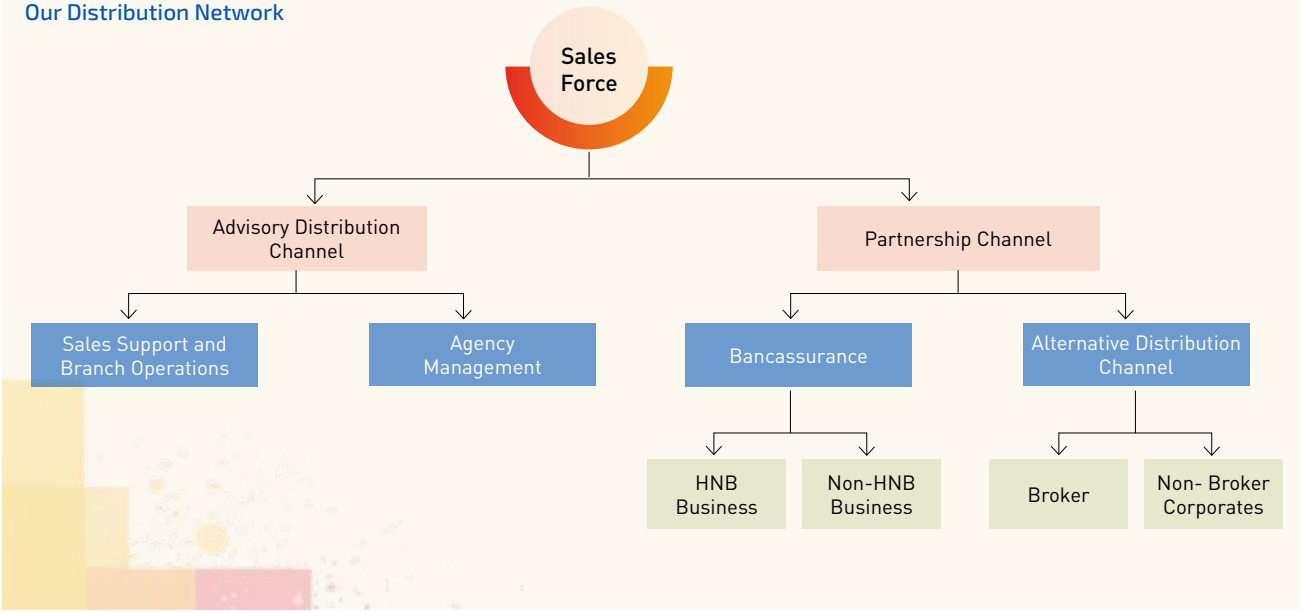
SALES FORCE

A highly productive and regulator-accredited sales force is fundamental to sustaining leadership in the life insurance industry. In line with this, HNBA continued to make strategic investments in both the scale and productivity of its sales force, achieving measurable growth while reinforcing a strong commitment to quality, compliance, and professional capability.

Through a structured, business-linked training and development framework, we strengthened our Business Partner Capital by:

- Enhancing sales productivity through targeted capability development and disciplined execution.
- Improving partner confidence and execution quality, supported by consistent training and performance alignment.
- Supporting inclusive growth segments, including microinsurance and community-based insurance solutions.
- Building sustainable leadership pipelines across distribution channels, ensuring long-term organisational resilience.

Our Distribution Network



HNBA operates a diversified and well-established distribution network with a strong nationwide footprint. The Company currently manages 72 fully-fledged branches and 96 incubator branches, bringing the total physical presence to 168 locations across the country. This extensive branch network is complemented by a range of alternative distribution channels, including independent and corporate brokers, a dedicated corporate sales channel, Takaful distribution, and direct business, enabling broad market coverage and customer accessibility.

The bancassurance channel continues to be a key strategic pillar of the Company's distribution strategy. This channel is structured around both HNB and non-HNB banking partnerships. The HNB bancassurance channel leverages the Group's strong banking customer base, while partnerships with non-HNB banks further enhance market reach by providing access to customers across several other financial institutions. In addition, the Company generates business through its subsidiary and other Group companies, further strengthening distribution synergies.

Collectively, these diversified channels play a critical role in driving the Company's nationwide GWP generation and support sustainable growth across multiple customer segments.

SOCIAL AND RELATIONSHIP CAPITAL

Our Branch Rationalisation and Franchise Model

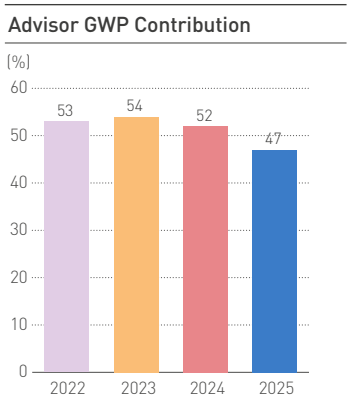
We have adopted a measured approach to physical branch expansion, weighing profitability against the long term cost and reputational risks of opening and closing outlets, while addressing market growth more efficiently through a franchise based distribution model. A pilot franchise launched in Galle has delivered strong operational and financial results within six months, validating the model's scalability, lower fixed cost structure, and its ability to attract high-calibre entrepreneurial professionals. Encouraged by this success, the company franchise-based plans to roll out additional franchises—one in the near term and at least three more by mid 2026, subject to feasibility. In parallel, cost efficiency is being enhanced through selective moderation of permanent recruitment and greater reliance on a freelance distribution model, with clear performance-based pathways for high-performing freelance officers to transition into the permanent cadre.

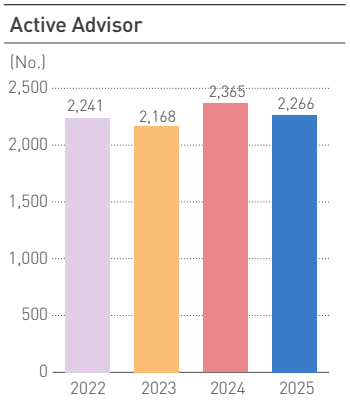
ADVISOR DISTRIBUTION CHANNEL

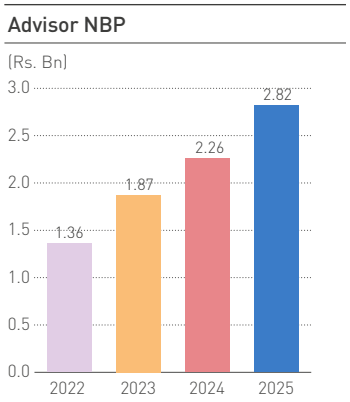
As the cornerstone of our insurance sales, our Advisor Distribution Channel adopts a tailored and customer-centric approach to support market expansion. During the year, the Company strategically strengthened this high-performing network, comprising 2,266 advisors, each of whom is trained and supported to deliver effective solutions. This expanded advisory force enhances the Company's ability to efficiently address diverse customer protection needs while sustaining growth.

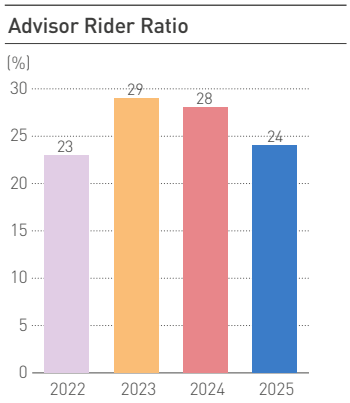
Performance

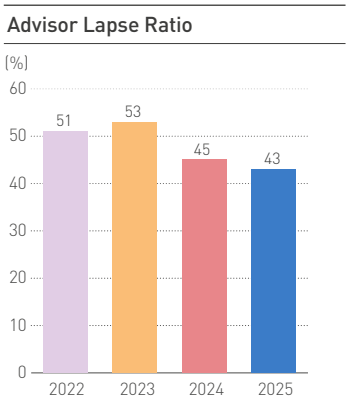
The Advisory Channel delivered a robust financial performance in 2025, maintaining a strong, consistent growth trajectory that now spans five continuous years. The channel recorded Rs. 1.6 Billion in First Premium, reflecting a 39% growth over the previous year. A key highlight was the 29% growth in Renewal Premium, which is reported as one of the highest in the industry, enabled by the strategic use of dedicated Recovery Officers to manage lapse policies. This success contributed to an overall 28% increase in Total GWP, resulting in a corresponding increase in commissions paid to advisors.

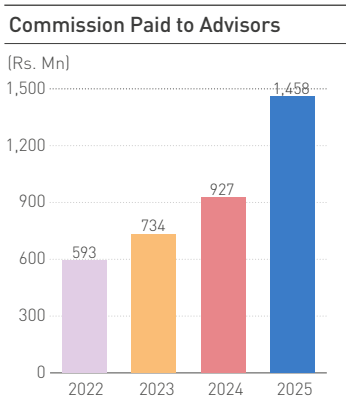












Progress of the Advisory Channel in 2025

The Advisory Channel achieved significant growth in 2025 by shifting its focus from Horizontal Expansion (increasing branch/team numbers) to Vertical Expansion, which prioritised productivity and efficiency improvement driven by several strategic initiatives.

Initiative	Strategy and Goal	Result
Increase average case size	Focused on selling higher-value policies	Increased from Rs.11,757 to Rs. 13,557.
Improve advisor productivity	Focused on improving the activity and output of the existing team.	The performing advisor count increased from 57% to 68% of the total population.
Lead Management System (LMS)	Implemented a proper lead management system post-February to structure the management of prospects.	Enhanced productivity by better managing the "most critical part" of the sales process.
Incentive alignment	Introduced new incentive schemes for managers and field management.	Schemes were aligned with the new productivity strategy to financially reward efficiency.
Field Management Structure	Introduced a minimum structure requirement for branches.	A minimum of 4 Field Management members per branch enhanced branch-level productivity and coverage.
FRM Module	Implemented the Field Management Ranking Module (FRM) to rank field management based on productive advisor targets.	The FRM achievement level increased from 18% to 36%, directly contributing to the development of a productive field management team.

Strategic Initiatives for Performance and Retention

Driving Recruitment Quality and Volume

- We recruited an average of 120 advisors per month through targeted strategies:
- Recruiting high-caliber individuals with existing customer bases (e.g., school teachers, professionals) who have the capacity to capture high-segment business. This strategy directly drove a 52% growth in MDRT achievements.
- Organising national activities such as Personal Observation Programmes, Advisor Referral Programmes, and Seminars to generate high-quality recruitment leads

Enhancing New Advisor Performance and Retention

- Implemented schemes focused on motivating newcomers to achieve high activity rates and a high MCFP (Monthly Cash Flow Premium) count. This focus directly boosts the advisor's first-year income, which is crucial for increasing retention rates.
- Continuing the Diamond Club for high performers (continuing for five years).



Protecting Policy Quality (Lapse Ratio)

- Located dedicated Recovery Officers in each region to follow up on lapsed policies and collect premiums.
- This strategy was crucial to achieving the 29% Renewal Growth and reducing the lapse ratio from 45% to a low of 43%.

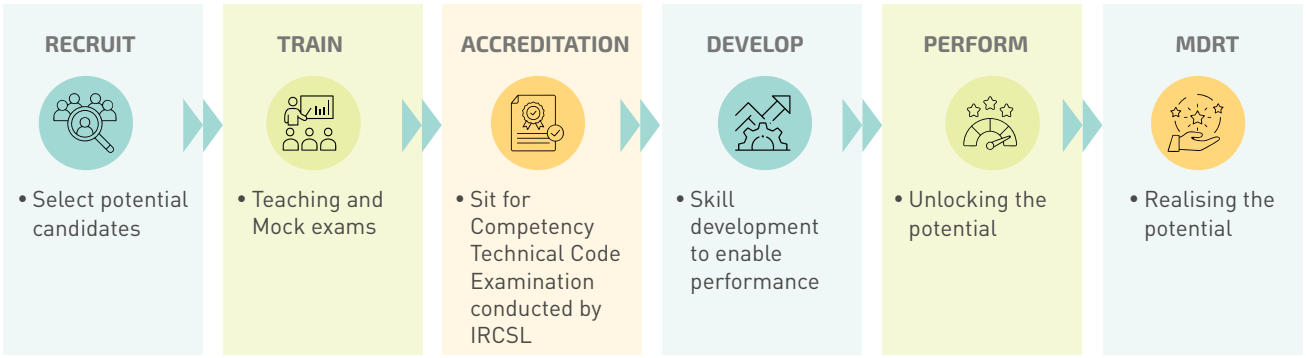


The Advisory Life Cycle

Elevating the professionalism of our sales force is foundational, beginning with the rigorous recruitment of promising candidates and comprehensive initial training that culminates in success in the Competency Technical Code examination of the Insurance Regulatory Commission of Sri Lanka (IRCSL). Structured development programmes then guide advisors toward realising their full potential, including achieving the prestigious MDRT (Million Dollar Round Table) status—the global benchmark for insurance professionals.

Branch Managers remain pivotal in driving performance and securing market share, achieving targets through the implementation of branch-specific goals tailored to individual capacity and localised market potential. This performance is underpinned by market analysis and a relentless focus on productivity and efficiency, leveraging bi-weekly performance cutoffs, digital tools, and granular analytics to foster a positive work environment and significantly improve lead conversion rates. These integrated strategies successfully contributed to a 25% increase in New Business Premiums from the Advisor Distribution Channel in 2025.

SOCIAL AND RELATIONSHIP CAPITAL



KEY CHALLENGES AND MITIGATING MEASURES

The year 2025 presented significant market and economic headwinds that required targeted strategic responses.

Challenges	Mitigation measures
• Competitors intensely poached our advisors by offering higher compensation packages, creating a severe threat to advisor retention and significantly undermining team morale. • Advisor movement caused collateral damage, specifically escalating the lapse ratio and negatively impacting policy persistency. • High inflation increased the cost factor for motivational and promotional activities, consequently driving up the overall acquisition cost of the sales force. • External factors, such as increased reliance on private healthcare, contributed to a sustained higher claims ratio.	• Cultivating a strong organisational culture and deep personal relationships with advisors to foster loyalty over immediate monetary offers. • Introducing prestigious recognition opportunities like the GAMA (General Agency Management Association) Awards (including international conferences) as key retention tools. • Implementing aligned strategies for disciplined cost management across motivational and operational expenditures. • Educating advisors on prudent hospital claims management to curb unnecessary payouts from customers utilising policies for non-essential checkups. • Continuing established benefits, including the MBA program and family income support, to provide foundational stability.

PARTNERSHIP CHANNEL

Distribution Strategy and Channel Effectiveness

We have restructured our distribution strategy by transitioning from a consolidated model to a segmented, channel-specific approach, enabling sharper strategic focus, deeper partner engagement, and more effective governance across distribution channels. Previously broad categories have been disaggregated into specialised sub-channels, enhancing accountability, agility, and performance management.

Within bancassurance, operations have been clearly segregated into HNB and non-HNB banking partnerships, allowing differentiated strategies aligned with the distinct dynamics and opportunities of each segment. In parallel, group and in-house business have been reorganised under a dedicated subsidiary channel, improving clarity of ownership, transparency, and performance oversight.

The direct business channel has also been streamlined through the separation of individual customer business from subsidiary-related activities, enabling each channel to operate with sharper focus and greater effectiveness. Initiated in the previous year, this restructuring is already delivering improvements in operational efficiency, with further benefits expected to materialise in the coming year.

Partnership growth has been further strengthened through a segmented and specialised channel management structure, supported by dedicated teams overseeing key distribution partnerships. A central Partnership Management Unit manages broker relationships, while a specialised team supports the leasing channel, ensuring partner-specific strategies and tailored solutions.

This channel-focused approach enables the delivery of customised value propositions across individual, corporate, and third-party customer segments, while maintaining a disciplined balance between profitability, operational efficiency, and customer satisfaction. Distribution structures have been systematically aligned to optimise coverage, productivity, and financial returns.

To enhance partner attractiveness and competitiveness, we have implemented revised evaluation, incentive, and motivation frameworks. Productivity is closely monitored, with performance-linked incentives designed to reward higher achievers through enhanced commissions and allowances, supporting sustained growth, improved partner morale, and long-term channel stability.

Performance

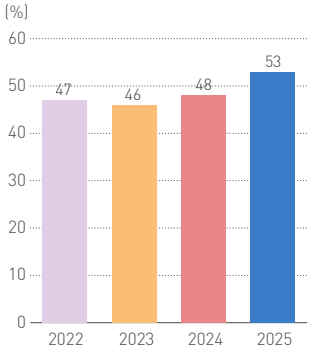
During 2025, the partnership channel delivered exceptional growth and performance, reflecting the effectiveness of the refined channel structure and strategic focus. New business generated through partnership channels recorded growth in excess of 58% as of 31 December 2025, underscoring strong market traction and partner engagement.

The partnership channel generated GWP of Rs. 10.4 Bn, demonstrating the channel's strong and sustained growth momentum.

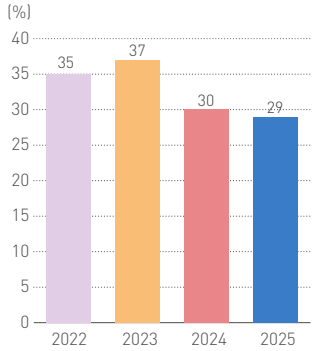
The Average Annual New Business Premium (ANBP) increased by 28% YoY to

Rs. 390,418

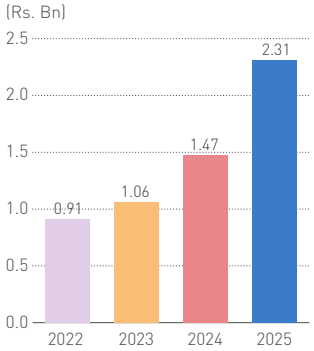
Partnership GWP Contribution



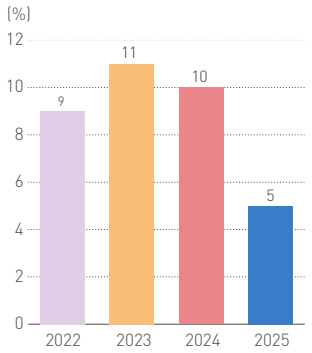
Partnership Lapse Ratio



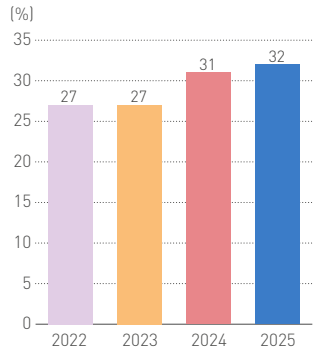
Partnership NBP



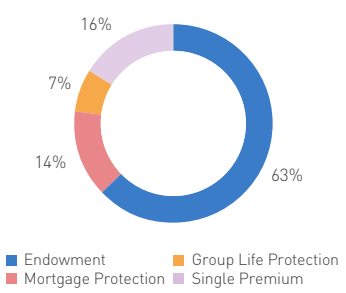
Partnership Rider Ratio



Leads Conversion



Partnership Category Wise GWP



BANCASSURANCE

Bancassurance Leadership and Industry Recognition

We continued to maintain a leadership position in bancassurance, with long-term endowment and protection solutions driven primarily through its strategic partnership with Hatton National Bank (HNB). This collaboration remains one of the most robust and successful bancassurance partnerships in the industry, underpinned by deep integration, consistent execution, and aligned growth objectives.

In recognition of sustained excellence, the Company has been awarded "Best Bancassurance Partner" by Global Banking & Finance Review (UK) for five consecutive years, reflecting strength in execution, innovation, governance, and partner relationship management.

Beyond strong new business momentum, the bancassurance channel continues to demonstrate exceptional portfolio quality, with renewal premium retention consistently exceeding 95%. This high retention level reinforces the sustainability, stability, and long-term value of earnings generated through the bancassurance channel.

Credit-linked Bancassurance and Market Recovery

During the previous year, the Mortgage Reducing Policy (MRP) portfolio—linked primarily to credit and loan protection—was impacted by adverse macro-economic conditions, including elevated interest rates and subdued borrowing activity. These factors constrained loan origination volumes, and, in turn, reduced insurance coverage tied to credit facilities.



SOCIAL AND RELATIONSHIP CAPITAL

The operating environment has since improved materially, with declining interest rates and renewed borrowing activity supporting a recovery in loan growth. As a result, the Company's MRP and other debt-linked protection solutions, including Decreasing Term Assurance Policy type products, recorded a strong resurgence, delivering approximately 190% YoY growth as at the reporting date. This performance reflects a combination of organic volume growth and inorganic expansion of distribution partnerships, highlighting the resilience of the bancassurance model.

Expansion of Banking Partnerships

Supporting this momentum was a significant expansion in banking partnerships. In 2024, credit-linked bancassurance operations were concentrated within a narrow partner base, including the HNB channel and one state-owned bank. During 2025, this footprint expanded substantially to over 10 banking partners, materially increasing distribution reach and loan-linked insurance penetration.

This broader banking network, combined with a refined distribution strategy and improving credit market conditions, has resulted in a step-change in bancassurance performance, enhancing both scale and diversification within the credit-linked protection portfolio.

Group Life and Affinity Business Growth

The bancassurance and partnership ecosystem was further strengthened by the continued expansion of the Group Life insurance portfolio, catering to both corporate clients and affinity groups. These propositions encompass two key components:

- Life protection, and
- Health-related benefit schemes

A key differentiator of the Group Life offering is the provision of end-to-end, doorstep service, covering onboarding, administration, and claims management. Clearly defined service standards and dedicated servicing teams have enabled enhanced customer experience, faster claims resolution, and improved partner confidence.

Reflecting these strengths, Group Life business recorded approximately 34% growth compared to 2024, reinforcing its role as a stable, scalable, and strategically important contributor within the broader bancassurance and partnership framework.

HNB Retail Bancassurance Performance

The HNB retail bancassurance channel delivered strong performance in 2025, driven by sustained growth in new business premiums, increased penetration of Mortgage Reducing Policies (MRP), and closer alignment with banking partner objectives. The channel remained a key contributor to Gross Written Premium growth and long term portfolio quality, building on momentum from prior years.

Performance was supported by several strategic initiatives as given below:

- Strengthened HNB-focused operating model, enhancing ownership, execution discipline, and collaboration with banking partners
- Deeper integration with bank fee income and KPI frameworks, aligning insurance outcomes with bank staff performance and incentives
- Centralised MRP Command Centre established, significantly improving turnaround times, service quality, and operational efficiency
- Enhanced front-end systems deployed to banking partners, improving ease of execution and partner experience
- Expanded bancassurance partnerships through new and extended agreements, supporting growth in loan-linked and alternative segments
- Targeted "mirror product strategy" aligning insurance offerings with core banking products and customer segments, enabling more effective cross-selling

ALTERNATIVE DISTRIBUTION CHANNELS

The Alternative Distribution Channel continued to encompass partnership-based business outside traditional bancassurance. This includes:

- Non-HNB banking and financial institution partnerships for loan protection and credit-linked insurance
- Group Life insurance for corporate and affinity groups, including life and health-related benefit schemes
- Affinity and ecosystem partnerships, such as sector-based collaborations and organised group schemes
- Agriculture linked and development focused insurance, including partnerships with institutions such as the Agrarian Development Board to support farmer focused insurance solutions
- Alternate endowment and community based insurance offerings

This channel structure reflects the Company's strategy of leveraging partnerships to reach diverse customer segments while maintaining operational efficiency and scalability.

SPECIALISED OFFERINGS AND TAKAFUL GROWTH

We continued to differentiate our product-based partnerships by strengthening our Takaful insurance operations, maintaining our position as a leading Takaful provider in the market. We engage closely with Takaful communities, particularly within the Islamic business sector, which comprises a strong base of entrepreneurs, distributors, and manufacturers.

While the Takaful portfolio currently represents a modest share of the overall business, it continues to record above-industry growth rates and offers significant long-term potential. Through targeted community engagement, tailored solutions, and focused partner interactions, we are well positioned to capture growth opportunities in this expanding segment.

BROKER ENGAGEMENT AND RELATIONSHIP MANAGEMENT

Recognising brokers as a critical component of our Business Partner Capital, we have adopted a structured and accountability-driven broker engagement model designed to deepen relationships, improve productivity, and support long-term partnership development. Each relationship manager is assigned clearly defined broker portfolios, with engagement expectations calibrated according to broker productivity, strategic importance, and growth potential.

The broker engagement framework is underpinned by a disciplined and consistent approach, incorporating:

- Regular in-person engagement, with visit quality and frequency monitored and reviewed by line management

- Performance-based visitation frequency (daily, alternate-day, or periodic), aligned with each broker's contribution and potential
- Multi-channel interaction, leveraging in-person meetings, telephone, email, and hosted engagements to maintain continuity
- Structured engagement cadences, including weekly, monthly, and quarterly performance and review meetings
- Relationship-building initiatives, such as broker networking sessions, forums, and informal engagements to foster collaboration and trust

This structured approach ensures consistent communication, proactive portfolio management, and stronger relational continuity, reinforcing broker confidence and enabling sustained value creation for both parties.

B2B COLLABORATION AND STRATEGIC PARTNERSHIP

Beyond traditional bundled insurance offerings, we have further strengthened our B2B engagement model through direct corporate collaborations facilitated by brokers. These arrangements, often formalised through Memoranda of Understanding (MOUs), provide access to bulk and strategically important portfolios, while leveraging broker expertise in placement, servicing, and relationship management.

These initiatives build upon partnership frameworks introduced and disclosed during the 2024 reporting period and continue to evolve through shared value creation, enhanced service propositions, and deepening partner collaboration.

The effectiveness of the enhanced broker engagement and partnership strategy is reflected in the strong year-on-year performance of the broker channel. Total contributions exceeded the previous year's full-year performance by approximately Rs. 2 billion. The channel is well positioned, surpassing annual targets, underscoring the impact of the revised engagement model, strengthened incentive structures, and enhanced performance management framework.

TRAINING AND DEVELOPMENT STRATEGY

Our Sales Training and Development strategy supports both Advisor and Partnership channels, aligning closely with corporate objectives and key value drivers, with a strong emphasis on nurturing Million Dollar Round Table (MDRT) achievers.

In 2025, we focused on building a future-ready, performance-driven salesforce through structured, skills-based learning designed to enhance leadership capability, strengthen field coaching effectiveness, and improve productivity, particularly in protection and selling. Through targeted programmes that developed both personal mastery and team leadership competencies, we continued to elevate advisor performance, income potential, and professionalism. This integrated learning framework enabled the Company to cultivate an agile, engaged, and high performing salesforce aligned with long-term strategic growth objectives.

Key Training Priorities and Key Actions

Module	Key Focus Areas	Competencies Developed
The Core Compass	• Personal values & purpose alignment • Time management (4 Quadrants) • Accountability & self-reflection • Decision-making effectiveness	• Self-awareness & self-management • Priority alignment with organisational goals • Time management under pressure
Collaborative Foundations	• Trust Triangle (Credibility, Reliability, Intimacy) • Active listening & empathy • Conflict resolution • Trust-building field practice	• Team collaboration • Emotional regulation • High-stakes communication skills
Influence by Design	• 6 Sources of Influence • Field Coaching 2.0 • Strength-based coaching • Managing resistance to change	• Influencing without authority • Coaching for behavioral change • Leading by example in field settings
Adaptive Leadership	• Adaptive vs. technical leadership • Managing ambiguity • Stress resilience strategies • Scenario-based disruption leadership	• Change management capability • Diagnosing organisational challenges • Building resilience in teams
Personality-Based Leadership	• 4 Colours personality framework • Communication calibration • Personality mapping exercises	• Identifying personality types • Adjusting leadership style • Building synergy across diverse teams
Action-Oriented Leadership	• SMARTER goal setting • OKR framework in sales • Accountability partnerships • Activity planning aligned to targets	• Clear goal setting • Performance monitoring • Driving results while maintaining morale

SOCIAL AND RELATIONSHIP CAPITAL

Value to Advisors	Investment in Training	Value to Bancassurance Offices
132 MDRT Winners	Rs. 14.9 Mn	124 MDRT Winners
109,500 Training Hours		19,200 Training Hours









GENERAL INSURANCE

Key Enhancements in the Sales Management Process

The Sales Management Process introduced in 2023 was further strengthened in 2025 through targeted enhancements across all distribution channels, reinforcing governance, productivity discipline, and strategic partnership development.

Broker channel

- Deployed weekly performance dashboards at branch, regional, and national levels to enable timely, data driven decision making.
- Refined incentive structures to steer sales behaviour towards optimal product mix, improved persistency, and enhanced profitability.
- Integrated customer insights into sales planning, supporting proactive retention initiatives and deeper wallet share expansion.

Corporate / Direct / Takaful Channels

- Secured exclusive partnerships within Corporate and Takaful segments, enabling the delivery of personalised services and flexible product solutions.
- Leveraged strong institutional relationships to deepen market penetration through compelling value propositions, including tailored solutions and competitive pricing, with the existing portfolio forecasting 19% growth.
- Strengthened the Takaful value proposition through targeted education and collaboration with key stakeholders, supporting strategic portfolio expansion.
- Drove focused growth through targeted offerings, including Contractors' All Risk and Medical insurance solutions.

Agency Channel

- Continued to strengthen the Agency Sales Management Process, reinforcing recruitment discipline, structured onboarding, and productivity supervision across the BDA only agency network.
- Monthly performance reviews, enhanced activity tracking, and structured KPIs ensured consistent oversight and strengthened performance discipline across branches.

Leasing & Alternative Non-HNB Bancassurance Channels

- Enhanced market penetration through structured KPIs, monthly zonal and branch level reviews, and continuous performance monitoring via weekly review forums, supporting growth momentum and increased preferred class policy acquisition.

HNB Bancassurance Channel

HNBGI maintained a strong distribution footprint with 77 Bancassurance Officers deployed across 80 HNB branches, covering Retail, Priority, SME, Micro Finance, Emerging Corporate, and Corporate Banking segments. This enabled deeper customer access and strengthened branch level collaboration.

- A more rigorous performance management framework was implemented, featuring monthly performance reviews, defined KPIs for productivity, lead conversion, and channel mix, and consistent reporting to HNB branch leadership.
- Ongoing training in Marine, SME, foreign employment, and corporate insurance enhanced frontline capability and strengthened relationship-based selling.



- In 2025, HNBGI signed a strategic bancassurance agreement with Bank of Ceylon (BOC), to offer crop insurance solutions to mortgage customers within the Bank's network. This partnership provides access to a captive market and strengthens our distribution capabilities, allowing us to promote our products through BOC's extensive branch network. It marks a significant step toward expanding our reach in the agricultural insurance segment.

The enhanced sales management framework significantly uplifted branch performance, with:

- 30% of branch network top line revenue generated through Bancassurance activities, and

- Improved branch–insurance synergy driven by structured engagement routines, joint customer visits, and strengthened referral flows.

Initiatives Implemented to Drive Partner Growth in 2025

In 2025, HNBGI strengthened partner-led growth across all distribution channels through a structured, incentive-aligned, and capability-driven approach. Key initiatives included establishing a dedicated partner management function for brokers, simplifying operational workflows, and revising commission structures to promote long term productivity and portfolio quality. Growth in the Corporate, Direct, and Takaful segments was supported by targeted government tenders, strategic partnerships, and focused upselling and cross selling in health and motor portfolios. The Agency channel was enhanced through improvements in retention and professionalism, the launch of a high performing Development Office pilot, strengthened recruitment discipline, and targeted incentives to drive both motor and non motor business. Momentum in Leasing and Alternative Bancassurance channels was reinforced through revamped product offerings, structured performance monitoring, and deeper field engagement. Within the HNB Bancassurance ecosystem, expanded integration across multiple banking segments, the launch of the Adhishtana agency development programme, strategic foreign employment partnerships, and strengthened marine distribution with HNB Trade contributed to diversified revenue streams, improved branch led opportunities, and stronger cross selling effectiveness across the branch network.

New Partnerships in 2025

In 2025, HNBGI expanded its strategic partnerships across multiple distribution channels to support sustainable growth and portfolio quality. The Agency channel established productive collaborations with corporate organisations, SMEs, selected government institutions, and motor trade partners, including car sales showrooms and vehicle trading networks, strengthening Motor GWP and new business quality. Growth in Leasing and Alternative Non HNB Bancassurance was supported through the introduction of new two wheeler and three wheeler insurance packages with leading leasing companies and brokers, as well as new partnerships with prominent financial institutions, retailers, and development banks. These partnerships enhanced market reach, diversified distribution, and reinforced the Company's multi channel growth strategy.

Performance

HNBGI delivered strong, broad based performance across all distribution channels during the year, supported by expanded partnerships, improved operational collaboration, and disciplined execution. Growth momentum in the Broker, Corporate, Takaful, and Direct channels was driven by stronger broker and corporate relationships, faster underwriting turnaround times, and increased contribution from marine, corporate motor, and fire portfolios. Bancassurance remained a key pillar, generating significant GWP through an extensive presence across the HNB branch network and earning recognition as Sri Lanka's Best General Insurance Bancassurance Provider for the third consecutive year. Performance across Agency, Leasing, Broker Leasing, and Non HNB Bancassurance channels was further strengthened through network expansion, new partnerships, improved productivity, and solid contributions to the motor portfolio.

TRAINING AND CAPABILITY DEVELOPMENT

Training and capability development for the Partnerships and Bancassurance channels are designed to directly support business performance, sales effectiveness, and leadership capability. During the year, we adopted a segment-specific, outcome-driven training model, ensuring close alignment between learning initiatives, channel priorities, and measurable business outcomes.

All sales-related training is delivered through a single, integrated learning architecture—Life Campus—which serves as the central platform for structured learning and continuous professional development.

Segment-based Training Framework

Training programmes are tailored according to role, seniority, and distribution segment, ensuring relevance and targeted capability building across the channel. This structured framework enables customised interventions aligned with defined competency expectations across the partnerships and bancassurance ecosystem.

- Senior Leadership – strategic execution, partner management, and performance governance
- Middle Management – coaching effectiveness, performance monitoring, and team productivity
- Frontline Sales – behavioural capability, execution discipline, and customer engagement

Frontline capability development

Frontline development is anchored by the LEAD programme, which focuses on strengthening behavioural and execution capabilities critical to channel performance. Key areas include:

- Purpose-driven selling and leadership mindset
- Effective delegation and performance monitoring
- Structured partner and customer engagement
- Accountability, discipline, and execution consistency

SOCIAL AND RELATIONSHIP CAPITAL

These initiatives are delivered as continuous development journeys, fully integrated with day-to-day business expectations rather than standalone training events.

Business-linked Training Design and Evaluation

Training needs are identified through formal gap analysis conducted in collaboration with senior channel leadership. Programmes are then tailored or developed to address specific performance gaps.

Effectiveness is measured through:

- Pre- and post-training evaluations
- Business performance indicators linked to each programme
- Observed improvements in productivity and execution

The focus is on training effectiveness and business impact, rather than training hours alone.

Channel-specific Training Governance

In 2025, training delivery was fully segregated by distribution channel, with delegated training leads assigned to:

- Advisor distribution
- Partnership and bancassurance distribution

This approach improved responsiveness, accountability, and ownership of capability development outcomes within each business vertical.

Key Training Priorities

Training priorities for partnerships and bancassurance included:

- Strengthening sales execution discipline
- Enhancing partner engagement capabilities
- Improving service excellence and turnaround times
- Developing leadership pipelines within sales and partnership teams

Short-, medium-, and long-term capability priorities have been mapped to ensure continuity and sustained skill progression.

Inclusive Growth and Microinsurance Capability

We also strengthened capabilities supporting microinsurance and inclusive insurance initiatives, aligned with national priorities and ecosystem development goals.

Key focus areas included:

- Dedicated capability development for farmer and non-farmer microinsurance segments
- Collaboration with the Agrarian Development Board, including coverage for farmer societies such as Sithamu Samithi
- Insurance protection currently extended to over 40,000 micro-level participants

Targeted training equips teams with specialised product knowledge, servicing capabilities, and community engagement skills to support this socially impactful segment.

VENDORS AND SERVICE PROVIDERS

GRI 414-1, 414-2

The centralised Procurement Department, established in 2016, plays a key role in strengthening governance, enhancing cost efficiency, and standardising procurement practices across the organisation, while supporting responsible and sustainable sourcing. The transition from decentralised procurement to a centralised model enabled improved oversight, transparency, and value-based decision-making across the supplier value chain.

All procurement activities are governed by a Board-approved Procurement Policy, which provides a structured framework to ensure fair, transparent, and competitive procurement practices in line with corporate governance principles. The Policy is reviewed periodically to reflect changes in regulatory requirements, business conditions, and operational priorities, ensuring its continued relevance and effectiveness. This framework supports the Company's commitment to responsible supplier management and ethical business conduct.

The Procurement Policy is aligned with the Manual of Financial Authority and the Company's Anti-Bribery and Corruption Policy, reinforcing accountability, ethical behaviour, and compliance across procurement activities. Clear procedures are in place for supplier registration, evaluation, and engagement. All prospective suppliers are subject to sanctions list screening and compliance assessments as part of the onboarding process, enabling the Company to assess suppliers against defined legal and ethical criteria prior to engagement and to mitigate potential social, legal, financial, and reputational risks.

The Procurement Division operates within a fully digital, paperless environment, utilising system-driven workflows to enhance efficiency, transparency, traceability, and internal controls. Previously managed through the OASYS workflow platform—recognised with a Gold Award at the National Convention on Quality & Productivity 2024—procurement operations were further strengthened in 2025 through migration to the globally recognised Oracle Procurement system. This transition enabled seamless integration with the Oracle Finance Module, enhancing end-to-end visibility, process alignment, and financial control across procurement activities. All procurement processes, including requisitions, approvals, bid evaluations, purchase order issuance, and documentation, are conducted electronically, supporting auditability, risk management, and environmental sustainability.

Supplier compliance assessments form an integral part of procurement governance. Where potential social or compliance-related risks are identified during supplier screening or engagement, appropriate actions are taken in line with established procurement guidelines, including additional due diligence, clarification, or exclusion from the approved supplier base where necessary. These measures reinforce the Company's commitment to responsible sourcing and proactive management of supplier-related risks.

During the financial year 2025, the Procurement Division managed 233 procurement transactions valued at LKR 794.7 million, covering goods,

services, and works across the organisation. Through structured sourcing processes, competitive bidding, and effective vendor negotiations, total cost savings of LKR 78.7 million were achieved, representing a 9.91% saving against initial quoted prices at the point of purchase order issuance. These outcomes were achieved while maintaining required quality, service delivery standards, and adherence to ethical and compliance requirements.

Overall, the Procurement Division continues to support the Company's strategic objectives by delivering value for money, strengthening governance, embedding responsible supplier management practices, promoting sustainability through paperless operations, and enabling digital transformation across procurement activities.

516	20	Rs. 10,781 Mn.
Local Suppliers	Foreign Suppliers	Payment to Suppliers



REINSURANCE PARTNERSHIPS

Reinsurance is a core element of our risk management architecture and capital efficiency. We maintain robust, well-structured arrangements with reputable reinsurance partners to diversify risk, stabilise earnings and support disciplined growth. In addition to risk transfer, reinsurers provide valuable perspectives on underwriting practices and product design, helping us align solutions with evolving customer needs while remaining within defined risk appetites.

19
No. of Reinsurers
Rs. 3,290 Mn.
Payment to Reinsurers
Rs. 1,681 Mn.
Claim Recoveries from Reinsurers

ACTUARIAL EXPERTISE

HNB Assurance PLC collaborates with internationally recognised actuarial experts, Messrs. Willis Towers Watson India Private Limited, a subsidiary of the global advisory firm Willis Towers Watson. Independent actuarial insight underpins sound decision-making across pricing, product development and liability valuation. Our collaboration with qualified actuarial professionals ensures methodological rigour in assessing policyholder obligations, monitoring experience, and safeguarding solvency. Actuarial governance strengthens financial resilience and supports sustainable value creation for policyholders and shareholders.

REGULATORY ENGAGEMENT AND COMPLIANCE

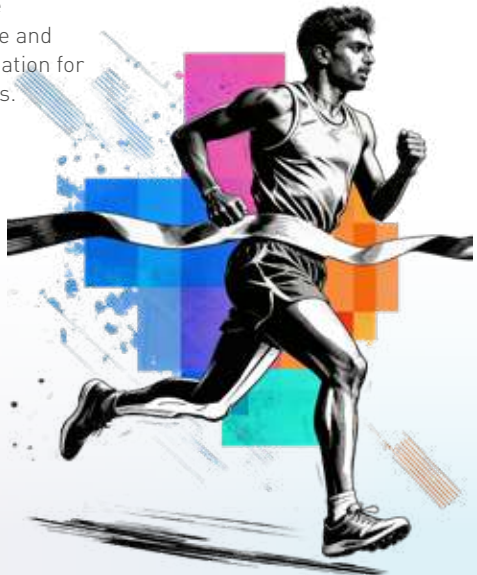
We operate with a strong commitment to regulatory compliance and proactive engagement. The Insurance Regulatory Commission of Sri Lanka (IRCSL) is the primary regulator of the sector, and we adhere to applicable directives, reporting requirements and prudential standards. We align with the regulatory frameworks of the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Inland Revenue Department. Ongoing dialogue with regulators and industry bodies supports sound governance, effective risk management and responsible market conduct.

PARTNERSHIPS AND SERVICE PROVIDERS

We rely on a network of trusted service providers—including medical, technology and operational partners—to deliver consistent, high-quality experiences. Partner selection is guided by due diligence, ethical conduct and service-level commitments. Regular performance reviews, clear contractual frameworks and continuous improvement enhance reliability, efficiency and stakeholder satisfaction.

COMPETITIVE LANDSCAPE

We operate in a dynamic and competitive market. Competition encourages innovation, sharper customer value propositions and operational excellence. We benchmark industry practices, focus on differentiated service, and continually refine our offerings to meet evolving protection needs, viewing competition as a catalyst for continuous improvement and sustainable growth.



SOCIAL AND RELATIONSHIP CAPITAL

Future Focus

	HNBA	HNBGI
Short-term	• Execute further market penetration within key urban centres and main cities by establishing 10 new distribution units. • Implement the Cluster Branch Model development. This strategy involves managing multiple branches within a single premise using limited resources to ensure development while optimising the cost factor. • Introduce two new distribution models to the existing network: » Personal Line Business Channel. » Franchise Business Module (Franchise Branches).	• Enhance channel productivity and cross-functional collaboration through the expansion of microfinance and SME partnerships, supported by improved digital sales workflows.
Medium-term	• Target new markets for the Overseas Customer (OCS) business, focusing on countries with high populations of Sri Lankan expats, such as Italy and Korea. This builds upon the existing successful unit in Dubai. • Continuous development of field management and advisory structures to support the expansion of the Personal Line and Franchise models.	• Diversify and optimise distribution channels to support sustainable growth. • Scale Bancassurance, Broker, Leasing, and Agency portfolios through focused partner development and market-led expansion. • Implement structured regional growth frameworks to ensure disciplined execution and consistent performance across geographies.
Long-term	• Establishing physical branches outside of Sri Lanka. • Introduction of Virtual Branches and dedicated Digital Sales Teams. • Implementing an AI-based business introduction module to leverage cutting-edge technology for market reach and efficiency.	• Develop an industry-leading partner ecosystem anchored in strong governance, capability, and mutual value creation. • Accelerate towards a fully digital, integrated distribution network to improve speed-to-market and decision-making. • Achieve sustained double-digit growth through resilient business models and scalable channel strategies.

COMMUNITY

As a leading life insurer in Sri Lanka, we play an active role in strengthening the economic and social fabric of the communities we serve. With insurance protection extended to over 500,000 individuals, we offer a broad range of solutions addressing the needs of the mass, mass-affluent, and affluent segments, while remaining deeply committed to those at the base of the economic pyramid.

In 2025 HNBA group continued to strengthen its Community Capital through focused and impactful Corporate Social Responsibility (CSR) initiatives anchored around three core pillars: Health Protection, Environmental Protection, and Education Protection. During the year, the group invested Rs.11 Mn in CSR initiatives, reflecting a significant 83% increase compared to the previous year. These initiatives were designed to address immediate community needs while simultaneously contributing to long-term resilience, sustainability, and social well-being.

Through a commitment to inclusive and sustainable community development, we ensure that our CSR interventions are closely aligned with national development priorities, responsible environmental stewardship, and the long-term welfare of future generations. Guided by a shared-value approach, we continued to invest in impactful programmes and build strong partnerships with stakeholders, reinforcing trust, enhancing community resilience, and creating lasting positive outcomes within the communities we serve.

Across all CSR programmes implemented during the year, the initiatives have created meaningful direct and indirect benefits for communities across multiple focus areas, contributing to improved well-being and sustainable social impact.

Health Protection

Safe Drinking Water Projects (4 Schools)

Students and surrounding communities of P/ Wijayapura Primary School, Bisobandaragama Primary School, Mahaweli Primary School, and Kidalagama Primary School, Madawachchiya benefited from improved health and hygiene, supported by an investment of Rs. 2.4 Mn. that ensured access to safe drinking water.



Blood Drive 2025

Conducted 16th Annual Blood Donation Camp of HNBA & HNBGI, in collaboration with the National Blood Bank, had 158 participants, with 144 qualifying as donors, reaffirming the Group's commitment to national healthcare and community well-being.



Donation to Onco Surgical Unit – National Hospital, Galle

A laptop, printer, and essential medical supplies were donated to the Oncosurgical Unit, improving record keeping, operational efficiency, and patient care for patients and staff.



Support for cancer-affected families & Awareness Initiatives – Indira Cancer Trust

In 2025, HNBGI, through staff donations, provided dry rations to families of cancer patients and, in partnership with the Indira Cancer Trust, conducted a Breast Cancer Awareness session for female Colombo Municipal Council workers, promoting women's health and early detection.



Environmental Protection

Ecosystem Restoration – Lunugamvehera National Park

Partnered with Biodiversity Sri Lanka to remove invasive plant species across 45 hectares under a multi-year restoration programme, supported by an investment of Rs. 3.9 Mn., promoting biodiversity conservation, ecosystem balance, and long-term environmental sustainability.



HNBGI Better Tomorrow – Community Clean up

Conducted clean-up operations from Slave Island Railway Station to Nawam Mawatha, including installation of safety signage, benefiting thousands of daily commuters and promoting a cleaner, safer urban environment.



SOCIAL AND RELATIONSHIP CAPITAL

Education Protection

Preschool & Grade 5 Scholarship Programmes

Conducted Four preschool and six Grade 5 scholarship initiatives, with an investment of Rs. 1.1 Mn., to improved educational access and learning outcomes for students from diverse backgrounds.



Infrastructure Development – Abanella Viduhala, Nildandahinna

Upgraded school infrastructure including roofs, walls, windows, doors, pavements, and furniture, creating a safer and more conducive learning environment for students.



CDB CSR Project – Sandagala Special School

As part of our CSR commitment, Sponsored the CDB - CSR initiative and donated educational materials and specialised learning aids to Sandagala Special School to support children with special needs. This initiative benefited over 130 students, enhancing access to inclusive education and creating improved learning opportunities for differently abled children.



Sponsorships and Educational Donations

Extended financial assistance and provided essential learning resources to schools, universities, and other educational institutions. This initiative benefited numerous students and institutions, contributing meaningfully to educational development and enhancing access to quality learning opportunities.



Other

Cyclone Ditwah Disaster Relief

Dry rations and sanitary items worth Rs. 1.5 Mn. was donated to 580 families severely affected by Cyclone Ditwah, ensuring food security, hygiene support, and relief from immediate physical and financial hardships during recovery.



Tablet Donation – Sri Lanka Police

Donated Rs. 1.5 Mn. worth Tablet Computers to the Sri Lanka Police in support of the Government's digitalisation initiative. This contribution strengthened digital infrastructure, improved operational efficiency, and enhanced public service delivery for the general public of Sri Lanka.



Future Focus

Short-term	• Maintain a strategic focus on consolidation and continuity across all CSR initiatives • Strengthen existing programmes under the three core pillars: - Health Protection - Environmental Protection - Education Protection • Ensure timely completion of ongoing projects, with emphasis on effective execution and delivery • Address urgent and emerging community needs through targeted quick-impact interventions • Prioritise stability, responsiveness, and operational efficiency to maximise community relevance and impact
Medium-term	• Transition from consolidation to scaling successful CSR initiatives across Health, Environmental, and Education pillars • Expand proven pilot projects into structured, sustainable programmes with wider community reach • Deepen collaboration with government agencies, NGOs, and community institutions to strengthen implementation and impact • Build long-term institutional partnerships that enhance programme stability and community ownership • Increase community participation and stakeholder engagement in programme design and delivery • Integrate technology and innovation to improve efficiency, monitoring, and scalability of CSR initiatives • Drive innovation through the development of sustainable insurance products and partnership models that create long-term social value
Long-term	• Position HNBA & HNBGI as a recognised leader in sustainable insurance, aligned with best-in-class ESG practices. • Fully realise the objectives of the Sustainability Roadmap and continuously strengthen measurable ESG outcomes. • Adopt a long-term CSR strategy driven by impact, sustainability, and national relevance, rather than short-term interventions. • Establish flagship, high-impact initiatives under each CSR pillar that deliver lasting, systemic change: - Health Protection – advancing healthier, more resilient communities - Environmental Protection – contributing to a greener, more sustainable Sri Lanka - Education Protection – strengthening educational foundations for future generations • Reinforce the company's role in supporting inclusive growth, social resilience, and sustainable national progress through purposeful leadership.

NATURAL CAPITAL

Natural capital represents the environmental resources and ecosystems that support economic activity and societal well-being. As a financial services organisation, HNBA's direct environmental footprint is limited; however, we recognise our responsibility to manage and minimise our operational impacts while contributing positively to environmental protection and sustainability through responsible business practices and community initiatives.

VALUE CREATED

9% ↓
Electricity Consumption
2025: 1,854,516 kWh
2024: 2,041,445 kWh

4% ↓
GHG Emission
2025: 5,083 tCO2e
2024: 5,315 tCO2e



↑ 43%
Paper recycling
2025: 7,150 kg
2024: 5,003 kg

↓ 23%
Water consumption
2025: 11,154 Units
2024: 14,494 Units

Relevant Material Topics

- Sustainability, climate considerations and resource efficiency.

Relevant Strategies

- Expanding sustainable and climate resilient Insurance solutions.
- Continuous improvement in resource efficiency to support value creation.



Relevant Stakeholders

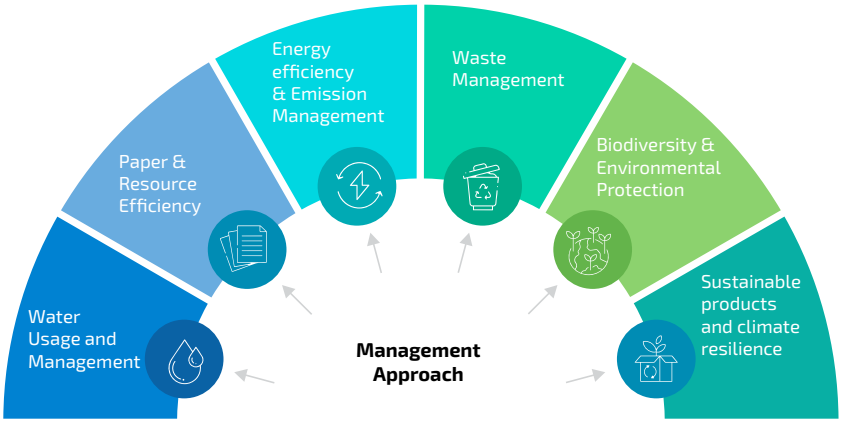
Relevant SDGs

MANAGEMENT APPROACH

Our approach to Natural Capital is guided by a strategic focus on resource efficiency, emissions reduction, biodiversity protection, and responsible environmental stewardship, recognising the interdependence between environmental sustainability and long-term business resilience. Aligned with our broader ESG strategy and Integrated Reporting framework, environmental considerations are systematically embedded into strategic planning, operational decision-making, digital transformation initiatives, product development, and corporate social responsibility programs. Through this approach, HNBA seeks to proactively manage environmental and climate-related risks, enhance operational efficiency, and support sustainable value creation for customers, communities, and shareholders over the long term.

Environmental and sustainability initiatives are overseen through established governance structures, including Board and management-level oversight of ESG and CSR activities. Environmental performance, risks, and initiatives are reviewed as part of broader sustainability and risk management discussions, ensuring alignment with corporate strategy and regulatory expectations.

Environmental risks such as climate change, extreme weather events, and biodiversity loss present increasingly material risks for the insurance industry, with direct implications for underwriting, claims experience, and long-term portfolio sustainability. The recent experience of Cyclone Ditwah, which affected several parts of Sri Lanka, highlights the growing exposure of insurers to climate-related events through higher claim incidence, increased loss severity, and greater volatility across insurance portfolios. For HNBA, such developments reinforce the importance of strengthening climate risk assessment, enhancing product design, and integrating environmental risk considerations into underwriting standards, reinsurance strategies, and strategic planning processes, in order to support resilience and sustainable value creation.



Governance and Oversight

Oversight of Natural Capital impacts forms part of HNBA's broader ESG and sustainability governance framework. The Board and senior management provide oversight of environmental, social, and governance matters, including climate-related risks, sustainability initiatives, and environmental CSR activities.

Environmental performance, risks, and initiatives are reviewed within management and Board-level discussions on sustainability and risk management, ensuring alignment with corporate strategy, regulatory expectations, and long-term value creation objectives. This governance approach supports informed decision-making and accountability for Natural Capital outcomes.

Role of Natural Capital in Value Creation

HNBA's value creation model seeks to balance financial performance with responsible environmental stewardship. While operational activities consume natural resources such as energy, water, and paper, ongoing digitalisation and efficiency initiatives aim to reduce this footprint over time.

Key impacts and outcomes during the year included:

- 23% reduction in water consumption through employee awareness initiatives
- 9% reduction in electricity consumption, supported by strict monitoring and remote working practices
- 15 hectares of invasive plant species cleared at Lunugamwehera National Park, contributing to ecosystem restoration and biodiversity protection

Through sustainable insurance solutions, including crop, livestock, and parametric insurance products, HNBA also supports customer and community resilience to climate-related risks, thereby contributing indirectly to the preservation of natural capital and livelihoods dependent on environmental stability.

NATURAL CAPITAL

Trade-offs with Other Capitals

Our efforts to protect and enhance Natural Capital involve managing both synergies and trade-offs with other forms of capital. Decisions aimed at reducing environmental impact are assessed holistically to ensure balanced and sustainable value creation over the short, medium, and long term.

Capital	Effect
	• Upfront investments in digitalisation, system automation, and environmental initiatives increase short-term expenditure. • Long-term benefits include reduced paper, energy, and operating costs, improved efficiency, and enhanced resilience to climate-related financial risks. • Sustainable investments and risk-informed underwriting support long-term financial stability.
	• Digital workflows and remote working reduce commuting-related emissions and improve employee flexibility and productivity. • Ongoing training and change management are required to build digital and sustainability-related capabilities.
	• Environmental CSR initiatives strengthen relationships with communities, regulators, and partner organisations. • Stronger stakeholder trust and reputation support long-term business sustainability.
	• Investment in automation, analytics, and digital platforms strengthens data quality, risk modelling, and decision-making. • Increased IT infrastructure may result in higher short-term energy consumption. • Long-term gains include improved operational resilience and better integration of environmental and climate-related considerations.

PAPER AND RESOURCE EFFICIENCY

Paper Consumption GRI 301-1

7%

2025: 11,236 Kg

2024: 10,542 Kg

Paper Recycled GRI 301-1

43%

2025: 7,150 Kg

2024: 5,003 Kg

HNBA attempted to reduce paper consumption through enterprise-wide digitalisation initiatives implemented across multiple departments. Key measures included:

- Transition to paperless HR processes, including e-employee files and digital performance management systems
- Digital workflows for legal documentation and case management
- Automation of actuarial and SFRS 17 processes
- Expansion of paperless policy issuance, proposal processing, and claims handling
- Increased use of e-receipts, digital customer communications, and electronic policy documents
- Rationalisation of printers and elimination of paper-based workflows through system enhancements

In addition to internal digitalisation efforts, HNBA continued to actively encourage customers to adopt digital platforms and paperless service options. Initiatives such as the issuance of e-policies, digital proposal submissions and e-receipts have enabled customers to transact and manage their insurance needs without reliance on physical documentation. Increased adoption of customer digital platforms and online communication channels has contributed to a reduction in paper usage across the policy lifecycle, compared to the volume of operations, while also enhancing convenience, accessibility, and service efficiency for customers.



WATER USAGE AND MANAGEMENT

Total Water Consumption GRI 303-5

(23%)

2025: 11,154 Units

2024: 14,494 Units

As a financial services organisation, Our direct water usage is limited and primarily associated with office-based operations. Nevertheless, we recognise water as a shared and increasingly scarce resource and is committed to responsible water stewardship. Water conservation practices are promoted across operations, supported by efficient facility management and employee awareness initiatives aimed at minimising consumption and avoiding wastage. In addition to managing our operational footprint, we contribute to broader water sustainability through community-based initiatives, including the provision of access to clean drinking water in underserved areas, thereby supporting long-term water security and community resilience.

ENERGY EFFICIENCY AND EMISSIONS MANAGEMENT GRI 302-1

Energy-saving practices were promoted "across operations", include:

- Switching off equipment and lighting during non-working hours
- Greater reliance on digital platforms to reduce travel and physical documentation

Total Electricity Consumed

(9%)

2025: 1,854,516 kWh

2024: 2,041,445 kWh

Electricity Consumption per Employee

(13%)

2025: 1,152 Units

2024: 1,325 Units

Total Fuel Consumption

13%

2025: 1,708,497 Litres

2024: 1,513,327 Litres

PROCESS AUTOMATION AND SYSTEM OPTIMISATION TO IMPROVE ENERGY EFFICIENCY

Digitisation initiatives continued to positively influence energy consumption and emissions management. Increased use of digital policies, customer applications, online portals, and electronic communication reduced the need for physical customer interactions, leading to lower business travel and fuel usage. In addition, the continued adoption of remote and flexible working arrangements helped minimise employee commuting and reduce energy consumption at office locations.

Ongoing efforts are focused on monitoring, reducing energy intensity, and embedding efficiency into operational practices, consistent with the principles of responsible environmental management.

While absolute emissions remain low, HNBA continues to focus on reducing energy intensity and strengthening emissions monitoring to support responsible environmental management.

WASTE MANAGEMENT GRI 306-3

Waste reduction efforts focused on minimising waste generation at source through digitalisation and process redesign. Where waste is generated, responsible disposal practices are followed in line with regulatory requirements. Recycling initiatives and reduced reliance on consumables continue to be encouraged across operations.



NATURAL CAPITAL

BIODIVERSITY AND ENVIRONMENTAL PROTECTION GRI 304

Although we do not operate in environmentally sensitive locations, we actively contribute to biodiversity protection through targeted environmental CSR initiatives. In partnership with Biodiversity Sri Lanka, HNBA continued efforts to remove invasive species affecting natural habitats within the Lunugamvehera National Park. This long-term initiative supports ecosystem restoration, wildlife protection, and biodiversity conservation.

These initiatives reflect HNBA's commitment to protecting natural ecosystems beyond our direct operational footprint.

SUSTAINABLE PRODUCTS AND CLIMATE RESILIENCE

Environmental considerations are increasingly reflected in product innovation and portfolio development. During the year, HNBA advanced sustainable insurance solutions, including parametric insurance products designed to support communities affected by climate-related risks. Crop and livestock insurance offerings continued to provide protection to farming communities against natural disasters, disease outbreaks, and unforeseen environmental events, contributing to social resilience and environmental sustainability.

In addition, investments in green and sustainable bonds support environmentally responsible projects while aligning investment strategy with sustainability objectives.

GHG emissions

(4%)

2025: 5,083 tCO_2e

2024: 5,315 tCO_2e

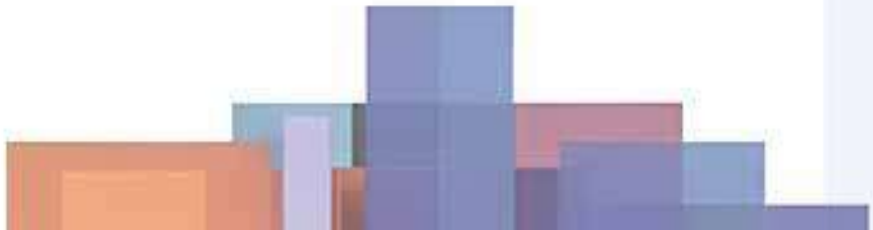
CARBON FOOTPRINT AND RESOURCE EFFICIENCY GRI 305-1,305-2

HNBA's carbon footprint is primarily associated with electricity consumption and fuel usage for operational activities.

Key initiatives during the year included:

- Reduced electricity and fuel consumption through digitalisation and remote working
- Monitoring of Scope 1 and Scope 2 greenhouse gas emissions
- Promotion of energy-efficient practices across office locations





ClimateSI

CARBON CONSCIOUS CERTIFICATE

Climate Smart Initiatives (Pvt) Ltd assures that GHG Inventory of

HNB ASSURANCE PLC

for the year 2025

has been measured and reported in accordance with the requirements of

ISO 14064-1: 2018 – Specification with guidance at the organizational level for the quantification and reporting of greenhouse gas emissions and removals.

Certificate No : ClimateSI/MRV/057

Date of Certification : 18. 02. 2026

Period of Assessment : 01. 01. 2025 to 31. 12. 2025

Scope of Certification : Financially controlled business activities belongs to HNB Assurance PLC

Total Direct GHG Emissions	:	3,388 tonnes of CO_2 equivalent
Total Indirect GHG Emissions	:	1,695 tonnes of CO_2 equivalent
Total	:	**5,083** tonnes of CO_2 equivalent

Eng. H. M. Buddika Hemashantha
(BSc (Hons) Eng., M. Eng.)
Director
Climate Smart Initiatives (Pvt) Ltd

Direct Emissions : Employee commuting - Fuel paid by the company, Business travel - company owned vehicles, Fire extinguishers, Business travel - rented vehicles, Stand by generators

Indirect Emissions : Grid electricity, Transmission and distribution loss, Business travel - hired vehicles, Waste disposal (Paper), Municipal water, Business air travel

Exclusions : Refrigerant leakage, Locally purchased items transport, Waste disposal (branches)

Period of validity : 18. 02. 2026 to 31. 12. 2026

NATURAL CAPITAL

Clearing Invasive Plants in Lunugamwehera National Park

HNBA's conservation initiative at Lunugamwehera National Park is part of our long-term commitment to environmental protection and biodiversity stewardship. The project is carried out in partnership with Biodiversity Sri Lanka and the Federation of Environmental Organisations under the HNBA's Environmental Protection pillar. The initiative focuses on removal of invasive plant species to restore natural habitats and improve ecological balance. The first phase saw 15 hectares cleared, and subsequent work expanded this to 45 hectares with native vegetation regenerating. Manual clearance techniques are used to ensure minimal disturbance to the environment, and multiple maintenance cycles are performed to promote lasting ecological outcomes.

The project also aims to mitigate human-elephant conflict by restoring natural fodder and grazing areas within the park, reducing pressure on land outside protected zones.



Future Focus

Short-term	• Further reduce environmental footprint through digitalisation and paperless operations • Promote energy and water efficiency across business locations • Strengthen integration of environmental and climate-related risks into business planning
Medium-term	• Enhance monitoring and reporting of energy use and emissions • Expand sustainable and climate-resilient insurance solutions • Strengthen biodiversity, water, and environmental CSR initiatives through partnerships
Long-term	• Embed Natural Capital considerations into strategy, product development, and investments • Support climate resilience and environmental sustainability through responsible insurance practices • Continuously improve resource efficiency to support long-term value creation





RELENTLESS SYNCHRONY

Rowing is a powerful expression of rhythm, coordination, and shared discipline. Every stroke must be precisely timed, guided by clear direction and collective effort. Success in rowing depends on unity of purpose, adherence to structure, and relentless synchronisation under strong leadership.

At HNB Assurance, governance and leadership operate with clarity and discipline. Defined roles, strong oversight, and aligned decision-making ensure the organisation moves forward with confidence and integrity. Through collective accountability and clear direction, we sustain trust and drive responsible progress.

BOARD OF DIRECTORS



STUART CHAPMAN

Chairman

Entity	HNBA & HNBGI
Status	NIND/NED
Appointment Date-HNBA	29th March 2019
Appointment Date as Chairman	24th May 2024
Sub-Committees	M M M C



ASHOKA GOONESEKERE

Director

Entity	HNBA
Status	SIND/NED
Appointment Date-HNBA	31st December 2021
Appointment Date-HNBGI	NA
Sub-Committees	C C M M M



DAMIEN FERNANDO

Director

Entity	HNBA & HNBGI
Status	NIND/NED
Appointment Date-HNBA	29th March 2019
Appointment Date-HNBGI	29th March 2019
Sub-Committees	M M M M M



LAKSHMAN SILVA

Director

Entity	HNBA
Status	IND/NED
Appointment Date-HNBA	01st January 2024
Appointment Date-HNBGI	NA
Sub-Committees	C C C C



DR. SANKALPA GAMWARIGE

Director

Entity	HNBA
Status	IND/NED
Appointment Date-HNBA	01st January 2024
Appointment Date-HNBGI	NA
Sub-Committees	C M M C



PROF. ANANDA JAYAWARDANE

Director

Entity	HNBA
Status	NIND/NED
Appointment Date-HNBA	09th August 2024
Appointment Date-HNBGI	NA
Sub-Committees	M M M M

- Audit Committee
- Nominations and Governance Committee
- Remuneration & Human Resources Committee
- Related Party Transactions Review Committee
- Investment Committee
- Risk Management Committee
- Strategy Review Committee
- Procurement Committee
- Innovation and Digital Transformation Committee

C - Chairperson/Chairman M - Member I - Invitee



LASITHA WIMALARATNE

Director

Entity	HNBA
Status	NIND/ED
Appointment Date-HNBA	03rd July 2025
Appointment Date-HNBGI	N/A
Sub-Committees	M M M M M M



POORNIMA RANAWAKA

Director

Entity	HNBA
Status	NIND/NED
Appointment Date-HNBA	01st October 2025
Appointment Date-HNBGI	NA
Sub-Committees	M



DINESH DHARMADASA

Director

Entity	HNBGI
Status	SIND/NED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	17th February 2023
Sub-Committees	C M M M M



SANJAYA WIJEMANNE

Director

Entity	HNBGI
Status	NIND/NED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	29th March 2019
Sub-Committees	M M



ARJUNA ABEYGUNASEKARA

Director

Entity	HNBGI
Status	NIND/NED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	29th March 2019
Sub-Committees	M M



PARAMADAYALANIE ABEYGUNAWARDENA

Director

Entity	HNBGI
Status	IND/NED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	01st April 2024
Sub-Committees	C M M M

- Audit Committee
- Nominations and Governance Committee
- Remuneration & Human Resources Committee
- Related Party Transactions Review Committee
- Investment Committee
- Risk Management Committee
- Strategy Review Committee
- Procurement Committee
- Innovation and Digital Transformation Committee

C - Chairperson/Chairman M - Member I - Invitee

BOARD OF DIRECTORS



SITHUMINA JAYASUNDARA

Director

Entity	HNBGI
Status	NIND/ED
Appointment Date-HNBA	NA
Appointment Date-HNBGI	02nd July 2025
Sub-Committees	M M M M M

BOARD SECRETARIES



JANSENIDEVI SUNDARARAJAN

Board Secretary HNBA / Head

Entity	HNBA
Appointment Date	23rd January 2026



YOGA GUNADASA

Board Secretary HNBGI / Head of Legal & Compliance Officer HNBGI / Deputy General Manager

Entity	HNBGI
Appointment Date	10th April 2023

- Audit Committee
- Nominations and Governance Committee
- Remuneration & Human Resources Committee
- Related Party Transactions Review Committee
- Investment Committee
- Risk Management Committee
- Strategy Review Committee
- Procurement Committee
- Innovation and Digital Transformation Committee

C - Chairperson/Chairman M - Member I - Invitee

STUART CHAPMAN

Chairman/Non-Independent / Non-Executive Director-HNB Assurance PLC and HNB General Insurance Limited

» MBA (University of Colombo), Dip in Marketing (CIM-UK), Certified Management Accountant (CMA-Australia), Dip.in Life Insurance Sales & Marketing (Life Underwriters Training Council -USA), Dip in Business Management (NIBM)

Mr. Chapman holds an MBA from the University of Colombo and a Diploma in Marketing from the Chartered Institute of Marketing, UK. Additionally, he possesses a Diploma in Life Insurance Sales and Marketing from the Life Underwriters Training Council, USA, and a Diploma in Business Management from the National Institute of Business Management, Sri Lanka. His distinguished affiliations include being a Fellow Member of the Chartered Institute of Marketing, UK, and the Institute of Management, UK, as well as a Member of the Institute of Certified Management Accountants, Australia.

With over 45 years of managerial expertise in Sales, Marketing, and general management functions, Mr. Chapman has made significant contributions across diverse industries such as Healthcare, FMCG, Consumer Durables, Insurance, Banking, and Telecommunications. He has also served as an Independent Non-Executive Director of Hemas Pharmaceuticals (Pvt) Limited and United Motors Lanka PLC.

Mr. Chapman's illustrious career includes a tenure as the former Managing Director of GlaxoSmithKline (GSK) Pharmaceuticals, where he also sat on the Boards of Glaxo Wellcome Ceylon Limited and SmithKline Beecham Pvt. Ltd. Prior roles encompassed leadership positions such as Managing Director of the Hemas Healthcare Sector, Marketing Director at Reckitt Benckiser, and Senior Brand Manager at Unilever. He has also held the positions of Managing Director/CEO at Lanka Orix Leasing Company and Director Life at Ceylinco Insurance. Notably, Mr. Chapman served as a former Director/ CEO of Janashakthi Insurance PLC.

His contributions extend beyond corporate roles, as evidenced by his involvement in industry associations. Mr. Chapman has served as the Honorary President and a Founder Member of the Chartered Institute of Marketing Sri Lanka. He has held the position of President of the Sri Lanka Chamber of the Pharmaceutical Industry, the apex body for the pharmaceutical sector in Sri Lanka. Furthermore, he has served as Co-Chairman of the Pharmaceutical & Cosmetics Steering Committee of the Ceylon Chamber of Commerce.

ASHOKA GOONESEKERE

Senior Independent/Non-Executive Director - HNB Assurance PLC

» FCA, FCMA, MBA (University of Sri Jayewardenepura)

With a wealth of over 36 years of expertise in the banking industry, Mr. Ashoka Goonesekere brings a distinguished background in financial reporting, financial management, taxation, financial operations, and risk management. Holding an MBA from the University of Sri Jayewardenepura (PIM), he is a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka. Ashoka has held pivotal roles in corporate management, serving as the Chief Financial Officer of Hatton National Bank PLC and as the Senior Vice President/Chief Financial Officer, as well as the Senior Vice President Integrated Risk Management/Chief Risk Officer at DFCC Bank PLC.

His extensive experience extends to board positions at Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd, and Sithma Development Ltd. Notably, he has contributed as a board member to the Sri Lanka Accounting and Auditing Standards Monitoring Board, demonstrating his commitment to upholding industry standards. In addition to his board responsibilities, Ashoka has chaired and actively participated in various board sub-committees.

DAMIEN FERNANDO

Non-Independent/Non-Executive Director - HNB Assurance PLC and HNB General Insurance Limited

» MBA (University of Sri Jayewardenepura), FCMA (UK)

Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants in the United Kingdom. In 1992, He was awarded a Master's Degree in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is a Director of Distilleries Company of Sri Lanka, Melstacorp PLC, Addison (Pvt) Ltd and HealthCey (Pvt) Ltd. He was the Executive Director of Sri Lanka Insurance Corporation Limited from 2003 to 2009. Additionally, he served as the Executive Director of the Lanka Hospital Corporation PLC from 2006 to 2009. Mr. Fernando has worked in the sectors of Food & Beverage, Manufacturing, Telecommunications, and Finance.

LAKSHMAN SILVA

Independent/Non-Executive Director - HNB Assurance PLC

» MBA (PIM-University of Sri Jayewardenepura), BCom (Sp.) (University of Kelaniya)

Lakshman Silva embarked on his distinguished professional journey with the Department of Inland Revenue of Sri Lanka before joining the DFCC Banking Group in 1987. His commitment and expertise saw him seconded to the service of DFCC Vardhana Bank in 2003, where he assumed the pivotal role of Chief Operating Officer. His path within the organisation culminated in his appointment as the Chief Executive Officer/Executive Director in January 2010. Following this, he served as the Deputy Chief Executive Officer/Director of DFCC Bank PLC from October 2015 until his elevation to the position of Chief Executive Officer/Director in August 2017.

BOARD OF DIRECTORS

Until his retirement in December 2021, Mr. Silva held influential roles as the Chairman of DFCC Consulting (Pvt) Limited, Lanka Industrial Estates Limited, and Synapsys Limited—key subsidiary companies of DFCC Bank PLC. He also chaired Lanka Financial Services Bureau Limited and Sri Lanka Banks' Association (Guarantee) Limited. Additionally, he served as Chairman of Acuity Partners (Pvt) Limited, a significant joint venture company of DFCC Bank PLC, and held leadership positions in Lanka Ventures Limited, LVL Energy Fund PLC, and Director LankaClear (Pvt) Ltd.

Mr. Silva's commitment to the broader financial landscape is evident through his roles as a Board member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) and the Board of Management of the Sri Lanka Sustainable Energy Authority.

Currently, Mr. Silva contributes as an Independent Director at Seylan Bank PLC, Melstercorp PLC, Distilleries Lanka PLC, Fintech Consultancy (Pvt) Ltd & as Chairman Lanka Pay .

Notably, he serves as the Chairman and Director of Panasian Power PLC and its Subsidiary Companies. His active engagement extends to being a member of the Stakeholder Engagement Committee of the Central Bank of Sri Lanka.

A Past President of the Association of Professional Bankers of Sri Lanka, Mr. Silva is a distinguished alumnus of the University of Kelaniya, holding a BCom (Sp.), and the Postgraduate Institute of Management of the University of Sri Jayawardenapura, where he earned his MBA. He is also recognised as an Associate Member of the Association of Development Financial Institutions of Asia & Pacific (ADFIAP).

DR. SANKALPA GAMWARIGE

Independent/Non-Executive Director-HNB Assurance PLC

» PhD, BSc in Electronics and Telecommunication Engineering (University of Moratuwa)

Dr. Sankalpa Gamwarige, a distinguished professional with a PhD and a BSc in Electronics and Telecommunication Engineering from the University of Moratuwa, serves as the Managing Director at Nagarro in Sri Lanka. With over two decades of expertise in Digital and Electronics Product Engineering, Dr. Gamwarige is a key member of the Global Leadership Team steering Nagarro SE, a renowned Digital Product Engineering Services company listed on the Frankfurt Stock Exchange.

His illustrious career includes leadership roles at Zone24x7 and significant contributions to Symbol Technologies, Interblocks, and Millennium IT. Dr. Gamwarige's contribution extends beyond corporate realms, as he has served on the boards and councils of prestigious organisations such as TRACE Sri Lanka, National Innovation Agency, Sri Lanka Association for Software Services Companies (SLASSCOM), Sri Lanka Institute of Biotechnology (SLIBTEC) Private Limited, and the Faculty of Graduate Studies at the University of Moratuwa.

In addition to his leadership roles, Dr. Gamwarige has provided advisory expertise to the Export Development Board (EDB), National Science Foundation, and the Chamber of Commerce. His dedication to advancing technology is evident through numerous US Patents and peer-reviewed publications in Digital and Electronics Engineering.

PROF. ANANDA JAYAWARDANE

Non-Independent / Non-Executive Director-HNB Assurance PLC

» BSc Eng Hons (Moratuwa), MSc (Loughborough, UK), PhD (Loughborough, UK), MSSE (SL), FNASSL, FIPM (SL), CEng, FIE(SL), Int. PEng (SL), M (SLAAS), GSLID

Professor Ananda Jayawardane is currently a Senior Professor in Civil Engineering at the University of Moratuwa and a member of board of directors of several other state and private sector organisations. He completed his term as the Chairman of the Commercial Bank of Ceylon PLC in April 2024 after serving nine years in its Director Board. He is also a past Vice-Chancellor of the University of Moratuwa, a past Chairman of the Committee of Vice-Chancellors and a past Director General of the National Science Foundation.

He has extensive experience and expertise in corporate governance in public institutions & private corporates, banking, finance, strategy, education leadership, institution building, policy making in education, science & technology and teaching in subject areas of planning, project management, technology management, technology transfer and negotiation.

He is a Chartered Engineer, an International Professional Engineer, a Fellow of the Institution of Engineers, Sri Lanka, a Fellow of the Institute of Project Managers, Sri Lanka, a Fellow of the National Academy of Sciences of Sri Lanka, a Life Member of Sri Lanka Association for Advancement of Science, a Graduate Member of the Sri Lanka Institute of Directors and a Member of the Society of Structural Engineers Sri Lanka. He is also the past NDB Bank Endowed Professor in Entrepreneurship at the University of Moratuwa and a Past President of the Institution of Engineers, Sri Lanka.

He has also served as a member of the University Grants Commission, a member of the governing Councils/ Director Boards of Sierra Cables PLC, National Science Foundation, Institute for Construction Training and Development, State Engineering Corporation, Post-graduate Institute of Management, Miloda Academy of Financial Studies, the Open University of Sri Lanka, Construction Industry Development Authority, Engineering Council of Sri Lanka and Green Building Council of Sri Lanka.

He has co-authored several textbooks and has published and presented over 85 research papers both locally and internationally and delivered convocation addresses and keynotes in many occasions. He has received several awards for his research publications. He is also the recipient of the National Achiever's Award - 2013 under the category of Engineering by Lions Clubs International – District 306A1, the IESL President's Award – 2012 and the Asia's Education Excellence Award – 2016 for outstanding contribution to education, Sri Lanka Education Leadership Award – 2017 for education leadership, Sri Lanka Education Leadership Award – 2018 for outstanding contribution to education presented by World Education Congress and CMO Asia and "Eminence in Engineering" award – the highest, most prestigious life time award given by the IESL for eminence in practice of engineering – 2018.

He currently serves as a Director of Prime Land Residencies PLC.

LASITHA WIMALARATNE

Executive Director / Chief Executive Officer – HNB Assurance PLC

» BA (Hons), MBA, FCII, ANZIIF (Fellow), ACIM, Chartered Insurer

Lasitha Wimalaratne has over 28 years of professional experience, including 25 years in the life insurance industry, with multinational exposure at AIA and Aviva, and three years in retail sales and marketing in London. His prior senior management experience includes serving as General Manager – Life Operations and Specified Officer at Softlogic Life Insurance PLC.

He joined HNB Assurance PLC in 2019 and has held several senior leadership roles, including Chief Operating Officer and Principal Officer, before being appointed Chief Executive Officer in 2022. In July 2025, he was appointed to the Board of Directors as an Executive Director, alongside his role as Chief Executive Officer, thereby assuming formal Board-level responsibility for strategic direction, governance and operational leadership of the Company.

Lasitha currently serves as President of the Insurance Association of Sri Lanka (IASL) and has previously served as President of the Sri Lanka Insurance Institute from 2019 to 2021. He is the Founder Secretary General of the Association of Chartered Insurance Professionals (ACIP) and served as a Director of Biodiversity Sri Lanka from 2022 to 2024.

He holds an MBA from the University of Wales, UK, and a BA (Hons) in Business Studies from the University of Sunderland, UK. He is a Chartered Insurer, a Fellow of the Chartered Insurance Institute (FCII), a Fellow of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), and an Associate Member of the Chartered Institute of Marketing, UK (ACIM).

POORNIMA RANAWAKA

Non-Independent/Non-Executive Director - HNB Assurance PLC

» Attorney-at-Law | PhD (Reading) | LL.M. (International Trade Law, UK) | Diploma in International Compliance (UK) | CMA (Finalist) | Honorary Professor in Law Teaching

Poornima Ranawaka is a distinguished Attorney-at-Law with over 19 years of legal practice and more than 23 years of experience across the banking, Insurance, finance, and education sectors. She holds extensive expertise in litigation, risk management, regulatory compliance, human resources, and recoveries. Over the years, she has held several senior leadership positions, including Deputy General Manager-Compliance and Legal at Axis Bank Sri Lanka, Head of Compliance at Pan Asia Banking Corporation and Allianz Insurance Lanka Limited, and Consumer Litigation Manager at Nations Trust Bank PLC.

She has been a trailblazer in her field, serving as Vice President and General Secretary of the Association of Compliance Officers of Banks, an Executive Member of the Risk Professionals Association, and a member of Sri Lanka's FATCA advisory committee. She also represented the country during the Financial Action Task Force (FATF) evaluation in 2013. She is currently the General Secretary of the Alumni Association of Sri Lanka Law College.

She holds prestigious academic and professional qualifications, including First Class Honours from Sri Lanka Law College and an LL.M. in International Trade Law from the University of Wales. She has also completed a postgraduate diploma in International Compliance from the University of Manchester. Additionally, she is an Associate Member of the International Compliance Association (UK). Her contributions to the field have earned her honorary professorships in Law Teaching from IEMS, India (ACTD, USA).

Mrs. Ranawaka has fulfilled the requirements for her PhD in Management at Management and Science University (MSU), Malaysia, and is currently awaiting her convocation. She is deeply committed to education, served as a Commercial Law lecturer and the Chief Examiner at Sri Lanka Law College. In addition, she served as the Chairperson of the Curriculum Development Committee at Sri Lanka Law College from 2022 to 2024, playing a pivotal role in shaping and enhancing the institution's academic framework. Her outstanding contributions to legal education were internationally recognised when she was awarded the prestigious International Achievers Award 2024 in India for her "Most Iconic Role in Law Teaching.

BOARD OF DIRECTORS

DINESH DHARMADASA

Senior Independent/ Non-Executive Director -HNB General Insurance Limited

» Fellow member -Institute of Chartered Accountants of Sri Lanka, Fellow member-Chartered Institute of Management Accountants UK

Mr. Dinesh Dharmadasa, a seasoned finance professional and Fellow Member of the Institute of Chartered Accountants of Sri Lanka, brings extensive experience to his roles as an Independent/Non-Executive Director at HNB General Insurance Limited and also as an Independent /Non Executive Director at Ex-pack Corrugated Cartons PLC.

Having commenced his career at KPMG, Mr. Dharmadasa rose through the ranks at Ceylon Tobacco Ltd Plc (CTC), reaching the position of Director-Legal and External Affairs by 2005. His illustrious career at CTC, concluding in 2019, included overseeing regulatory and legal affairs, trade, fiscal affairs, communications, CSR, and sustainable business initiatives.

Beyond his corporate achievements, Mr. Dharmadasa chaired the Industrial Association of Sri Lanka from 2016 to 2018, fostering strong relationships and formulating strategies for industrial growth. His board memberships at the Ceylon Chamber of Commerce and CIMA -Sri Lanka highlight his dedication to industry leadership.

SANJAYA WIJEMANNE

Non-Independent/Non-Executive Director -HNB General Insurance Ltd

B.Sc. in Business and Finance (Mount Saint Mary's University- USA)

Mr Sanjaya Wijemanne serving as the Chief Operating Officer at Hatton National Bank PLC, oversees a diverse portfolio that encompasses Wholesale Banking, SME/Microfinance, Retail Banking, Islamic Banking, Trade, Transaction Banking, Network and Channel Management, Client Service and Digital Banking.

With a B.Sc. in Business & Finance from Mount Saint Mary's University, USA, Mr. Wijemanne brings a wealth of knowledge and expertise to his role. His career journey began with Ceylinco Securities & Financial Services, followed by joining HNB as a Management Trainee/Executive. Subsequently, he made significant contributions during his tenure at HSBC, holding various positions such as Vice President-Custody & Clearing, Head of Sales, Head of Branches (including Premier Banking), Branch Manager- Kollupitiya, and Branch Manager of the Premier Center.

Mr. Wijemanne further enriched his career at Standard Chartered Bank, where he assumed pivotal roles including Head of Retail Banking, General Manager - Premium Banking Branch Sales & Services, and General Manager- Wealth Management Value Center. In addition to his leadership at Hatton National Bank PLC, Mr. Wijemanne serves as a Director at HNB Stockbrokers (Pvt) Ltd, HNB Investment Bank (Pvt) Ltd, Fintech Forum (Guarantee) Ltd, Lanka Ventures PLC and LVL Energy Fund PLC.

ARJUNA ABEYGUNASEKARA

Non-Independent/Non-Executive Director-HNB General Insurance Limited

» MBA (University of Colombo), B.Sc. (University of Colombo), FCMA (UK), CGMA, ACI

Mr. Arjuna Abeygunasekara has over 25 years of experience in the banking sector with extensive experience in branch banking and treasury management. Currently serving as the Executive Vice President/Chief Treasurer at Hatton National Bank PLC, his strategic vision has been pivotal in driving the bank's financial success and market resilience.

In addition to his role at Hatton National Bank PLC, Mr. Abeygunasekara holds the position of NonExecutive Director on the Board of HNB Securities Ltd., contributing his wealth of experience to shape the strategic direction and governance of the company.

Mr. Abeygunasekara's academic achievements include a Bachelor of Science Degree from the University of Colombo and a Master of Business Administration Degree from the same institution. He is a member of Chartered Global Management Accountant, fellow member of Chartered Management Accountants UK and also hold ACI status underscoring his dedication to the highest standards of professional integrity.

In addition to his corporate roles, Mr. Abeygunasekara serves as a resource person at the Centre for Banking Studies of the Central Bank of Sri Lanka, contributing to the advancement of industry insights and practices.

PARAMADAYALANIE ABEYGUNAWARDENA

Independent / Non-Executive Director - HNB General Insurance Limited

» Chartered Insurance Practitioner - Associate member of the Chartered Insurance Institute UK (ACII), Certified Leadership Coach – International Coaching Federation USA, MBA (International) Edith Cowan University, Australia, MSc in Business Psychology, Herriot Watt University, UK, Certified NLP Practitioner

Dayalanie has over 30 years of experience at senior management level working at different corporate entities. At her last posting as the Chief Operating Officer at Janashakthi Insurance Company she headed the General Insurance operations of the Company which included Head Office as well as Branches giving leadership to over 800 team members.

During her 23 long years at Janashakthi Insurance Company she had headed both Life and General Insurance operations and had been responsible in developing new products and aligning systems and procedures to service all such products. She is a Reinsurance specialist and take pride in strategically planning and implementing best Reinsurance program for the Company. She is also a sought-after Management consultant by Insurance companies for their strategic decisions.

As a professional who is passionate about people development, she facilitated staff engagement and leadership transformation aligning

potential with performance. Her strong people handling skills facilitated her to successfully execute two mergers at her last workplace one being a state organisation namely National Insurance Corporation and the other a multinational namely AIA General Insurance. She was the Gold Award recipient of the Banking and Insurance Sector at the 6th Professional and Career Women Awards in 2016 awarded by Women in Management (WIM) in Sri Lanka in association with IFC.

She is the Immediate past President of International Coaching Federation – Colombo Chapter and was a Past President of the Association of Chartered Insurance Professionals (ACIP) of Sri Lanka during 2018/2019 period.

She is currently serving as a Management consultant and an Executive & Leadership Coach for Leading companies in Sri Lanka.

SITHUMINA JAYASUNDARA

Executive Director / Chief Executive Officer – HNB General Insurance Limited

» MBA (UK), ACII (UK), ANZIIF (Snr Assoc), Chartered Insurer

Sithumina Jayasundara has over 27 years of experience in Sri Lanka's insurance sector, with extensive expertise in Non-Life insurance. He has held senior leadership positions at Asian Alliance, MBSL, Janashakthi, and Eagle Insurance, and has broadened his technical capabilities through international training and reinsurance-focused programmes.

He joined HNB General Insurance Limited in 2014 and has progressed through a number of senior roles, including Chief Technical Officer, Specified Officer, Chief Operating Officer and Principal Officer. He was appointed to the Group Executive Committee in 2015 and subsequently appointed Chief Executive Officer in 2022. In July 2025, he was appointed to the Board of Directors as an Executive Director, in addition to his role as Chief Executive Officer, formalising his Board-level accountability for strategic leadership, governance oversight and operational performance.

Sithumina is a Past President of the Sri Lanka Insurance Institute (SLII), a founding Council Member of the Association of Chartered Insurance Professionals (ACIP) and serves on the Insurance Association of Sri Lanka (IASL), contributing actively to industry advancement.

He holds an MBA from Cardiff Metropolitan University, UK, and an Advanced Diploma in Insurance (ACII – UK). He is a Chartered Insurer and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

JANSENIDEVI SUNDARARAJAN

Board Secretary HNBA / Head

» LLB (Hons) UK, Associate of Institute of Chartered Secretaries & Administrators (ICSA) UK

Janseni is a governance and corporate affairs professional with over 17 years of experience in company secretarial practice across diverse industries in Sri Lanka. She is an Associate of the Chartered Governance Institute of UK & Ireland and holds an LLB (Hons) from Buckinghamshire New University, UK.

Throughout her career, Janseni has demonstrated a strong command of corporate governance, boardroom practice, and regulatory compliance, providing strategic support to boards and senior management in both the public and private sectors. Her expertise extends to company listings, mergers and acquisitions, capital market transactions, and the management of board and shareholder processes, enabling effective governance frameworks and the seamless execution of corporate strategies.

Janseni's professional journey includes key leadership roles as Company Secretary at Hela Apparel Holdings PLC, Browns Group of Companies, and RIL Property PLC. She has also served as Board Secretary to the Securities and Exchange Commission of Sri Lanka and the Sri Lanka Tourism Board, contributing to the strengthening of regulatory and governance standards at a national level. Prior to joining HNB Assurance PLC, she was associated with PW Corporate Secretarial (Pvt) Ltd, where she managed the corporate secretarial affairs of several listed entities.

YOGA GUNADASA

Board Secretary HNBGI/ Head of Legal & Compliance Officer /DGM-HNBGI

» LLB (Colombo), LLM (Colombo), Attorney-at –Law, Post Attorney Dip (International Trade Law), Dip (Human Resource Management), Dip (Applied Company Secretarial Practice)

Yoga Gunadasa is an Attorney-at-law of the Supreme Court of Sri Lanka and holds Bachelor's degree in law from University of Colombo, Master's Degree in Law from University of Colombo, Post Attorney Diploma in International Trade Law from Advanced Legal Studies Unit of Sri Lanka Law College , Diploma in Human Resource Management and Diploma in Applied Company Secretarial Practices conducted by the Institute of Chartered Corporate Secretaries of Sri Lanka.

Ms. Gunadasa joined HNB Assurance PLC, Parent organisation of HNB General Insurance Ltd in year 2007 and currently heads the overall Legal, Corporate Secretarial and Compliance operation of HNB General Insurance Limited in the capacity of Head of Legal & Compliance Officer/Board Secretary and she is a member of the Senior Management Team. She has over 17 years of professional experience in the fields of corporate law, Intellectual property, Insurance Law, Property Law, Labour Law and is experienced in all civil litigation.

Prior to joining HNB Assurance PLC, Yoga had served in Sri Lanka Insurance Corporation Limited and had worked as a legal researcher at Law & Society Trust, an organisation engaged in legal research.

GROUP EXECUTIVE COMMITTEE



LASITHA WIMALARATNE

Executive Director / Chief Executive Officer / Principal Officer - HNB Assurance PLC



SITHUMINA JAYASUNDARA

Executive Director / Chief Executive Officer / Principal & Specified Officer - HNB General Insurance Limited



NILESH AMARASINGHE

Chief Investment Officer / General Manager - HNB Assurance PLC and HNB General Insurance Limited



DINESH UDAWATTA

Chief Technical Officer / Specified Officer / General Manager - HNB Assurance PLC



SUNETH JAYAMANNE

Chief Information Officer / General Manager - HNB Assurance PLC and HNB General Insurance Limited



LASANTHA DE ALWIS

Chief Technical Officer (Motor & Special Projects) / General Manager - HNB General Insurance Limited



SAMPATH WICKRAMARACHCHI

Chief Business Officer / General Manager - HNB General Insurance Limited



DINESH YOGARATNAM

Chief Marketing & Customer Experience Officer / General Manager – HNB Assurance PLC



HARINDRA RAMASINGHE

Chief Business Officer – Advisor Distribution Channel / General Manager - HNB Assurance PLC



SANESH FERNANDO

Chief Business Officer – Partnership Distribution Channel / General Manager - HNB Assurance PLC



DILSHAN PERERA

Chief Transformation Officer / General Manager - HNB General Insurance Limited



RUKESH LOGANATHAN

Chief Technical Officer (Non Motor) / General Manager - HNB General Insurance Limited



DAYAN RANASINGHE

Chief Transformation Officer / General Manager - HNB Assurance PLC



RUWAN RODRIGO

Chief Financial Officer / General Manager - HNB Assurance PLC

GROUP EXECUTIVE COMMITTEE

LASITHA WIMALARATNE

Executive Director / Chief Executive Officer / Principal Officer - HNB Assurance PLC

» BA (Hons), MBA, FCII, ANZIIF (Fellow), ACIM, Chartered Insurer

Lasitha Wimalaratne has over 28 years of professional experience, including 25 years in the life insurance industry, with multinational exposure at AIA and Aviva, and three years in retail sales and marketing in London. His prior senior management experience includes serving as General Manager – Life Operations and Specified Officer at Softlogic Life Insurance PLC.

He joined HNB Assurance PLC in 2019 and has held several senior leadership roles, including Chief Operating Officer and Principal Officer, before being appointed Chief Executive Officer in 2022. In July 2025, he was appointed to the Board of Directors as an Executive Director, alongside his role as Chief Executive Officer, thereby assuming formal Board-level responsibility for strategic direction, governance and operational leadership of the Company.

Industry Contributions:

Lasitha currently serves as President of the Insurance Association of Sri Lanka (IASL) and has previously served as President of the Sri Lanka Insurance Institute from 2019 to 2021. He is the Founder Secretary General of the Association of Chartered Insurance Professionals (ACIP) and served as a Director of Biodiversity Sri Lanka from 2022 to 2024.

Education & Professional Affiliations:

He holds an MBA from the University of Wales, UK, and a BA (Hons) in Business Studies from the University of Sunderland, UK. He is a Chartered Insurer, a Fellow of the Chartered Insurance Institute (FCII), a Fellow of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), and an Associate Member of the Chartered Institute of Marketing, UK (ACIM).

SITHUMINA JAYASUNDARA

Executive Director / Chief Executive Officer / Principal & Specified Officer - HNB General Insurance Limited

» MBA (UK), ACII (UK), ANZIIF (Snr Assoc), Chartered Insurer

Sithumina Jayasundara has over 27 years of experience in Sri Lanka's insurance sector, with extensive expertise in Non-Life insurance. He has held senior leadership positions at Asian Alliance, MBSL, Janashakthi, and Eagle Insurance, and has broadened his technical capabilities through international training and reinsurance-focused programmes.

He joined HNB General Insurance Limited in 2014 and has progressed through a number of senior roles, including Chief Technical Officer, Specified Officer, Chief Operating Officer and Principal Officer. He was appointed to the Group Executive Committee in 2015 and subsequently appointed Chief Executive Officer in 2022. In July 2025, he was appointed to the Board of Directors as an Executive Director, in addition to his role as Chief Executive Officer, formalising his Board-level accountability for strategic leadership, governance oversight and operational performance.

Industry Contributions:

Sithumina is a Past President of the Sri Lanka Insurance Institute (SLII), a founding Council Member of the Association of Chartered Insurance Professionals (ACIP) and serves on the Insurance Association of Sri Lanka (IASL), contributing actively to industry advancement.

Education & Professional Affiliations:

He holds an MBA from Cardiff Metropolitan University, UK, and an Advanced Diploma in Insurance (ACII – UK). He is a Chartered Insurer and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance (ANZIIF).

NILESH AMARASINGHE

Chief Investment Officer / General Manager - HNB Assurance PLC and HNB General Insurance Limited

» B.Sc. Econ & Mgt Hons (LSE), MBus. (Fin) (UTS)

Nilesh counts more than two decades of extensive experience in Capital Markets specialising in Life and Non – Life Insurance fund management, macroeconomic analysis and strategy formulation, investment strategy etc. Having joined HNBA as a Management Trainee, Nilesh served HNBA in the managerial level and as the Head of Investment prior to assuming the role as the Chief Investment Officer / General Manager. He also served as the Chief Strategy Officer of the Company and as the Secretary to the Strategy Review Committee upto 2023. As the CIO, he is responsible for managing funds in excess of Rs. 70 Bn of the HNB Assurance Group. Nilesh has been a member of the Executive Committees of the HNB Assurance and HNB General Insurance for more than 12 years.

DINESH UDAWATTA

Chief Technical Officer / Specified Officer / General Manager - HNB Assurance PLC

» B.Sc. (Statistics) Hons (Colombo), FIII (India), MBA (Colombo), ANZIIF (Fellow) CIP (Australia), ACII (UK), Chartered Insurer.

Dinesh joined HNB Assurance in 2003. Currently, he is serving as the Chief Technical Officer for Life Insurance. Having joined in 2003 as an Actuarial Executive, Dinesh developed his technical competencies in Life Insurance. He acquired professional qualifications from three well-known insurance institutes and developed his career as a life technical person. He served as Head of Operations - Life Insurance for two years prior to being promoted as CTO. He counts over 23 years of experience in the Life Insurance industry. He has undergone extensive training both locally and overseas including at Munich Re, Munich,

Germany, FALIA and OLIS Japan. He is also the Specified Officer of HNB Assurance PLC.

SUNETH JAYAMANNE

Chief Information Officer / General Manager - HNB Assurance PLC and HNB General Insurance Limited

» B.Sc. (Eng.) (UoM), MBA (UK), MSc (UK)

Suneth holds a Bachelor of Science in Computer Science & Engineering from the University of Moratuwa, an MBA from the University of West London, and a Master of Science in Digital Transformation from the London Metropolitan University. He is currently pursuing an MSc in Data Science at Curtin University. Suneth is a CIMA finalist and has completed the CIM Advanced Certificate level. Additionally, he is an ISO 27001 Lead Auditor and is ITIL certified. With over 24 years of experience in the IT industry, he began his career at Zillione Systems Solutions (Pvt) Ltd, and later served as an IT consultant at Ernst & Young, eventually reaching the position of Senior Manager. His career at Ernst & Young involved participation in various IT projects across sectors such as Banking and Finance, Telecom, Stock Exchange, Airlines, Textile, Healthcare, and several e-Governance initiatives. Before joining HNBA in 2020, Suneth was the Head of IT at LOLC Technologies, overseeing operations in the Insurance, Leisure, and Healthcare sectors.

LASANTHA DE ALWIS

Chief Technical Officer (Motor & Special Projects) / General Manager - HNB General Insurance Limited

» BSc - Special (Hons) University of Sri Jayewardenepura, ACII (UK)

Lasantha joined to HNBGI on 1st December 2020. Before joining HNBGI, he held the position as the Chief Executive Officer of Sanasa General Insurance Co. Ltd. He counts over 22 years of experience in the General Insurance industry. He has rendered his service to HNB Assurance PLC as a Senior Executive Officer in 2002 and was later promoted to the post of Assistant Manager. He is an active member of the General Insurance Forum and Technical Advisory Committee of SRCC & TC Fund. Further, he is a lecturer at the Sri Lanka Insurance Institute.

SAMPATH WICKRAMARACHCHI

Chief Business Officer / General Manager - HNB General Insurance Limited

» MBA (Asia-e University of Malaysia)

» Postgraduate Advanced Professional Diploma in Management from University of Sunderland, UK

A distinguished alumnus of Wesley College, Colombo, and Cavendish College, London. Sampath holds an MBA from Asia-e University, Malaysia, as well as a Postgraduate Advanced Professional Diploma in Management from the University of Sunderland, UK. His pursuit of excellence has been further enriched through local and international training programs at renowned institutions, including the National Insurance Academy (India), Sri Lanka Institute of Marketing, and the National Institute of Business Management (Sri Lanka).

He brings over 28 years of invaluable expertise in the insurance industry, with a distinguished career marked by leadership in key areas such as Agency Development, Bancassurance, Corporate Sales, and National Sales Distribution. Having started his career at Eagle Insurance PLC, then he moved to Aviva NDB Insurance PLC and joined Asian Alliance Insurance PLC and subsequently joined HNB General Insurance Limited.

DINESH YOGARATNAM

Chief Marketing & Customer Experience Officer / General Manager - HNB Assurance PLC

» Dip M, FCIM, Chartered Marketer, MBA (USQ)

Dinesh Yogaratnam joined HNB Assurance PLC in 2016 as Head of Marketing, overseeing the marketing function of both HNBA and its wholly owned subsidiary, HNB General Insurance Limited. In November 2020, he was appointed Head of Marketing and Customer Experience, with an expanded mandate spanning both companies.

With the subsequent segregation of management and functional responsibilities between the holding company and its general insurance subsidiary, Dinesh was appointed General Manager / Chief Marketing and Customer Experience Officer of HNB Assurance PLC in January 2022, assuming responsibility for leading the marketing and customer experience agenda of the life insurance business.

He brings over 25 years of professional experience across the Financial Services, Information Technology, and Hospitality sectors. Prior to joining HNB Assurance, he headed the marketing function for Leasing, Factoring, and SME Banking at a leading private commercial bank in Sri Lanka.

An alumnus of S. Thomas' College, Mount Lavinia, Dinesh is a Chartered Marketer and a Fellow of the Chartered Institute of Marketing (UK). He holds an MBA from the University of Southern Queensland, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Diploma in Digital Marketing from the CAM Foundation. He has also contributed to the broader insurance industry through his tenure as Chairman of the Marketing and Sales Forum of the Insurance Association of Sri Lanka (IASL).

HARINDRA RAMASINGHE

Chief Business Officer – Advisor Distribution Channel / General Manager - HNB Assurance PLC

» B.Sc. (Business Management) & MBA – University of Kelaniya, Reading for Ph.D.

Harindra Ramasinghe is an innovative and dynamic professional with over 26 years of experience in sales, sales management, distribution management, and strategy development and implementation.

GROUP EXECUTIVE COMMITTEE

He began his professional career at Eagle Insurance in 1996 and has since held several key positions in distribution management. Throughout his tenure at HNB Assurance PLC, he has received numerous prestigious awards in various management categories, Including chairman's' wards for excellence reflecting his excellence and contributions to the industry.

At the international level, Harendra is the first Sri Lankan to receive the GAMA (USA) Master Firm Award. Nationally, he was recognised as the Gold Category National Winner at the SLIM NASCO Insurance Industry Awards (2012/2013), demonstrating his innovation, exceptional contributions, and achievements in business development and distribution management.

Academically, he holds a B.Sc. in Business Management and an MBA from the University of Kelaniya. He is also currently reading for his Ph.D. at PSB University.

Harindra started his professional career as a Business Development Associate at AIA Insurance before joining HNB Assurance PLC as a Marketing Executive in 2003. His dedication and expertise have led to steady career progression, culminating in his promotion to SBU Head in 2018. He later served as Head of Distribution for the branch network before being appointed as Chief Business Officer - Advisor Distribution Channel in 2021.

SANESH FERNANDO

Chief Business Officer - Partnership Distribution Channel / General Manager - HNB Assurance PLC

» MBA (UK), MSc (Malaysia), PGD Mkt. (CIM.UK), PGD Mgmt. (UK), MCIM, MSLIM, MGAMA

Sanesh has over 18 years of experience in Sales and Marketing, starting as a Propagandist and rising to become a high-performing Sales and Marketing strategist. He was the Sri Lankan representative for the open enrolment programme from the Life Insurance Management Research Association (LIMRA), which is a well-regarded professional organisation in the insurance industry. In recognition of his achievements, he reached a significant milestone in 2024 by becoming the first-ever recipient from Sri Lanka of the prestigious GAMA Global Master Multiline Award, marking an exceptional contribution to the industry. Sanesh was awarded the Head of the Year - Insurance Partnership Business 2021 by the Global Banking and Finance Review. He also won the Bronze Award for the National Sales Manager Category from the National Sales Congress (NASCO), organised by the Sri Lanka Institute of Marketing (SLIM). Sanesh joined HNB Assurance PLC in 2012 as an Assistant Manager - Bancassurance and was promoted to Chief Business Officer / General Manager - Partnership Distribution in 2022. Sanesh holds an MBA from the University of Sunderland - UK, an MSc in Strategic Marketing from AeU - Malaysia, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Postgraduate Diploma in Strategic Management from the University of Sunderland - UK. He is also a Member of the Chartered Institute of Marketing, UK (MCIM), a Member of the Sri Lanka Institute of Marketing (MSLIM), and a Member of the GAMA Global (MGAMA).

DILSHAN PERERA

Chief Transformation Officer / General Manager - HNB General Insurance Limited

» MBA (PIM-SJP), B.B.Mgt. (Marketing) Spe. (Hons.) (Kelaniya), DipM, MCIM (UK), MSLIM

Dilshan re-joined HNB General Insurance in May 2023. He is an old boy of De Mazenod College, Kandana and graduated from the University of Kelaniya, Sri Lanka with a Bachelor of Business Management (Special) in Marketing. He is also a member and Professional Postgraduate Diploma holder in Marketing from the Chartered Institute of Marketing, UK. Additionally, he is a member of the Sri Lanka Institute of Marketing and completed his MBA at PIM, University of Sri Jayewardenepura. Dilshan is an experienced Senior Management Professional and an active proponent of making business more relevant to new consumers. He is enthusiastic about the novel opportunities presented by digital technologies. With over 20 years of experience in Strategic Management, Digital Transformation, Marketing and Brand Management, Sales Management, Digital Marketing, Product Management, Business Development and Customer Experience Management, he has worked across industries such as Life Insurance, General Insurance, Telecommunications, Banking and Retail. Before joining HNBGI, Dilshan was the Head of InsurTech - Group Digital Services at Dialog Axiata PLC where he also served as the Head of eTailing (Digital Retail) - Group Marketing. Prior to Dialog, he co-founded InsureMe.lk which is Sri Lanka's first insurance comparison digital platform. Dilshan was the Head of Marketing at HNB Assurance PLC and HNB General Insurance Limited and has also held senior positions at leading companies such as DFCC Bank, Ceylinco Life and Cargills Ceylon. In addition to his professional career, Dilshan is a visiting lecturer at several higher educational institutes in Sri Lanka and has conducted numerous sessions for Masters/Postgraduate students. He has also contributed to many professional and recognised awarding bodies as a valued member of the judging panel including the SLIM Brand Excellence Awards.

RUKESH LOGANATHAN

Chief Technical Officer (Non Motor) / General Manager - HNB General Insurance Limited

» ACII UK, Chartered Insurer

Rukesh joined HNBGI in 2022 December and counts over 35 years experience in the field of insurance covering Underwriting, Claims, Reinsurance and Loss adjustment. He previously worked in several multinational companies such as Zurich Insurance, Aviva Insurance and AIA insurance. He also worked at Janashakthi insurance and Continental Insurance Sri Lanka. Rukesh also handled the AIG Insurance Sri Lankan portfolio for several years in liaison with AIG. Apart from his employment at several insurance companies, he has also worked as a freelance

consultant helping financial institutions, Corporates providing solutions regarding their insurance concerns. He also worked as domain expert for IT Software companies developing insurance software applications. A part of his professional development he has attended several insurance/reinsurance and Management programs and training conducted overseas in France, UK, Turkey, Chez Republic, India, Indonesia, Hong Kong and several other countries by companies such as Scor Re, Aviva Plc, Swiss Re, AIG and AIA Insurance. Further he has lend his expertise in carrying out loss adjustment both locally and overseas as well as providing evidence in International Arbitration on Reinsurance disputes, His wider experience also encompasses certified training in Parametric/Index Insurance and Block Chain based global insurance policy issuance.

DAYAN RANASINGHE

Chief Transformation Officer / General Manager – HNB Assurance PLC

» MBA (UK), BA (UOC), FCMA (UK)

Dayan Ranasinghe is a senior financial services executive with over 25 years of multi-sector experience spanning insurance, asset management, corporate finance, treasury, sales, operations, and enterprise-wide transformation. He currently serves as the Chief Transformation Officer of HNB Assurance PLC, where he leads the Company's transformation and strategic execution agenda, with responsibility for driving operational excellence, enterprise productivity, digital enablement, and long-term value creation.

In his current role, Dayan is responsible for establishing and embedding a comprehensive Business Process Excellence and Transformation framework, overseeing cross-functional strategic initiatives across Sales, Operations, IT, Underwriting, Claims, Finance, and Customer Experience. He plays a pivotal role in aligning transformation priorities with the Group's corporate strategy, strengthening governance, improving cost efficiency, and enhancing organisational agility in a rapidly evolving operating environment in addition to entrenching sustainability management framework within the business operation.

Prior to joining HNB Assurance in 2025, Dayan held several senior leadership roles within the Softlogic Group, including Chief Operating Officer – Softlogic Asset Management, Deputy General Manager – Delivery Channels at Softlogic Finance, and Sector Head – Treasury at Softlogic Capital. Across these roles, he was instrumental in driving business growth, optimising operating models, strengthening risk and governance frameworks, and leading large-scale digital and process transformation initiatives across regulated financial institutions.

Dayan brings a strong blend of strategic leadership, financial acumen, and execution discipline, underpinned by deep experience in managing complex stakeholder environments and delivering measurable business outcomes. He is recognised for his structured, data-driven approach to transformation and his ability to build high-performing teams capable of driving sustained organisational impact.

He holds Masters from Solent University (UK), together with an undergraduate degree from the University of Colombo and is a Fellow Member of the Chartered Institute of Management Accountants (UK).

RUWAN RODRIGO

Chief Financial Officer / General Manager – HNB Assurance PLC

» ACA (SL), ACCA (UK), MBA (PIM-USJ)

Ruwan Rodrigo was appointed as Chief Financial Officer of HNB Assurance PLC in November 2025. He is responsible for providing leadership and oversight for the Company's finance function, including financial planning and analysis, finance operation, financial reporting, taxation, treasury and capital management.

He has over 20 years of experience in the insurance and audit assurance sectors, with strong expertise in financial planning, SLFRS financial reporting, solvency and capital adequacy management, asset-liability management, investment governance, and regulatory reporting.

Prior to joining HNB Assurance PLC, Ruwan played a key role as Financial Controller of Union Assurance in strengthening financial governance, enhancing internal controls, transforming finance function, optimising overhead cost and supporting business growth while ensuring financial stability. He has also functioned as head of one of the Assurance business units of Ernst and Young where he served for John Keells Holdings Group and Hayleys Group and led SLFRS implementation and provided accounting advice for several complex transactions.

He is an Associate Member of the Institute of Chartered Accountants (SL), Associate Member of Association of Chartered Certified Accountants (UK) and holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura (SL).

CORPORATE MANAGEMENT TEAM - HNBA



MADHUBHASHINI BAKMEDENIYA
Head of Legal & Compliance Officer / Deputy General Manager



SHIRAN FERNANDO
Head of Sales Training & Development / Deputy General Manager



MAHENDRA WILEGODA
Head of Operations / Deputy General Manager



GEETHANI SARAM
Head of Transformation & Strategy/ Deputy General Manager



NAVIN RUPASINGHE
Head of Human Resources / Deputy General Manager



RITCHIE ADAMAN
Head of Actuarial / Deputy General Manager



ARUNIKA JAYASUNDARA
Head of Internal Audit / Deputy General Manager



SALINDA PERERA
Head of Procurement / Assistant General Manager



PRELAN REISS
Head of Digital Support & Innovation / Assistant General Manager



ANURANGA PERERA
Head of Finance / Assistant General Manager



AMALI RAJAPAKSHA
Head of Risk Management



KAMINI GUNAWARDENE
Head of Marketing & CSR



H D PRAKASH
Head of Customer Experience



PADMA DAHANAYAKA
Head of Technical



JANSENIDEVI SUNDARARAJAN
Board Secretary HNBA / Head

SENIOR SALES MANAGEMENT TEAM - HNBA



HIRAN FERNANDOPULLE
Head of Life Distribution /
Deputy General Manager



NADARAJAH SUGUNAN
Head of Life Distribution /
Deputy General Manager



JAGATH GASPE
Head of Life Distribution /
Assistant General Manager



SEBASTIAN KATHIRESAN
Head of Life Distribution /
Assistant General Manager



DEEPAL PUNCHIHEWA
Head of Life Distribution



SAMAN KUMARA
Head of Life Distribution



HEMANTHA LIYANAGE
Head of Life Distribution



VINODH FERNANDO
Head of Bancassurance



MAHESH RODRIGO
Senior Manager - Alternate
Channel

CORPORATE MANAGEMENT TEAM - HNBGI



ROSHAN KULARATHNE
Head of Finance / Deputy General Manager



YOGA GUNADASA
Head of Legal / Board Secretary & Compliance Officer / Deputy General Manager



HIFLY HUZAIR
Head of Corporate & Takaful / Deputy General Manager



ASANKA SENEVIRATNE
Head of Broker Management / Deputy General Manager



PRASANNA WIJESINGHE
Head of Branch Network and HNB Bancassurance / Deputy General Manager



MALSHA MUNASINGHE
Head of Human Resources / Assistant General Manager



RAVI RATHNAYAKE
Head of IT / Assistant General Manager



AJANTHA AMARASINGHE
Assistant General Manager - Broker Servicing



HAZANA CAFFOOR
Head of Strategy, Analytics and Business Transformation



RUWAN WEERASINGHE
Head of Agency Channel



SUBASHINI DURAISWAMY
Head of Reinsurance and Specialty Line Insurance



VARNIKA SOYSA
Head of Alternate Channel and Non HNB Bancassurance



WARUNA PEIRIS
Head of Actuarial

SENIOR SALES MANAGEMENT TEAM - HNBGI



NALAKA MADHURANGE
Head of Sales Training & Development



BAZLIN SALIH
Head of Takaful (SBU I)



GAYAN RANASINGHE
Zonal Head - North Western



ANURUDDHA WICKREMASINGHE
Zonal Head - Central



CHATHURA RUWANGALLA
Zonal Head - Metro

GOVERNANCE LEADERSHIP



In a rapidly evolving operating environment, effective corporate governance remains fundamental to ensuring HNBA's resilience and long term success. As stakeholder expectations continue to shift in line with economic, environmental, and societal developments, we recognise the need to align strategy with these broader priorities while maintaining uncompromised ethical and operational discipline. In this context, our Board remains steadfast in upholding the highest standards of governance through rigorous risk management, transparency, strong stakeholder engagement, and a clearly defined governance structure supported by robust policies.

The Group is equally committed to continuous improvement, proactively adapting its governance practices to reflect emerging regulatory requirements and industry best practices. This ensures that critical governance matters—particularly those arising from the dynamic 2025 landscape—are addressed with agility, relevance, and effectiveness.

COMMITMENT TO EXCELLENCE AND ETHICAL STANDARDS

The Board of Directors and senior leadership teams are unified in their commitment to the highest standards of ethics, integrity, and accountability. We proactively embed ethical conduct into every aspect of our operations, recognising that strong governance is indispensable in navigating a complex, rapidly shifting external environment. Our ambition is not merely to comply with regulations but to consistently exceed expectations and operate as a benchmark for ethical, transparent, and responsible business practices.

During the year, our governance frameworks once again proved invaluable. The Board closely monitored macroeconomic, regulatory, political, social and environmental developments to assess potential impacts on Group performance and ensure timely, appropriate responses to safeguard stakeholder interests. Building on the strong governance legacy of the HNB Group, we have further strengthened and tailored our frameworks—including structures, charters, policies, and processes—to reflect the specific requirements of the insurance sector regulated by the Insurance Regulatory Commission of Sri Lanka, as well as the regulatory oversight of the Securities and Exchange Commission of Sri Lanka and the listing requirements of the Colombo Stock Exchange. We remain firmly committed to continuous enhancement, proactively responding to changes in the operating landscape and embedding evolving best practices to ensure that emerging governance considerations are managed with discipline and foresight.

BOARD STRUCTURE AND COMMITTEES

The Board and its sub-committees remained fully compliant with all regulatory requirements as at year-end, with further improvements to the overall governance structure and committee framework during the year. The Digital Transformation and Innovation Committee, approved in the prior year, continued to operate in line with its established mandate, while governance arrangements for 2025 remained unchanged. Routine updates on committee appointments and secretarial support were conducted as required without altering the underlying governance architecture. The ESG Committee, chaired by the Chief Executive Officer and comprising senior management members, continued to function effectively throughout the year under board oversight.

To reinforce ESG as a strategic and risk-critical theme, the reporting of ESG Committee outcomes and recommendations was formalised through the Board Risk Management Committee. Strengthened processes ensured thorough documentation, escalation, and monitoring of ESG deliberations, while Board-issued directives were communicated promptly for management execution.

Across the Group, nine Board Sub-Committees continued to support the Board's governance responsibilities through focused oversight in specialised areas. Each committee is chaired by a director, responsible for ensuring effective deliberation and reporting to the Board. Minutes of Sub-Committee meetings and regular Chairperson updates to the board, promote timely information flow, transparency, and alignment with governance objectives.

During the year, the Group refined its governance framework to enhance entity-level oversight and accountability. Previously, several committees operated jointly across the Group; however, as part of our governance enhancement initiatives, separate Audit Committees were established for HNB Assurance PLC and HNB General Insurance Limited, enabling more rigorous and entity-specific oversight. Similarly, independent Remuneration and Human Resources Committees were established for HNB Assurance PLC and HNB General Insurance Limited. At HNB Assurance, a standalone Risk Management Committees operates, to reflect the growing need for enterprise-wide risk management. The Related Party Transactions Review Committee continues to operate at Group level under the chairmanship of an HNB Assurance appointed Director, ensuring consistency and strong oversight.

KEY GOVERNANCE DEVELOPMENTS DURING THE YEAR

Governance practices across all statutory Board Sub-Committees were further strengthened, with key committees—including the Audit Committee, Nominations and Governance Committee, Remuneration and Human Resources Committee, and Related Party Transactions Review Committee—being chaired by Independent Non-Executive Directors, thereby reinforcing independence, objectivity, and regulatory alignment. The Innovation & Digital Transformation

Sub-Committee, established in 2024, benefited from enhanced clarity of mandate, structured implementation plans, and processes to support Board oversight of digital transformation and innovation pathways. Furthermore, the transition from joint to separate entity-level Audit, and Remuneration and Human Resources, Committees for HNB Assurance PLC and HNB General Insurance Limited enhanced accountability and ensured that governance oversight reflected the unique considerations of each business.

RISK MANAGEMENT, COMPLIANCE, AND ESG

Our governance and risk management frameworks were significantly strengthened during the year in line with our commitment to the Code of Best Practice on Corporate Governance and full compliance with regulatory expectations, including those of the Insurance Regulatory Commission of Sri Lanka. We maintained a culture of integrity underpinned by zero tolerance for bribery, corruption, discrimination, or workplace harassment—supported through stringent policies, monitoring mechanisms, and consistent oversight.

Critical governance structures were further bolstered through the establishment of an ESG Committee reporting to the Board through the Risk Committee, ensuring alignment with emerging ESG priorities and timelines. We also enhanced our Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Know Your Customer (KYC) frameworks through targeted training, improved reporting protocols, and closer regulatory engagement.

Board Sub-Committee mandates, policies, and terms of reference were comprehensively reviewed and strengthened during the year. We achieved strong progress in implementing SLFRS 17 and SLFRS 9, supported by the necessary technology, systems enhancements, and governance processes. Risk management practices continued to mature under a disciplined enterprise-wide framework, with the Board Risk Management Committee overseeing exposures across climate-related risk, catastrophic events, cybersecurity, and operational risks.

To further enhance cyber resilience, we established a managed Security Operations Centre (SOC), reinforced data protection frameworks, and deployed advanced data-loss prevention and monitoring systems. Internal controls and transparency were strengthened through updated governance documentation, staff training on ethical conduct, and a well-publicised whistleblowing mechanism enabling confidential reporting with Board-level oversight.

COMPLIANCE WITH NEW REGULATIONS

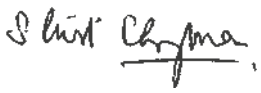
Following the issuance of the new corporate governance rules by the Colombo Stock Exchange, the Group undertook a comprehensive gap assessment and implemented all applicable governance enhancements within the prescribed timelines. Key measures included updates to Board and Sub-Committee structures, strengthened oversight processes, and the formulation, review, and Board approval of essential policies. All required policy updates by the CSE were finalised and implemented on schedule. During the reporting period, the Company did not record any material instances of non-compliance with applicable provisions of laws, regulations, or internal policies.

CONCLUSION

Our commitment to robust corporate governance remains unwavering, forming the foundation upon which we build trust, accountability, and enduring value for our stakeholders. This commitment goes beyond regulatory compliance—ethical conduct and sound governance are embedded across our operations and culture. On behalf of the Board of Directors of HNB Assurance PLC, I affirm the consistent application of good governance principles throughout the Group, as detailed in our Corporate Governance Report. We continue to adhere to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and in conformity to all relevant regulations including those of the CSE and SEC.

I further confirm that HNBA maintains a comprehensive Code of Business Conduct that applies to all employees, including those at its subsidiary HNBGI. The Code is communicated during employee onboarding, made available through the Company intranet, and incorporated into performance evaluations to reinforce our corporate values. To the best of my knowledge, no violations of the Code were reported during 2025.

Looking ahead, we remain committed to continuously advancing our governance agenda in line with evolving regulatory expectations and stakeholder priorities. Our focus is to ensure that our governance practices remain forward-looking, relevant, and responsive, while reinforcing accountability and supporting sustainable value creation well into the future.



Stuart Chapman
Chairman

Colombo, Sri Lanka
24th February 2026

SENIOR INDEPENDENT DIRECTOR'S STATEMENT



In accordance with Section A.5.7 of the 2023 Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, the Board of HNB Assurance PLC (HNBA) appointed me as the Senior Independent Director (SID) of the Company, effective 28 June 2024. This appointment reflects the Company's commitment to the highest standards of corporate governance, particularly as the Chairman of the Board is not an Independent Director and reinforces our dedication to safeguarding shareholder interests. My profile is provided on page 216 of this report.

The role of the SID complements the leadership of the Chairman by providing an additional layer of governance oversight. While the Chairman guides the Board's strategic direction, my role as SID focuses on promoting transparency, accountability, and robust decision-making processes.

Throughout 2025, I actively participated in Board meetings, contributing meaningfully to discussions and decision-making. I am pleased to note that the Board of Directors consistently exercised independent judgment and objectivity in its deliberations, ensuring that decisions were made in the best interests of the Company.

As the SID, I was responsible for ensuring that all critical matters were presented to and deliberated by the Board in a timely manner, with due consideration given to the views of the Non-Executive Directors. Serving as Chairman of the Audit Committee and the Related Party Transactions Review Committee further strengthened my ability to discharge these responsibilities effectively. This included oversight of financial reporting, internal controls, risk management, compliance functions, and related party transactions as applicable to the Company, ensuring transparency, regulatory compliance, and integrity in decision-making.

ACTIVITIES DURING THE YEAR

In my capacity as SID, I maintained regular consultation with the Chairman on governance matters and functioned as an intermediary to facilitate confidential discussions among Directors when necessary. I chaired the following meetings in 2025:

- One (1) meeting with Non-Executive Directors without the Chairman present.
- One (1) meeting with Independent Directors.

These sessions provided a platform for candid discussions on governance matters, the outcomes of which were communicated to the Chairman.

I am confident that HNB Assurance PLC will continue to operate in the best interests of all stakeholders, adhering to the strong governance principles outlined in the Code of Best Practice by CA Sri Lanka and Section 9 of the Listing Rules of the CSE. During the year, the Company took proactive steps to comply with the new amendments to these regulations, including updating internal governance policies, enhancing disclosure practices, and ensuring alignment of Board and Committee procedures with the amended requirements. This dedication to governance excellence positions the Company for sustained growth and long-term success.

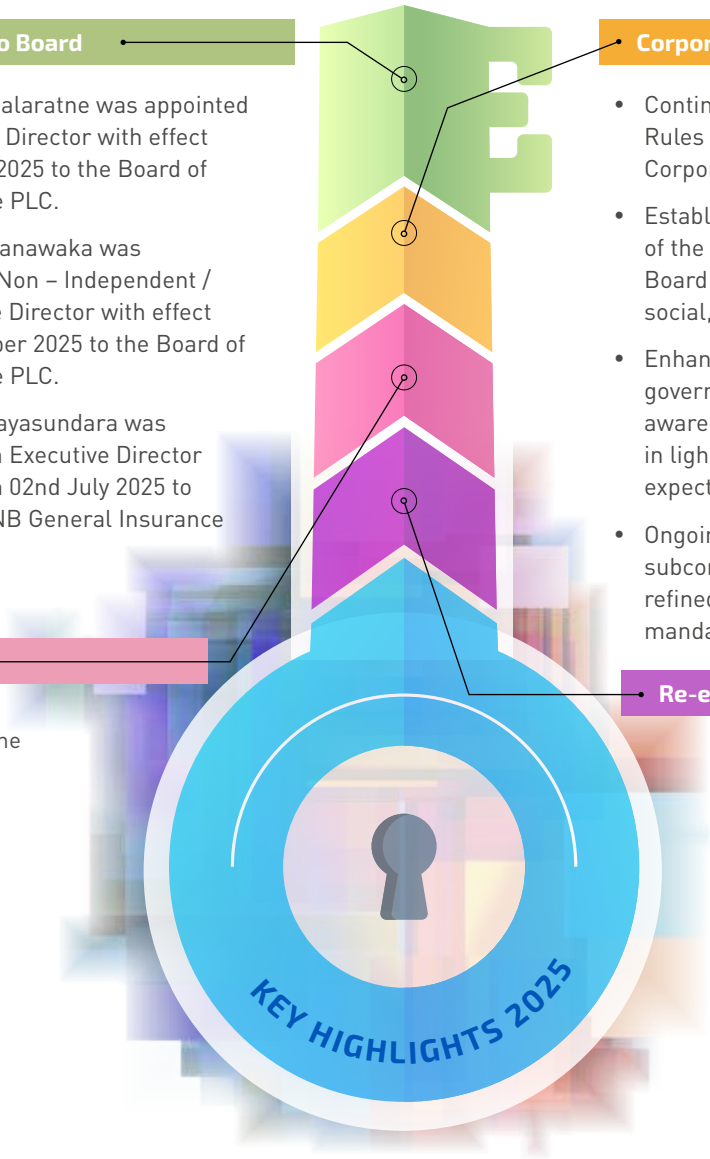


Ashoka Goonesekere
Senior Independent Director

Colombo, Sri Lanka
24th February 2026

CORPORATE GOVERNANCE

Sound corporate governance remains central to the HNB Assurance Group's commitment to sustainable and long-term value creation. Building on the strong governance legacy of the HNB Group, the HNBA Group has further strengthened and tailored its governance frameworks, including structures, charters, policies, and processes, to meet the specific demands of the insurance sector regulated by the Insurance Regulatory Commission of Sri Lanka. The Group remains firmly committed to continuous enhancement, proactively responding to changes in the operating environment and embedding evolving best practices in corporate governance to ensure emerging and critical governance matters are addressed in a timely and effective manner.



Appointments to Board

- Mr.Lasitha Wimalaratne was appointed as an Executive Director with effect from 03rd July 2025 to the Board of HNB Assurance PLC.
- Ms.Poornima Ranawaka was appointed as a Non – Independent / Non - Executive Director with effect from 01st October 2025 to the Board of HNB Assurance PLC.
- Mr.Sithumina Jayasundara was appointed as an Executive Director with effect from 02nd July 2025 to the Board of HNB General Insurance Limited.

Resignations

There were No resignations from the Board during 2025

Corporate Governance Initiatives

- Continued compliance with CSE Listing Rules and the Code of Best Practice on Corporate Governance
- Establishment and operationalisation of the ESG Committee, strengthening Board level oversight of environmental, social, and governance matters.
- Enhanced focus on AML/CFT governance, including Board awareness, reporting, and readiness in light of regulatory and supervisory expectations.
- Ongoing strengthening of Board and subcommittee effectiveness through refined structures and clearer mandates

Re-election

Mr. Lakshman Silva, who will retire at the Annual General Meeting, is recommended to be re-elected as an Independent Director of the Company in accordance with the Articles of Association of the Company.

HNB GENERAL INSURANCE LIMITED (HNBGI)

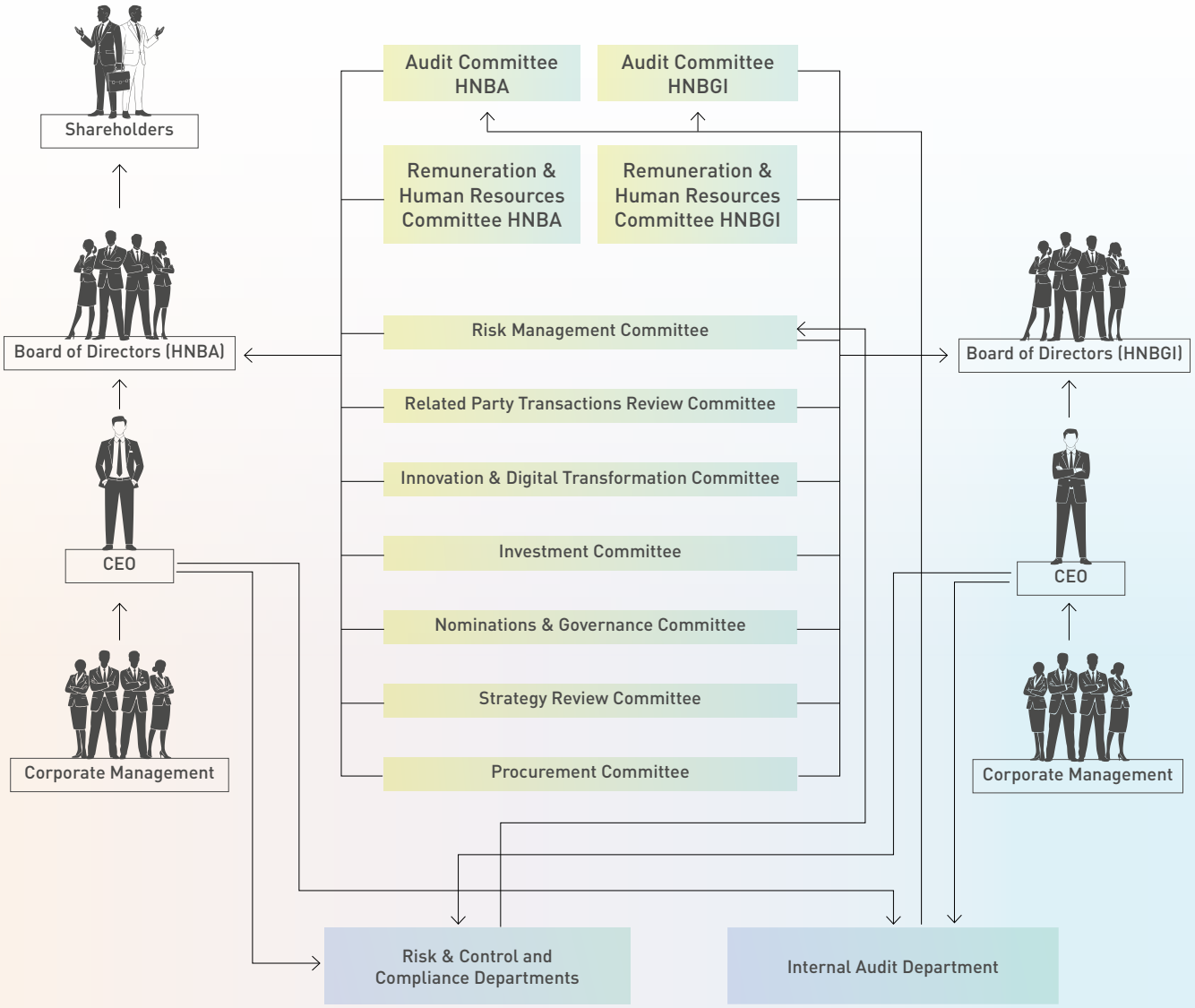
HNBGI operates as a separate entity, adhering to the amended Insurance Regulatory Act No. 43 of 2000 and governed by its own Board of Directors. The Board comprises 2 directors from HNBA's Board, including the Chairman, ensuring oversight of subsidiary operations, 2 Independent Non-Executive Directors further contribute to board balance, bringing the total number of directors to 7.

The HNBA Board Sub-Committees provide oversight of relevant HNBGI functions in line with the requirements of the CSE Continuing Listing Rules. In addition, separate Audit and Remuneration & Human Resources Committees have been established solely for HNBGI.

HNBGI has a dedicated CEO who also serves as the Principal Officer of the Company. Dedicated key managerial personnel (KMPs) are responsible for matters specific to HNBGI.

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE OF HNB ASSURANCE GROUP



Board Secretary of HNBA

The Company Secretary who is an Associate of the Institute of Chartered Secretaries & Administrators (UK), now known as the Chartered Governance Institute, with over 17 years' of experience is responsible for the administration of the HNBA Board



Board Secretary of HNBGI



The Company Secretary who is an Attorney-at-Law with over 20 years' of experience is responsible for the administration of the HNBGI Board

STATEMENT OF COMPLIANCE

HNB Assurance PLC complied with Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) which was issued during the year of 2023. In addition, the Company substantially complies with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, as evidenced on pages 248 to 262. Furthermore, the Company adheres to the Corporate Governance Framework for Insurers requirements of Direction No. 2 of 2022 (Revised) issued by IRCSL, detailed on pages 263 and 264.

Moreover, the 2025 integrated Annual Report incorporates the Audited Financial Statements for the year ended 31 December 2025 on pages 333 to 474, while the Independent Auditors' Report can be found on pages 329 to 332.

This report is prepared in accordance with the Integrated Reporting <IR> framework (www.theiirc.org) by the International Integrated Reporting Council's (IIRC) and GRI Standards published by the Global Reporting Initiative.

The Company further affirms its commitment to international ESG and sustainability standards through the adoption of SLFRS Sustainability Disclosure Standards, thereby ensuring a comprehensive, consistent, and transparent sustainability reporting framework. This represents the Company's first-time adoption of SLFRS S1 and SLFRS S2. Additionally, an independent assurance report has been obtained on these disclosures, strengthening the credibility, reliability, and integrity of the Company's governance and sustainability reporting. The independent assurance report can be found on page 129 and 130 of this Annual Report.

The Board confirms that the Company has been compliant during the year under review with the relevant sections of the Companies Act No.07 of 2007 as amended and has met all its statutory payment obligations to the Government and other regulatory bodies.

A FRAMEWORK FOR COMPLIANCE

The Group's governance framework is founded on full compliance with mandatory regulatory requirements and recognised voluntary governance standards, with a continued focus on achieving excellence beyond minimum compliance. During the reporting period, no new Acts or regulations were enacted that materially changed the Company's governance obligations. While the Data Protection Act, introduced in 2022, continues to be implemented on a phased basis, the Group has taken appropriate steps to ensure compliance readiness in line with the applicable requirements. This commitment to robust governance and regulatory adherence is reflected in the governance principles and requirements outlined below.

Mandatory Compliance

- Companies Act No.7 of 2007
- Regulation of Insurance Industry Act No.43 of 2000 and subsequent amendments thereto
- Sri Lanka Financial Reporting Standards
- Articles of Association
- Rules, regulations, determinations, directives and circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Motor Traffic Act No.14 of 1951 and subsequent amendments thereto
- Listing Rules of the Colombo Stock Exchange
- Central Depository System Rules
- Securities and Exchange Commission Rules
- Inland Revenue Act No.24 of 2017 and subsequent amendment thereto

Voluntary Compliance

- Code of Ethics
- Global Reporting Initiative Sustainability Reporting Standards
- International Integrated Reporting Framework
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka

Internal Codes

- Articles of Association
- Policy on Matters Relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance, Nominations and Re- election
- Board-approved Terms of Reference (TOR) of Board Committees
- Related Party Transaction Policy
- ESG Policy



CORPORATE GOVERNANCE

ESG Oversight



- The ESG Committee, chaired by the Chief Executive Officer/Executive Director and comprising senior management representatives, continued to operate effectively during the year.
- Reporting of ESG Committee outcomes and recommendations was formalised to the Board Risk Management Committee, reinforcing ESG as a key strategic and risk area requiring Board-level oversight.
- Robust processes were implemented to ensure proper documentation, escalation, and follow-up of ESG deliberations, with directions from the Board Risk Management Committee communicated to management for timely implementation.

COMPLIANCE WITH REVISED CORPORATE GOVERNANCE REQUIREMENTS

The Company has fully aligned its governance framework with the revised Corporate Governance Framework issued in 2023, with subsequent amendments by the Colombo Stock Exchange (CSE). All applicable principles and provisions introduced under the revised Code have been implemented in full and are embedded within the Company's governance structures and processes. The Company remains committed to ensuring sustained compliance on an ongoing basis.

Implementation of New Requirements

Following the issuance of the revised Corporate Governance Framework by the Colombo Stock Exchange (CSE), HNBA conducted a comprehensive gap assessment and implemented all applicable governance enhancements on time. These measures included updates to Board and subcommittee structures, strengthening of governance and oversight processes, and the review, formulation, and Board approval of key policies. All policies required to be established by the company were finalised, approved, and implemented within the prescribed timelines.

AN EFFECTIVE BOARD

The Structure

The Board structure and its sub-committees are compliant with regulatory requirements as of year-end. There were no material changes to the overall governance structure or the Board committee framework during the year. The Digital Transformation and Innovation Committee, which was approved in the prior year, continued to operate in accordance with the established mandate, with governance arrangements for 2025 remaining unchanged. During the year, Mr. Lasitha Wimalaratne, Chief Executive Officer, was appointed to the Board as an Executive Director, further strengthening management representation at the Board level. Any updates relating to committee appointments or secretarial support are undertaken as required and do not impact the underlying governance framework.

BOARD COMPOSITION AND DIVERSITY AT HNB ASSURANCE



Board Composition

The composition of the Board is in full compliance with Listing Rule 9.8, which requires a minimum of five directors and at least one-third Independent Directors. With a Board comprising eight members, the Company currently has three Independent Directors, thereby fully satisfying this requirement.

In parallel, the Board structure remains aligned with the Company's Articles of Association, which require nominee representation in excess of 50%, reflecting the prevailing shareholding structure. Where necessary, temporary regulatory approvals were obtained to facilitate transitional arrangements, and subsequent appointments were made to restore and maintain full compliance with regulatory requirements and the Articles of Association.

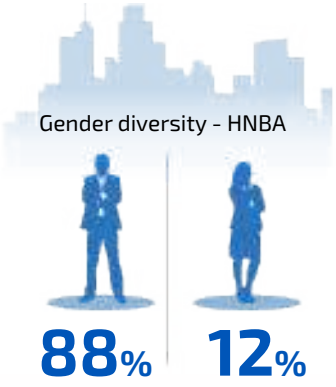
Board Diversity

A diverse and well-balanced Board, comprising individuals with a broad mix of skills, experience, perspectives, and backgrounds, is essential for effective governance and sound decision-making at HNB Assurance. Such diversity enhances the Board's ability to exercise robust oversight, strengthens risk management, and enables a comprehensive understanding of the potential impact of decisions on the business and its stakeholders.

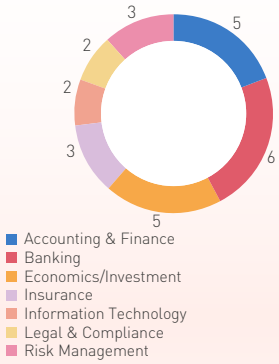
The Nominations & Governance Committee plays a pivotal role in this process by identifying and recommending suitably qualified candidates who possess the requisite expertise and align with the strategic and governance needs of the Organisation. As at the reporting date, the Board of HNB Assurance comprised eight Directors, seven of whom are Non-Executive Directors, thereby reinforcing independent oversight. The presence of three Independent Directors further strengthens accountability, objectivity, and unbiased decision-making. This balanced composition ensures that the Board is well-positioned to contribute effectively to informed decision-making that reflects the diverse interests of the Organisation and its stakeholders. The profiles of the Directors, together with details of their current appointments, are set out on page 212 to 214.

Board composition - HNBA

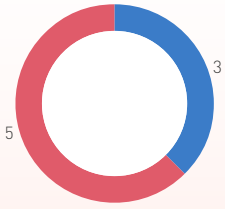




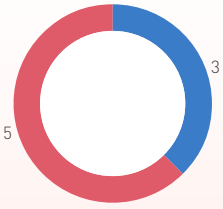
Skills Diversity - HNBA



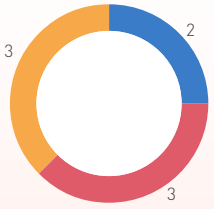
Experience – HNBA (Years)



Age Diversity - HNBA (Years)

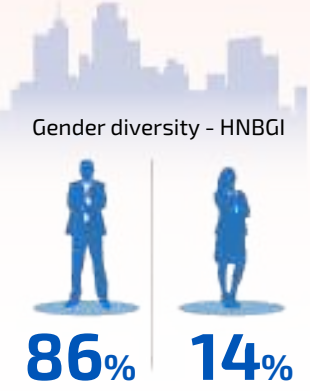


Tenure of service - HNBA (Years)

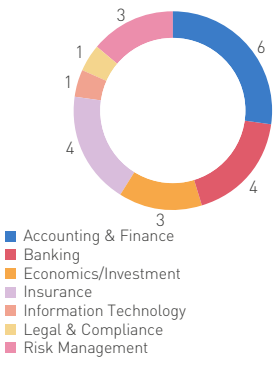


Board composition - HNBGI

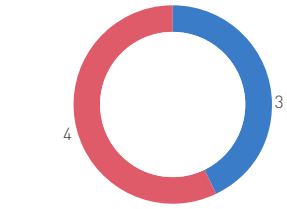




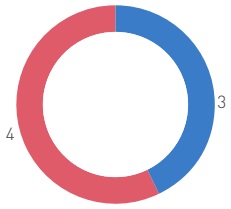
Skills Diversity - HNBGI



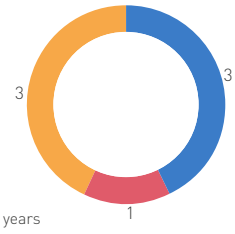
Experience – HNBGI (Years)



Age Diversity - HNBGI (Years)



Tenure of service - HNBGI (Years)



CORPORATE GOVERNANCE

THE BOARD CHARTER

The Board Charter of HNBA establishes a clear and comprehensive governance framework by defining the roles, responsibilities, and delegated authorities of both the Board of Directors and the management team. It serves as a key reference document that promotes a clear separation of responsibilities, supports effective decision-making, and reinforces accountability at all levels. The Charter provides a structured foundation for the Board's strategic leadership, oversight of management and operations, and the establishment and monitoring of robust governance, risk management, and internal control mechanisms.

The Board

- Role of the Board
- Board composition and Board proceedings
- Diversity of the Board
- Appointment of new Directors
- Contribution to the corporate strategy
- Performance monitoring
- Self-evaluation
- Orientation for new Directors
- Obligations towards its Shareholders, employees, and other stakeholders
- Compliance with laws, rules, directions, and regulation

The Directors

- Duties of Directors
- Dealings with shares of HNB Assurance PLC
- Information to Directors
- Confidentiality of non-public information
- Independent advice at the expense of the Company
- Other Board appointments

Other matters

- Duties and responsibilities of the Chairman
- Duties and responsibilities of the Chief Executive Officer & Senior Management
- Committees of the Board
- Role of the Secretary to the Board



CODE OF CONDUCT AND ETHICS FOR DIRECTORS

To foster a strong culture of integrity, ethical behaviour, and accountability, HNBA has established a comprehensive framework comprising the HNBA Group Code of Conduct and Ethics for Directors and the Share Dealing Policy and Code. These frameworks are designed to safeguard against conflicts of interest, the misuse of privileged or price-sensitive information, and other unethical practices.

All Directors are required to comply with the Code of Conduct and Ethics, ensuring the highest standards of professional and ethical conduct in the discharge of their duties. In addition, Directors, Senior Management, and other individuals with access to price-sensitive information are mandated to strictly adhere to the Share Dealing Policy and Code, thereby promoting transparency, market integrity, and investor confidence.

HNBA Group Code of Conduct for Directors is summarised below,

Conflict of Interest	Directors should avoid conflicts of interest. Instances of conflicts of interest are outlined in the Code.
Corporate Opportunities	Directors are prohibited from taking for themselves or their own Company or other companies with which they have a fiduciary relationship, any opportunities arising as a result of the Director holding a directorship in the Company, unless such opportunities are fully disclosed by the interested Director and approved by the disinterested Directors.
Protection and use of assets	All Directors must protect the Company's assets and ensure their efficient use for the business needs of the Company.
Reporting	Directors are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules, and regulations, and report instances of illegal or unethical behaviour.
Enforcement	The Board will review and investigate any allegation of a breach of this policy by a Director, with or without the participation of the Director who is the subject of the allegation.
Confidentiality	Directors must maintain the confidentiality of non-public proprietary information entrusted to them by the Company or its customers or other parties with whom the Company does business, except when such disclosure is authorised or legally required. This principle applies to all communications, whether oral, written, or electronic.
Dealings with third parties	Only the persons named in the Code are authorised to deal with third parties on behalf of the Company. Compliance with Laws and Regulations and Fair Dealing - Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.
Compliance and fair dealing	Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.

SEGREGATION OF KEY ROLES

To uphold strong governance and maintain a clear balance of power, HNBA ensures a distinct separation between the roles of the Chairman and the Chief Executive Officer (CEO). This segregation reinforces independent oversight, enabling the Chairman to focus on Board leadership and strategic direction, while the CEO is responsible for day to day business management. Together, this structure promotes accountability, transparency, and operational effectiveness, strengthening the Company's overall governance framework.

The Chairman of the Board serves as a Non Executive Director, in full compliance with governance requirements. Additionally, the appointment of a Senior Independent Director further enhances Board independence and provides an additional channel for governance oversight.

During the year, the Chief Executive Officer was appointed as an Executive Director, effective July 2025. While his operational responsibilities remain unchanged, this appointment provides the Board with deeper insight into management execution and strategic alignment.

Role of the Chairman

- Leading the Board and the Shareholders' meetings
- Ensuring effective management of the operations of the Board
- Ensuring the Board engages in timely and constructive discussions of all key and relevant issues
- Establishing effective communication channels with Shareholders and ensuring their views are effectively conveyed to the entire Board
- Ensuring adherence to good corporate practices

Role of the CEO

- Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board
- Assuming full accountability to the Board for all aspects of the Company's operations and performance
- Maintaining a continuous dialogue with the Chairman and other Directors
- Representing the Company and managing the Company's day-to-day business
- Monitoring operational and financial results by closely following plans and budgets
- Establishing adequate operational, planning, and financial control systems

Role of the Board Secretary

The Board Secretary plays a key role in ensuring the functions of the Board are conducted effectively and seamlessly. The key aspects of the role of the Board Secretary are:

- Supporting the Chairman, the Board, and the Sub-Committees by ensuring a proper flow of information
- Ensuring policies and procedures are followed
- Providing necessary advice and assistance to the Board and Directors in respect of their duties.
- Facilitating effective operation of the Board and Board Sub-Committees
- Maintaining relationships between the Company, its Shareholders, and regulators, including assisting the Board in discharging its obligations to Shareholders



CORPORATE GOVERNANCE

BOARD SUB-COMMITTEES

The Group has established nine Board Sub Committees, each entrusted with specific functions, responsibilities, and delegated authority to strengthen oversight and enhance governance effectiveness. These Sub Committees enable focused review and informed decision making within their respective areas, thereby supporting the Board's overall governance responsibilities.

Each Sub Committee is chaired by a Director who ensures the committee's effective functioning and reports deliberations to the Board. Minutes of all Sub Committee meetings are presented at subsequent Board meetings, ensuring timely information flow and comprehensive oversight. Additionally, the Chairman provide regular updates and clarifications on key issues during Board meetings, reinforcing transparency, accountability, and alignment with governance objectives.

During the year, the Group refined its governance framework to strengthen entity level oversight and accountability. Previously, certain committees operated jointly at the Group level. As part of this enhancement, separate Audit Committees were established for HNB Assurance PLC and HNB General Insurance Limited, enabling more focused oversight aligned with each entity's regulatory and operational requirements. Similarly, a distinct Remuneration & Human Resources Committee (HRRC) was introduced to address entity-specific human resources and remuneration matters. The Related Party Transactions Review (RPT) Committee continues to function at the Group level under the chairmanship of an HNBA-appointed Director, ensuring consistent oversight across the Group.

Key Governance Developments During the Year

- Governance practices across all statutory Board Sub Committees were strengthened, with key committees—including the Audit Committee, Nominations and Governance Committee, Remuneration & Human Resources Committee, and Related Party Transactions Review Committee—chaired by Independent Non Executive Directors. This structure enhances independence, objectivity, and regulatory compliance.
- The Innovation & Digital Transformation Sub Committee, established in 2024, was further strengthened through clearer mandates, structured implementation, and improved meeting processes to support Board level oversight of digital strategy and innovation.
- Governance arrangements were enhanced by transitioning from joint committees to separate entity level Audit and Remuneration & Human Resources Committees for HNB Assurance PLC and HNB General Insurance Limited, improving accountability and addressing entity specific risk profiles.

Mandatory		Voluntary	
Sub-committee	Page No.	Sub-committee	Page No.
Nominations & Governance Committee	301	Investment Committee	303
Audit Committee	291	Risk Management Committee	305
Remuneration & Human Resources Committee	297	Strategy Review Committee	307
Related Party Transactions Review Committee	299	Procurement Committee	N/A
		Innovation & Digital Transformation Committee	N/A

APPOINTMENT, RE-ELECTION, AND RESIGNATION

Appointments

Role of Shareholders

Shareholders play a critical role in the governance of HNBA through their right to appoint Independent Directors at the Annual General Meeting (AGM). The Notice of Meeting, included in the Annual Report, sets out a separate resolutions for the re-election of an Independent Director, enabling shareholders to exercise informed and independent judgment.

The Board recommends nominees to shareholders based on the recommendations of the Nominations & Governance Committee, which undertakes a structured evaluation of the skills, experience, and competencies required to support the strategic objectives of the HNBA Group. As part of this process, all proposed Directors are assessed against the Fit and Proper Criteria, and annual declarations are obtained from each Director confirming continued compliance. Directors are required to promptly inform the Board Secretary or the Chairman of any changes that may affect their fit and proper status.

Board Appointments Between AGMs

In terms of Section 27 of the Articles of Association, the Board is empowered to appoint Directors to fill casual vacancies arising from resignations or to increase the number of Board members, where deemed appropriate. Independent Directors appointed under this provision hold office until the next AGM, at which time they are eligible to seek re-election by shareholders.

All appointments are promptly notified to the Colombo Stock Exchange (CSE) with immediate effect, together with a brief profile or résumé of the appointee, ensuring transparency and timely dissemination of governance-related information to the investing public.

Re-Election of Directors

In accordance with the Articles of Association, Independent Directors retire by rotation and are required to seek re-election at least once every three years. A Director wishing to resign prior to the completion of their term is required to submit a written notice, stating the reasons for resignation, for acceptance by the Board.

Accordingly, It is proposed to re-elect Mr. Lakshman Silva, who retires at the Annual General Meeting, as an Independent Director of the Company in accordance with Article 27(7) of the Articles of Association of the Company.

Resignations

There were no resignations of Directors during the year under review.

To ensure transparency and market integrity, the Board Secretary communicates all Director appointments and resignations to the Colombo Stock Exchange (CSE) with immediate effect, facilitating prompt disclosure to shareholders and other stakeholders.

Number of Board members reduced to eight (8) consequent to the demise of Mr. Rimoe Saldin on 16th January 2026. The Board records its appreciation of his valuable contribution to the Company.

ROLE OF THE NOMINATIONS & GOVERNANCE COMMITTEE

The Nominations & Governance Committee plays a central role in identifying and recommending candidates for Board appointment. The Committee periodically evaluates the collective skills, experience, and diversity of the Board and its Sub-Committees to develop an appropriate candidate profile. Potential candidates are subjected to a formal, transparent, and rigorous evaluation process, following which recommendations are submitted to the Board for consideration.

All new Director appointments are subject to prior approval by the Insurance Regulatory Commission of Sri Lanka (IRCSL) in accordance with the Regulation of Insurance Industry Act. The Board formally confirms appointments only upon receipt of IRCSL approval, ensuring full regulatory compliance.

INDUCTION AND TRAINING

Upon appointment, all Directors undergo a structured and comprehensive induction programme designed to familiarise them with the Company's governance framework, operating environment, and strategic priorities. The induction programme is typically conducted over a full day and includes meetings with the Chairman, introductions to the Senior Management of the Group, and detailed briefings on the insurance industry regulatory landscape, the Company's business model, risk profile, and strategic direction.

Each Director is provided with a comprehensive induction pack containing key governance and reference documentation, including the Articles of Association, Code of Ethics for the Board, Board Charter, Board Sub-Committee Charters, Share Dealing Policy, the Regulation of Insurance Industry Act, and other applicable laws, regulations, and internal policies relevant to the discharge of their duties.

To support continuous professional development, Senior Management provides Directors with regular updates on regulatory changes, industry developments, emerging risks, and evolving best practices. The Board also receives periodic briefings on compliance-related matters, including Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requirements, thereby ensuring ongoing awareness of regulatory expectations and the Company's compliance obligations.

In line with the Group's commitment to sustainable value creation, Directors are also exposed to Environmental, Social, and Governance (ESG)-related training and briefings, covering topics such as sustainability strategies, climate-related risks, responsible business practices, and evolving ESG regulatory and disclosure requirements.

Where relevant, Directors are encouraged to participate in external training programmes, seminars, and workshops conducted by recognised institutions and regulatory bodies, including those organised by the Financial Intelligence Unit (FIU) and other professional or regulatory organisations.

Summary of Director Training and Awareness Sessions - 2025

Training / Program	Conducted By	Participants	Key Areas Covered
Induction Programme for Newly Appointed Directors	Senior Management / Company Secretary	Newly appointed Directors	Governance framework, industry overview, regulatory landscape, business model, risk profile, strategy
AML/CFT Awareness Training	Financial Intelligence Unit (FIU)	Board Members	AML/CFT regulatory updates, internal controls, reporting obligations
ESG & Sustainability Governance Briefing	ESG Committee / External Consultant	Board Members	ESG strategy, climate risk, sustainability reporting, stakeholder expectations
IFRS-related Technical Session	Finance Division / External Audit Firm	Board & Audit Committee Members	IFRS developments, financial reporting implications

CORPORATE GOVERNANCE

BOARD MEETINGS AND INFORMATION

The Board convenes every month, in line with an approved annual schedule that also provides for the meetings of Board Sub-Committees. The Audit Committee and the Risk Management Committee meet quarterly, while other Sub-Committees meet as required, depending on the nature and extent of their respective responsibilities.

To facilitate effective preparation and meaningful engagement, the Board Secretary, in close consultation with the Chairman, prepares detailed agendas for all Board meetings. Agendas and supporting papers are circulated to Directors at least one week in advance, enabling thorough review and informed deliberation. A similar structured approach is adopted for Sub-Committee meetings, with Committee Secretaries working closely with their respective Chairman to finalise agendas and documentation.

Directors are afforded direct access to Senior Management for pre-meeting briefings and clarifications, as well as ongoing support during meetings, thereby strengthening the quality of discussions and decision-making. In addition, Key Management Personnel regularly attend Board meetings to make presentations and provide updates on significant business developments, performance, risks, and emerging challenges.

The Company places strong emphasis on transparency and accountability. Details of Board and Sub-Committee meetings held during the year, including attendance by individual Directors, are disclosed in the Annual Report of the Board of Directors on page 314 providing stakeholders with clear visibility into the Company's governance practices.

A total of 12 Board meetings were held during the financial year 2025.

Sub-committee meetings held in 2025

Sub-committee	Number of meetings
Nominations & Governance Committee	06
Audit Committee	07
Remuneration & Human Resources Committee	03
Related Party Transactions Review Committee	04
Investment Committee	04
Risk Management Committee	04
Strategy Review Committee	04
Procurement Committee	05
Innovation & Digital Transformation Committee	02

BOARD EVALUATION

The Board of Directors of HNBA remains committed to continuous improvement and conducts an annual self-evaluation to assess its overall effectiveness. This comprehensive review covers key areas including Board composition, the skills and competencies of individual Directors, the effectiveness of Board Sub-Committees, the quality and conduct of Board meetings, and the adequacy, accuracy, and timeliness of information provided to the Board.

As part of this process, the Board Secretary coordinated the collection and consolidation of individual feedback from Directors using a structured evaluation framework. The consolidated findings were presented at the Board meeting held on 24th February 2026 to identify opportunities for enhancement and strengthening governance effectiveness.

Board Sub-Committees also undertake annual self-evaluations following similar procedures. The respective Committees first review these outcomes and subsequently reported to the Board, ensuring a consistent and integrated approach to governance review, accountability, and continuous improvement.

In addition, the Company convened dedicated meetings for Independent Directors and Non-Executive Directors without the Executive Director present, fostering open dialogue and independent judgment. A separate meeting of Non-Executive Directors without the Chairman was scheduled to formally evaluate the Chairman's performance, in line with best governance practices. This evaluation was conducted following the conclusion of the financial year.

PERFORMANCE EVALUATION OF THE CEO

The Board, in consultation with the Chief Executive Officer (CEO), establishes clearly defined, challenging yet achievable financial and non-financial performance targets on an annual basis. These targets are designed to reflect and support the short-, medium-, and long-term strategic objectives of HNBA, ensuring strong alignment between strategy execution and organisational performance.

The achievement of these predetermined targets forms the basis for the annual performance evaluation of the CEO. Performance is assessed at the end of each financial year through a structured review process, enabling the Board to objectively evaluate the CEO's contribution to business performance, strategic delivery, and sustainable value creation. The variable component of the CEO's remuneration is directly linked to the level of achievement of these targets, thereby reinforcing performance accountability, incentivising superior outcomes, and aligning executive rewards with the long-term interests of the Company and its stakeholders.

REMUNERATION

HNBA has established a formal and transparent remuneration framework, guided by the Group's clearly articulated remuneration policies, to ensure consistency, fairness, and alignment with the Company's core values, risk appetite, and strategic objectives. The remuneration framework is designed to promote responsible performance, encourage desired behaviours, and support the long-term sustainability of the business.

The Remuneration & Human Resources Committee plays a central role in overseeing and administering remuneration matters. The Committee, which includes the Chairman of the Board, operates in accordance with its Charter and is responsible for recommending remuneration policies and packages to the Board. The CEO/Executive Director attends HRRC meetings by invitation, where appropriate, reinforcing transparency and alignment while preserving independent oversight.

In carrying out its responsibilities, the HRRC is empowered under its Charter to seek independent internal and external professional advice, as required, to ensure that remuneration practices are equitable, competitive, and aligned with market norms, while balancing the interests of shareholders, employees, and other stakeholders.

The HRRC, in collaboration with the Board, ensures that remuneration packages for the CEO/Executive Director and Key Management Personnel (KMPs), and all employees across the organisation are competitive and market-aligned, enabling the attraction, motivation, and retention of suitably skilled and experienced professionals critical to the achievement of the Company's strategic objectives. To support this objective, regular benchmarking exercises against relevant industry and peer-group data are conducted, together with periodic reviews of salary surveys, to maintain alignment with prevailing market trends, business needs, and the overall strategy of the HNB Group. In addition, the remuneration framework extends beyond the CEO/Executive Director and KMPs to cover all employees, ensuring consistency, fairness, and competitiveness across the Organisation.

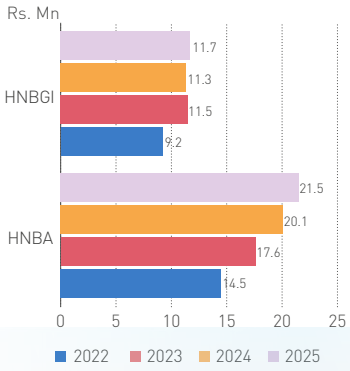
The remuneration structures for the CEO/Executive Director and Executive employees comprise fixed and variable components. The variable component is performance-based and is directly linked to the achievement of pre-determined corporate and individual performance targets, which are aligned with the Company's strategic goals and risk considerations. Each year, clearly defined performance objectives are established for the CEO/Executive Director and cascaded to KMPs, ensuring alignment between individual performance and organisational outcomes.

Performance-related remuneration schemes are forward-looking and non-discretionary and are not applied retrospectively. The HNB Group does not operate long-term incentive schemes, including share options or equity-based plans, thereby ensuring that remuneration outcomes remain transparent and aligned with sustainable performance over the relevant performance period.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

In recognition of the independent oversight and strategic guidance provided by Non-Executive Directors, the HRRC is responsible for determining their remuneration in accordance with the approved remuneration policy. Remuneration is structured primarily on the basis of Board and Committee meeting attendance and is set at levels that are competitive and reflective of prevailing market practices, with the objective of attracting and retaining individuals of high calibre, integrity, and experience. Non-Executive Directors are not entitled to performance-based incentives or bonuses, thereby preserving their independence and objectivity. Non-Executive Directors nominated by the Parent Company receive a nominal fee, in line with the applicable governance arrangements.

Directors' Fees and Remuneration



Further details relating to the remuneration of Directors are disclosed on page 459 of this Annual Report.

POLICY FRAMEWORK

The Board has established a comprehensive and structured policy framework to guide management in the oversight and conduct of the Group's operations and to promote a culture of high ethical standards, accountability, and disciplined decision-making. These policies define the expected standards of conduct, establish clear processes and procedures, and set approved limits, authorities, and thresholds within which management is required to operate.

The policy framework supports effective governance by ensuring consistency in decision-making, strengthening risk management and internal controls, and aligning operational practices with the Group's strategic objectives and regulatory obligations.

All policies scheduled for review during the year were reviewed, updated, and implemented within the approved timelines, in accordance with the Board-approved policy review cycle. Key policies, including those relating to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) and broader compliance functions, were comprehensively reviewed and received formal approval from the Board. These actions ensured continued alignment with evolving regulatory requirements, prudential expectations, and governance best practices.



CORPORATE GOVERNANCE

A summary of the Group's key policies within this framework is set out below:

Governance and Conduct

- Articles of Association
- Board Charters
- Board sub-committee Charters
- Code of conducts and Ethics for Directors
- Code of Business Conduct
- Whistle Blowing Policy
- Procedure Manuals
- Guidelines
- Circulars

Specific Matters

- Shareholders' Communication Policy
- Share Dealing Policy
- Risk Management Policy
- Compliance Policy
- Investment Policy
- Financial Authority Manual
- Procurement Policy
- IT Security Policy
- Anti-Money Laundering Policy

Performance and Talent Management

- Performance Management Procedure
- Remuneration and Benefit Guideline
- Education Reimbursement Procedure
- Policy on Telecommuting
- Total Reward Policy
- Learning and Development Policy

INTERNAL CONTROLS

The Board of Directors has overall responsibility for overseeing and periodically assessing the adequacy and effectiveness of the Group's internal control framework. This oversight is fundamental to ensuring the integrity and reliability of financial and operational information, timely compliance with applicable laws and regulations, and the safeguarding of the Group's assets, reputation, and stakeholder interests.

To support effective risk management and internal control, the Group has adopted the Three Lines of Defence Model, which provides a clear and structured approach to the allocation of roles and responsibilities across the organisation:

First Line

Key Business Functions

Business and operational units are responsible for identifying, owning, and managing risks within their respective areas of operation, including the design, implementation, and ongoing monitoring of appropriate internal controls.

Second Line

Compliance & Risk Management Function

The Risk Management function is responsible for establishing and maintaining the enterprise risk management framework, developing policies and methodologies, and providing guidance, challenge, and oversight to the first line to ensure risks are managed within the Board approved risk appetite. The Compliance function complements this by monitoring adherence to laws, regulations, and internal policies, conducting periodic compliance reviews, overseeing AML/CFT obligations, and reporting key compliance matters to the relevant Board Committees.

Third Line

Internal and External Audit

Internal and External Audit functions provide independent and objective assurance to the Board and the Audit Committee on the adequacy and effectiveness of governance arrangements, risk management practices, and internal controls implemented by the first and second lines.

Further details on the operation of the Three Lines of Defence Model are set out in the Risk Management Review section of this Annual Report on page 272.

In addition, the Board receives monthly financial, operational, and regulatory compliance statements from the Chief Executive Officer and relevant Key Management Personnel. These submissions provide structured assurance on compliance with applicable regulatory, prudential, and internal control requirements and enable the Board to exercise ongoing and proactive oversight over the Group's control environment.

INTERNAL AUDIT

The Internal Audit function plays a critical role in providing independent assurance on the effectiveness of the Group's governance, risk management, internal control systems, and compliance with applicable laws, regulations, and internal policies. Internal Audit activities are conducted in accordance with relevant regulatory requirements, professional standards, and the Group's approved Internal Audit policies and charter.

The Audit Committee has oversight responsibility for the Internal Audit function and ensures that the scope, independence, and resources of Internal Audit are adequate to discharge its mandate effectively. This oversight includes the review and approval of the annual risk based internal audit plan,

consideration of audit findings and recommendations, and monitoring of management's progress in implementing agreed corrective actions, which are reviewed at the Audit Committee's quarterly meetings.

To further strengthen internal governance framework, the Group maintains an in house Internal Audit Department, overseen by senior and experienced officials, conduct in depth Departmental/Process Audits and Branch Audits based on the Audit Committee approved risk-based audit plan thereby contributing to continuous improvements in internal control practices throughout the year. In addition, the Audit Committee meets with the Internal Audit Department at least once a year, without the presence of Executive Directors or Senior Management, to enable open and unrestricted communication on matters of concern, audit findings, and issues requiring escalation. These arrangements reinforce the Group's commitment to strong internal controls, effective risk management, and independent assurance for the benefit of the Board and stakeholders.

EXTERNAL AUDIT

The External Auditors are appointed by the Shareholders at the Annual General Meeting, based on a recommendation made by the Board, following the evaluation and recommendation of the Audit Committee. The Audit Committee plays a key role in this process by applying established and transparent procedures to assess the competence, effectiveness, and independence of the External Auditors.

In discharging its responsibilities, the Audit Committee also reviews and closely monitors the nature and extent of non-audit services provided by the External Auditors. Any such engagements are approved only after careful consideration, to ensure that they do not impair the independence, objectivity, or professional judgement of the External Auditors, nor create any actual or perceived conflict of interest.

To promote open dialogue and reinforce the integrity and independence of the audit process, the Audit Committee holds at least one confidential "in-camera" meeting with the External Auditors each year, without the presence of Executive Directors or Senior Management. These meetings provide an opportunity for the External Auditors to raise any matters of concern directly with the Committee.

Details relating to the fees paid to the External Auditors, including audit and non-audit fees, are disclosed on page 459 of this Annual Report.

ORGANISATIONAL CULTURE

A positive and ethical organisational culture is fundamental to effective corporate governance, as employee behaviour and decision-making directly influence the achievement of the Company's strategic objectives and long-term sustainability. At HNBA, organisational culture is shaped by clearly articulated corporate values, a strong tone from leadership that emphasises integrity and accountability, well-defined performance expectations, and remuneration structures that encourage responsible behaviour. The Board remains firmly committed to setting and reinforcing the "tone at the top", promoting high standards of ethical conduct, and ensuring that the Group's policies, codes of conduct, and control frameworks remain relevant, effective, and fit for purpose.

This culture is further strengthened through robust performance management systems, comprehensive training and development programmes, and effective whistleblowing and grievance mechanisms that enable concerns to be raised safely and addressed appropriately. Open and transparent communication channels, together with a clearly articulated risk appetite and a strong internal control environment, support responsible risk-taking and ethical decision-making across the organisation. Collectively, these elements foster a culture of accountability, integrity, and continuous improvement, underpinning the achievement of strategic goals and reinforcing trust among all stakeholders.

IT GOVERNANCE



IT Governance Policies

The HNBA Group places strong emphasis on information and cyber security, in alignment with the HNB Group Information Security Policy. To strengthen oversight and risk management, the Board has established a dedicated policy that provides clear guidance to management in identifying, mitigating, and monitoring related risks.

In addition, the Group has implemented specific policies governing super-user access management, internet usage, and work-from-home arrangements. Collectively, these policies reinforce the Group's control framework and contribute to a robust, secure, and well-governed information security environment across the organisation.

IT GOVERNANCE MONITORING

The Company undertook a comprehensive review of its operational processes to identify information and cyber security risks, which were subsequently integrated into the corporate risk register. Oversight of these risks—including both existing exposures and proposed mitigation strategies—is shared among the Board of Directors, the Chief Executive Officer, the Chief Information Officer, the IT Steering Committee, the Executive Committee, and the Risk Management Committee.

The Risk and Control Department plays an active role in monitoring the implementation and effectiveness of relevant control measures. In parallel, the officer – Risk Management & IT Governance from the Risk and Control Department is responsible for ensuring ongoing compliance with the Information Security Policy across the organisation.

CORPORATE GOVERNANCE

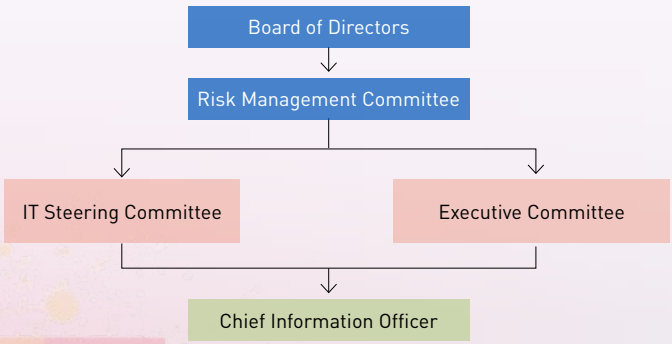
Compliance reports are submitted regularly to the Board's Risk Management Committee and were reviewed throughout 2025 to ensure continuous oversight and timely escalation of key issues.

In addition, the Board commissioned an independent external firm specialising in IT security audits to conduct a comprehensive assessment of the Company's information security environment. The findings, together with management responses, were reviewed in detail by the Board and its Sub Committees. These insights informed strategic decisions and contributed to shaping the IT roadmap, strengthening the Company's information security posture and addressing emerging risks effectively.

IT GOVERNANCE STRUCTURE

The Board of Directors retains ultimate accountability for IT governance, supported by the Risk Management Committee in providing oversight of information technology–related risks and controls. Reporting directly to the Group Chief Executive Officer, the Group Chief Information Officer (CIO) plays a central role in the governance framework and is an active member of both the IT Steering Committee and the Executive Committee.

The IT Steering Committee and Executive Committee jointly oversee the planning, prioritisation, and execution of approved IT initiatives, while also ensuring the reliability, security, and continuity of the Company's digital platforms and systems.



To further strengthen IT security and compliance, the Company has appointed an IT Security Administrator who reports to the CIO. This role is responsible for identifying control gaps, monitoring compliance, and addressing potential risks within the IT function.

In addition, the Risk and Control Department has designated a qualified Information Technology professional to perform independent reviews of IT security activities. This independent assurance function provides an additional layer of oversight, separate from operational management, thereby enhancing the integrity and effectiveness of the Company's overall IT governance and control environment.

ACCOUNTABILITY

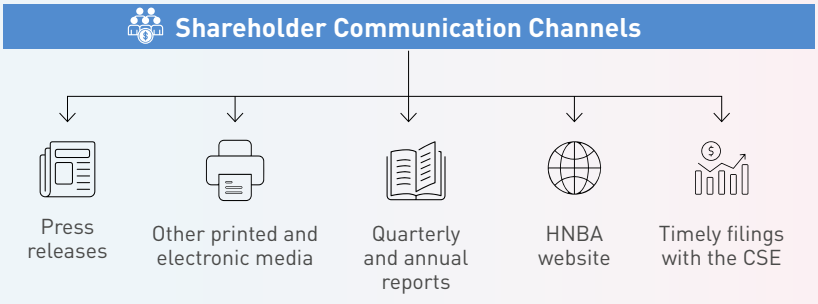
The Board of Directors is committed to ensuring that the Company's performance is aligned with the best interests of its Shareholders, safeguarding their rights and promoting sustainable long-term value creation. This commitment is reflected through the delivery of reasonable returns on investment, the adoption of a sound and equitable dividend policy, and the maintenance of open, transparent, and effective engagement with Shareholders.

To fulfil this responsibility, the Company has established a Shareholders' Communication Policy, which emphasises the timely, accurate, and consistent disclosure of price-sensitive information. Disclosures encompass matters relating to financial performance, strategic objectives and plans, material developments, corporate governance practices, and the Company's overall risk profile. This structured and proactive approach ensures that Shareholders are provided with sufficient, reliable, and relevant information to support informed decision-making.

All price-sensitive information is promptly communicated to the Colombo Stock Exchange (CSE) for dissemination to the investing public, in compliance with applicable regulatory requirements and in accordance with best practices in transparency and disclosure.

The Company maintains transparent and timely communication with Shareholders through statutory notices and disclosures published on the CSE website, together with direct communication channels where appropriate.

Shareholder communication is facilitated through various channels as given below:



THE ANNUAL REPORT

The Annual Report serves as a cornerstone of communication between the Company and its Shareholders, extending beyond minimum statutory requirements. It is carefully prepared to provide a comprehensive and balanced review of the Company's performance, strategy, and outlook over the reporting period, reflecting the Board's commitment to excellence in corporate reporting.

In line with this commitment, the Company embraces international best practices and has been an early adopter of the Integrated Reporting Framework and the Global Reporting Initiative (GRI) Standards. This approach positions the Company at the forefront of the evolving Environmental, Social, and Governance (ESG) reporting landscape and underscores its dedication to transparency, accountability, and sustainable value creation.

This extensive reporting framework enables HNBA to clearly articulate the key drivers of value creation for all stakeholders. Information is presented in a structured and coherent manner to provide Shareholders with a holistic understanding of the Company's performance, its impacts across the value chain, and its contribution towards building a sustainable and resilient future.

SUBMISSION OF QUARTERLY RETURNS

The Company submitted its quarterly returns to the CSE as follows:

Quarter	Quarter Ending	Date of Submission to CSE
Q4 2024	31st December 2024	19th February 2025
Q1 2025	31st March 2025	05th May 2025
Q2 2025	30th June 2025	01st August 2025
Q3 2025	30th September 2025	31st October 2025

THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) represents the Company's primary platform for Shareholder engagement, and the Board actively encourages meaningful and constructive participation by all Shareholders. This is facilitated through the use of effective communication channels, early notification of meeting details, and the provision of comprehensive and relevant information, in line with international best practices in corporate governance.

The statutory requirement to circulate the Notice of Meeting at least fifteen (15) days in advance is strictly adhered to, while the AGM date is announced to Shareholders through the CSE well in advance to enable adequate preparation and participation. To further promote transparency and informed engagement, the Chairman ensures the attendance of the Chairs of all Board Sub Committees at the AGM, enabling them to respond directly to Shareholder queries relating to their respective areas of oversight.

In addition, the Company's External Auditors are present at the AGM to provide independent clarification on matters relating to the audit, financial statements, and related disclosures, thereby enhancing confidence, accountability, and transparency in the engagement process.

Summarised Minutes of the 23rd AGM held on 28th March 2025

During the AGM, the Chairman (Mr. Stuart Chapman) responded to the queries raised by shareholders. The key questions/concerns raised and the comprehensive answers provided are summarised below for the benefit of all shareholders, including those who were unable to participate in the meeting.

A shareholder congratulated the management and commended the Company's exceptional performance during the year. He praised the Chairman, the CEOs of HNBA and HNBGI, the Executive Committee, Senior Management, and the Auditors for their contribution. He also suggested considering an increase in dividend per share for the next financial year.

Response

The Chairman thanked the shareholder and explained that the Company had made significant investments in technology and digitalisation, particularly in preparation for the IFRS 17 regulatory framework. Based on these strategic investments aimed at long term growth, the Board concluded that the dividend of Rs. 3.90 per share was appropriate for the year.

One of the shareholders acknowledged the Company's strong performance, noting the 21% increase in Gross Written Premium (GWP) and 7% increase in Profit After Tax (PAT). He observed that the Net Asset Value (NAV) was not reflected in the Financial Highlights and suggested including it for better comparability across key indicators such as EPS and DPS.

Response

The CFO clarified that the NAV is disclosed on page 188 of the Annual Report under Investor Information. She also agreed to incorporate the NAV per share in the Financial Highlights of future reports. The Chairman added that this improvement would be implemented going forward to enhance clarity for shareholders.

A shareholder appreciated the increase in GWP and PAT but stated that PAT appeared reduced at the Group and Company levels. He also noted a decline in the dividend payout ratio and requested the inclusion of payout ratios and profitability margins in the Annual Report.

Response

The CFO clarified that Group PAT increased by 7% while HNBA PAT increased by 3%. She further stated that the dividend payout ratio is already disclosed on page 188. She explained that profitability margins are not customarily disclosed in the insurance industry,however assured that the relevant ratios currently in the Investor Information section will be included in the Management Discussion section from next year for better visibility.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

HNBA has aligned its governance framework with the revised Code of Best Practice on Corporate Governance 2023, which came into effect from 2024, and has fully implemented all applicable requirements introduced under the updated Code. Following its issuance, a comprehensive assessment of the changes was undertaken, leading to enhancements across the governance framework, including revisions to Board and sub-committee appointments, the strengthening of governance processes, and the review and approval of key policies. The table below summarises HNBA Group's compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
SECTION 1	THE COMPANY		
A.	Directors		
A. 1	The Board		
A. 1.1	Board Meetings	The Board meets monthly to discharge its responsibilities as described on page 242. Attendance at Board meetings and Board Committee meetings are given on page 314 of the Annual Report of the Board of Directors, Board Meetings, and Information.	Complied
A1.2	Role of the Board	Refer page 238	Complied
A. 1.3	Compliance with laws and access to independent professional advice	The Board has set in place a sound organisation structure, policy framework, and internal controls to facilitate regulatory compliance and also ensure decisions taken by the Board are compliant with regulatory requirements. The Board Charter allows directors to seek independent professional advice from external parties, when necessary, at the Company's expense.	Complied
A 1.4	Access to advice from the Company Secretary	The directors have access to the advice and services of the Company Secretary who plays a key role in facilitating the conduct of Board and General Meetings and ensuring the requirements of the Companies Act No.7 of 2007 and the Listing Rules of the CSE are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.	Complied
	Indemnifying the Board, Directors, and key management personnel	As a subsidiary of HNB Group, HNBA and HNBGI Board Directors and Key Management Personnel are covered under Directors and Officers Liability Cover obtained by HNB.	Complied
A 1.5	Independent judgment of the Directors	Directors of HNBA exercise independent judgment on all matters set before the Board without bias.	Complied
A 1.6	Dedicating adequate time and effort	Directors devote sufficient time to the affairs of the Company to discharge their duties effectively. Board papers are circulated at least one week before the meeting providing sufficient time for familiarisation with matters included in the agenda and to call for any further information.	Complied
A.1.7	Calls for resolutions	One-third of the Directors may call for a resolution to be presented to the Board in the best interests of the Company.	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A 1.8	Training of Directors	On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties, responsibilities, and expected time commitments. Additionally, a formal induction programme is arranged for newly appointed Directors as soon as practicable which is coordinated by the Chairman, CEO/Executive Director, and the Company Secretary.	Complied
A.2	Chairman & the Chief Executive Officer		
A. 2.1	The decision to combine the posts of Chairman and CEO	There is a clear division of responsibilities at HNBA with a separation of the roles of the Chairman and CEO/Executive Director. The Role of the Chairman and CEO/Executive Director is given on page 239.	Complied
A. 3	Chairman's Role	Please refer to the Role of Chairman on page 239 in the Corporate Governance Report.	Complied
A. 4	Financial Acumen	As HNBA is a financial services company, financial acumen is a prerequisite for all Directors. All Directors have a sound knowledge of finance ensuring sufficiency of financial acumen as given in their Board profiles while 04 members of professional finance or accounting organisations.	Complied
A.5	Board Balance		
A.5.1	Include Non-Executive Directors of sufficient calibre and number	Out of the eight Directors, seven are Non-Executive Directors. The composition is given on page 237.	Complied
A.5.2	Three or two-thirds of Non-Executive Directors appointed to the Board, whichever is higher should be 'Independent Non-Executive Directors'	The Company has three Independent Non-Executive Directors, which constitute one-third of the total Non-Executive Directors of the Company. The Company maintains the composition of Directors in accordance with Section 9.8.2(a) of the Listing Rules and the requirements of the Company's Articles of Association	Compliance is not feasible due to the provisions outlined in the company's Articles of Association.
A.5.3	Independence criteria	All three Independent Directors are independent of management and free of any business or other relationship that could or be perceived to materially interfere with the exercise of their unfettered and independent judgment.	Complied
A.5.4	Annual Declaration by Non-Executive Directors	Each Non-Executive Director submits a signed declaration annually concerning his independence/non-independence against specified criteria which is in line with Schedule K of the Code.	Complied
A 5.5	Annual determination of independence of directors by the Board	The Board has reviewed the declarations referred to in A.5.4 above and ascertained that three directors are independent following the criteria set out in section 5.5 of the Code.	Complied
A.5.6	Alternate Director to a Non-Executive Director	No alternative Directors have been appointed.	Not Applicable

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.5.7	Appoint a Senior Independent Director if the Chairman and CEO are the same or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO	As the Chairman of the Board is a Non-Independent Non-Executive Director, the Company has appointed a Senior Independent Director. Additionally, the roles of the Chairman and the CEO are segregated and the Chairman is not immediately preceding the CEO.	Complied
A.5.8	Senior Independent Director to be available for confidential discussions with directors	Mr. Ashoka Goonesekere was appointed as the Senior Independent Director in June 2024. Please refer the report of the Senior Independent Director given on page for 232 further details.	Complied
A.5.9	Chairman meeting with the Non-Executive Directors	The Chairman holds an exclusive meeting with Non-Executive Directors, excluding the CEO, at least once a year.	Complied
A.5.10	Recording concerns	Where applicable, any conflict/concerns that cannot be unanimously resolved are recorded in the Board Minutes.	Complied
A.6.	Supply of Information		
A.6.1	The obligation of the Management to provide appropriate and timely information	All Board members receive information regarding the operations and performance of the Group monthly.	Complied
A.6.2	Board papers are to be provided 7 days before the Board Meeting and the minutes provided after the meeting.	Board papers are provided one week before the Board meeting.	Complied
A.7	Appointments to the Board		
A.7.1	Establish a Nomination Committee	The Board has established a Nominations & Governance Committee, and their report is given on page 301 and 302.	Complied
A.7.2	Nominations Committee to assess the composition of the Board annually	The Nominations & Governance Committee assesses the composition of the Board annually and makes recommendations to the Board on necessary changes. The Board was expanded in line with the same as set out on Changes to Board Composition on page 237.	Complied
A.7.3	Succession Planning for CEO and all KMPs	A succession plan is being developed for the CEO and all Key Management Personnel (KMPs) as part of our strategic leadership planning.	Complied
A.7.4	Disclosure of Appointment of a New Director	Upon the appointment of a new Director to the Board, the Company notifies the Colombo Stock Exchange with a brief resume of the Director.	Complied
A.7.5	Identification of the Chairman, Committee members, and the functions of the Board Nominations & Governance Committee	Refer the Report of the Board Nominations & Governance Committee on pages 301 and 302.	Complied
A.7.6	Terms of Reference of the Committee		Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.8	**Re-Election**		
A.8.1	Non-executive directors should be appointed for a specified term and subject to re-election and their appointment is not automatic.	Directors other than the Chairman, Executive Director and the Nominee Directors, are required to retire by rotation and seek re-election at least once every three years. Accordingly, Mr. Lakshman Silva retire by rotation at the Annual General Meeting to be held on 30th March 2026 as set out in the Notice of Meeting on page 510.	Complied
A.8.2	Re-election	All Directors who are retiring by rotation in terms of the Articles of Association of the Company submit themselves for re-election by the shareholders of the Company at the forthcoming Annual General Meeting of the Company. Only one Director retires this year and his resume is given on page 215 and 216.	Complied
A.8.3	Resignation	A Director resigning from his or her position as a Director is expected to provide a written communication to the Board formally along with reasons for such resignation. Upon acceptance of the resignation by the Board, the CSE is informed promptly of the resignation and the reason. No Directors resigned from the Board of HNBA during 2025.	Complied
A.9	**Appraisal of Board Performance**		
A.9.1	Have in place a formal process for reviewing the performance of the Board and its sub-committees	The Board conducted a self-evaluation of its performance, using a checklist that covered a range of areas including, but not limited to the composition of the Board, skills, and experience of the members, adequacy of Sub-Committees, proceedings of meetings, and quality of reports and materials submitted. Responses were compiled by the Board Secretary for discussion by the Board. The objective of this evaluation is to improve the performance of the Board to enable the achievement of the Company's objectives.	Complied
A.9.2	Appraisals of the Board and the sub-committees		Complied
A.9.3	Have a process to review the participation, contribution, and engagement of each Director	The Nominations & Governance Committee reviews the participation, contribution, and engagement of each director before recommending for re-election.	Complied
A.9.4	State the evaluation process in the Annual Report	Complied with the above disclosures and information on page 242.	Complied
A.10	**Disclosure of information in respect of Directors**		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 215 to 219.	Complied

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.11	Appraisal of CEO		
A.11.1	The setting of the annual targets and the appraisal of the CEO	The performance evaluation of the Chief Executive Officer is carried out by the Chairman, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of each financial year.	Complied
A.11.2	The performance of the CEO should be evaluated by the Board.		Complied
B	Directors' Remuneration		
B.1	Remuneration Procedure	Refer to the Report of the Remuneration & Human Resources Committee on pages 297 and 298.	Complied
B.2	Remuneration Committee		
B.2.1	Establishment of the Remuneration Committee	The Board has established a Remuneration & Human Resources Committee.	Complied
B.2.2	Composition of Remuneration Committee	The Remuneration & Human Resources Committee comprises Non-Executive Directors of whom the majority are independent. The Chairman is Dr. Sankalpa Gamwarige who is an Independent Director.	Complied
B.2.3	Consultation with the Chairman and the CEO	The Remuneration & Human Resources Committee determines the CEO's remuneration. The Committee consults the CEO on proposals regarding Executive remuneration. No Director participates in determining his/her remuneration.	Complied
B.2.4	The level and makeup of the remuneration should be sufficient to attract, motivate, and retain Executive Directors of the required quality	The Remuneration & Human Resources Committee is responsible for determining remuneration policy, including that of the CEO and the Key Management Personnel. Remuneration packages are structured to attract, retain, and motivate them, taking into consideration their roles and responsibilities, skills, experience, and attributes.	Complied
B.2.5	Executive Directors' compensation should be designed for the long-term success of the company	The Board includes one Executive Director, Mr. Lasitha Wimalaratne, whose remuneration is structured in line with the Company's Remuneration Policy to support longterm value creation	Complied
B.2.6	Remuneration Committee to judge where to position remuneration relative to other companies	The Remuneration & Human Resources Committee compares the remuneration levels of the Company with industry peers. The committee maintains a keen awareness of shifts in remuneration standards and consistently reviews reports from salary surveys.	Complied
B.2.7	Remuneration Committee to be sensitive to employment and remuneration conditions within the Group	The Remuneration & Human Resources Committee considers the remuneration levels of the HNB Group when deciding the remuneration levels for the HNBA Group.	Complied
B.2.8	Performance-based remuneration	Performance-based remuneration of employees, including the CEO, is directly linked to the achievement of agreed targets and goals by the Company and the individual.	Complied
B.2.9	Executive share options	The Company has no share option available to its Directors.	Not Applicable
B.2.10	Designing schemes of performance-based remuneration	Refer to the Report of the Remuneration & Human Resource Committee on page 297 and 298.	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
B.2.11 & B.2.12	Early Termination of Directors	In the event of early termination of the contract of employment, the Remuneration & Human Resources Committee shall determine the remuneration payable to the Executive Director and the CEO.	Complied
B.2.13	Determination of the remuneration of the Non-Executive Directors	The Board determines the fees and expenses payable to Non-Executive Directors as per the Articles of Association of the Company. Directors' fees comprise a fixed fee and exclude any variable component	Complied
B.2.14	Levels of Remuneration for Non-Executive Directors	All Non-Executive Directors other than Nominee Directors who are employees of HNB are remunerated in line with market practices. Nominee Directors employed by HNB receive a nominal fee solely based on their attendance at meetings.	Complied
B.2.15	Names of Directors to be given in the Annual Report	Names of the members of the Remuneration & Human Resources Committee are given in the Report of the Remuneration & Human Resources Committee on page 297 and 298.	Complied
B.2.16	Terms and references	Terms of Reference are in place. Refer report of the Remuneration & Human Resources Committee on pages 297 and 298.	Complied
B.3.	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	• Report of the Remuneration & Human Resources Committee on page 297 and 298. • Notes 43 in the financial statements on page 459 provide information on the remuneration of the Board as a whole.	Complied
B.3.2	Senior management and their remuneration	There were 16 key management personnel who directly reported to the CEO during the year. Refer Note 50.2.1 in page 469 for the aggregate remuneration.	Complied
C.	Relations with Shareholders		
C.1	Constructive use of the AGM and Conduct of General Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting, and the Annual Report are circulated to shareholders within the stipulated time in the Articles of Association and the Code.	Complied
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are proposed for substantially separate issues to provide shareholders the opportunity to deal with each significant matter separately. The proxy form reflects this.	Complied
C.1.3	Accurate recording and counting of valid proxy appointments received for a General Meeting	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken by a show of hands. In the event the appropriate number of shareholders give their intimation in writing and request for a poll, the procedure involved in voting would be circulated. In the absence of such intimation, all issues at the AGM will be passed by a show of hands.	Complied

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	Complied
C.1.5	Summary of Notice of General Meetings and Procedures Governing Voting at General Meetings	The procedures involved in voting will be circulated if the appropriate number of shareholders give their intimation in writing and request a poll. In the absence of such intimation, all issues at the General Meeting will be passed by a show of hands.	Complied
C.2	**Communication with Shareholders**		
C.2.1	Channel to reach all shareholders for timely dissemination of information	HNBA has multiple channels of communication with shareholders which include the following: • Notifying CSE promptly of price-sensitive information which is disseminated to the investing public including shareholders • Press releases • Website	Complied
C.2.2	Disclose policy and methodology for communication with shareholders	A Shareholders' Communication Policy is adopted by the Company with the determination of ensuring that ready, equal, and timely access to balanced and understandable information about the Company's financial performance, strategic goals and plans, material developments, governance, and risk profile, etc., are Company's shareholders and the investment community at large. The objective is to enable shareholders to exercise their rights in an informed manner and to allow shareholders and the investment community to engage actively with the Company.	Complied
C.2.3	Disclose how the policy is implemented	The CEO is responsible for administering the policy and obtains the support of the Company Secretary in the implementation of the same. Accordingly, 17 notices were sent to the CSE for prompt disclosure of relevant matters which included appointment and resignation of directors, dividends, quarterly financial statements, etc.	Complied
C.2.4 & C.2.6	Contact person for Shareholder communications	The Company Secretary is the designated person for shareholder communication and the contact information is provided on page 08.	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
C.2.5	The process to make directors aware of shareholder concerns	Matters raised by shareholders at the Annual General Meeting are minuted and the Company Secretary communicates shareholders concerns raised during the year to the Board.	Complied
C.2.7	Formulate and disclose the process for responding to shareholder matters	The Company encourages effective communication with the shareholders addressing inquiries and concerns through the Company Secretary. The Company Secretary is responsible for handling these matters and, when necessary, elevates concerns to the Board for further attention.	Complied
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	During the financial year, there were no major transactions which materially altered the Company's net asset base or the consolidated Group's net assets base. In the unlikely event that the net assets of the Company fall below half of the shareholders' funds, the shareholders of the Company would be notified, and an Extraordinary General Meeting would be called to propose the way forward in terms of the necessary statutory and regulatory requirements.	Complied
D.	Accountability & Audit		
D.1	Financial & Business Reporting		
D.1.1	Present a fair and balanced annual report prepared following the laws and regulations with an explanation of deviations.	HNBA continues to strive for high standards of corporate reporting, going beyond compliance with regulatory requirements to adopt international best practices in reporting.	Complied
D.1.2	Board responsibility for fair reporting extends to interim and price-sensitive reports, regulatory reporting, and statutory information	The Board is assisted in the discharge of this duty by the Audit Committee which reviews the interim financial statements and routine regulatory reporting. The Board reviews other price-sensitive communications before release to ensure they present a balanced view of the relevant matter.	Complied
D.1.3	Board to obtain declarations from CEO and CFO regarding financial statements, financial records, effective operation of systems of internal controls, and risk management.	The Audit Committee and Board obtain declarations from the CEO and CFO on the proper maintenance of financial records, the true and fair view of the financial statements, and the effective operation of systems of internal control and risk management.	Complied

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.1.4	Declarations by Directors	The following information has been declared in the Annual Report of the Board of Directors from pages 311 to 318. • A declaration that the Company has not engaged in any activity which contravenes laws and regulations is given on page 317. • A declaration that the Directors have declared all material interests in contracts involving the Company is given on page 315. • A declaration that the Company has made all endeavours to ensure the equitable treatment of Shareholders is given on page 316. • Directors have complied with the best practices of Corporate Governance given on page 317. • Property, Plant & Equipment are reflected at fair value and, where they differ from fair value, adequate disclosures are made as given on page 313. • A declaration that the Directors have conducted a review of the internal controls covering financial, operational, and compliance controls and risk management is given on page 317. • A declaration that the business is a going concern is given on page 312.	Complied
D.1.5	Statements by Directors and Auditors	Pages 322 and 323 contains the statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements. The Auditor's Report is provided on pages 329 to 332.	Complied
D.1.6	Annual Report should include Management Discussion & Analysis	The Management Discussion & Analysis is given on pages 56 to 210 of this Annual Report covering the Disclosure requirements under this code. • Business Model – pages 56 and 57. • Industry Structure and Developments – pages 61 to 63. • Opportunities and Threats – page 64 to 69. • Risk Management – pages 272 to 290. • Internal Control Systems and their Adequacy – pages 309 and 310. • Governance – pages 230 to 271, • Stakeholder Relationships - pages 56 to 210. • Social and Environmental Protection Activities conducted by the Company – pages 14 to 19 • Financial Performance – pages 133 to 144 • Investment in Physical and Intellectual Capital - pages 133 to 134. • Human Resource/Industrial Relations Activities Carried Out by the Company – pages 146 to 162. • Prospects for the Future – page 133.	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.1.7	Summon EGM if net assets value falls below 50% of shareholders' funds	As capital adequacy is well above the regulatory requirements, the issue does not arise. The provision to call for an EGM in the event net assets fall below 50% is embedded in the Articles of Association.	Complied
D.1.8	Adequate and accurate disclosure of related party transactions	HNBA has in place the following mechanisms to facilitate disclosures of related party transactions: • A Related Party Transactions Review Committee to review the related party transactions every quarter • Each related party submits a signed and dated declaration quarterly to provide information on related party transactions • The Company Secretary maintains a record of related party transactions which is summarised and presented to the Related Party Transactions Review Committee each quarter. • Note 50 of the financial statements on page 467 sets out the information on Related Party Transactions.	Complied
D.2	**Risk Management & Internal Control**		
D.2.1 & D.2.2	The Board should monitor risk management and internal control systems, carry out a review of their effectiveness and report on the same in the Annual Report	The Board is assisted in this duty by the Audit Committee and the Risk Management Committee whose reports are given on pages 291 to 296 and 305 to 306. They are supported by the Internal Auditors and the Risk & Control and Compliance Departments respectively who conduct their functions under the guidance of these two committees, reporting directly to them. The Committees are provided with regular reports on related matters to facilitate the assessment of the effectiveness of the internal controls and risk management systems. The Board Statement of Internal Control on pages 309 and 310 provides further information in this regard.	Complied
D.2.1.1 to D.2.1.8	Risk Committee Reporting and Compliance	This is provided in the Risk Management Committee Report. (Refer to pages 305 and 306 for further details)	Complied
D.2.2.2	Internal Audit function	The Company's internal audit function is carried out by the Internal Audit Department. The Risk & Control and Compliance Departments also conduct periodic verifications. (For further details, refer to the Board Statement of Internal Control on pages 309 and 310)	Complied

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.2.2.3	Audit Committee to conduct reviews of the process and effectiveness of risk management and internal controls	The Audit Committee is responsible for ensuring the Company has an effective internal control system. It reviews the effectiveness of the internal control system through the Internal Auditors and the Risk & Control and Compliance Departments. The minutes of the Risk Management Committee meetings are tabled at the Audit Committee meetings for review since the Audit Committee carries the responsibility for the Company's Risk Management practices. The minutes of both the Audit Committee and the Risk Management Committee meetings are tabled at Board meetings for review. Extended Disclosure on the Internal Control Process of the Company Internal Controls at HNBA (Refer to Report of the Audit Committee on pages 291 to 296 for further details)	Complied
D.2.2.4	Statement of internal control	The Board's Statement on Internal Control is given on pages 309 and 310.	Complied
D.3	**Audit Committee**		
D.3.1	Establish an Audit Committee of at least three Non-Executive Directors	The Audit Committee comprises three Non-executive Directors of whom two are independent. Two members of the Audit Committee are professional accountants with recent and relevant experience in financial reporting and control.	Complied
D.3.2	Terms of Reference for Audit Committee	The Board has approved the Terms of Reference for the Audit Committee which is in line with that specimen set out in Schedule M of the Code. The Audit Committee Report on pages 291 to 296 provides further information regarding the same.	Complied
D.3.3	Disclosures	The Audit Committee Report on pages 291 to 296 provides the required information.	Complied
D.4	**Risk Committee**		
D.4.1	Establish a Risk Committee	The Board has established a Risk Management Committee comprising six Non-Executive Directors of whom two are Independent and an Executive Director. The Chairman, Mr. Lakshman Silva is a Non-Executive Independent Director.	Complied
D.4.2	Terms of Reference for Risk Committee	The Board has approved the Terms of Reference for the Risk Management Committee which is in line with that specimen set out in Schedule K of the Code. The Risk Management Committee Report on pages 305 and 306 provides further information regarding the same.	Complied
D.4.3 to D.4.5	Disclosure Requirement	The Risk Management Committee Report on pages 305 and 306 provides the required information	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.5	**Related Party Transactions Review Committee**		
D.5.1	Definition	Related party transactions are defined in accordance with LKAS 24	Complied
D.5.2	Establish a Related Party Transactions Review Committee	The Board has established a Related Party Transactions Review Committee comprising three Non-Executive Directors of whom two are Independent and an Executive Director. The Chairman, Mr. Ashoka Goonesekere is a Non-Executive Senior Independent Director.	Complied
D.5.3	Terms of Reference	The Related Party Transactions Review Committee Terms of Reference have been approved by the Board and address the matters set out in the Code. Refer to the Annual Report of the Board of Directors on page 311 and the Report of the Related Party Transactions Review Committee on pages 299 and 300 for further information.	Complied
D.6	**Code of Business Conduct & Ethics**		
D.6.1	Board declaration for compliance with Code	HNBA employs a Code of Business Conduct and Ethics for Directors to provide guidance in maintaining ethical business practices and conduct at all times. Further, the Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without exception. The Code of Business Conduct and Ethics is intended to encourage accountability and openness and is in line with Schedule N of the Code	Complied
D.6.2	Price sensitive information	Material and price-sensitive information is promptly disclosed to the CSE by the Company Secretaries	Complied
D.6.3	Monitor Share purchase by Directors/ KMPs	Refer to the Related Party Transactions Review Committee Report on pages 299 and 300.	Complied
D.6.4	Whistleblower Complaint Procedure	A Whistleblower policy has been in place to deal with complaints received from internal stakeholders	Complied
D.6.5 & D.6.6	Training and Reporting	Induction Training covers the Code of Business Conduct and Compliances status will be reported to the Board	Complied
D.6.7	Chairman's Statement	Refer to the Chairman's Message on Corporate Governance on page 230 and The Annual Report of the Board of Directors on the affairs of the Company on pages 311 to 318.	Complied
D.7	**Corporate Governance disclosures**		
D.7.1	Corporate Governance disclosures	The Corporate Governance Report on pages 233 to 271 complies with this requirement.	

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
SECTION 2	SHAREHOLDERS		
E.	Institutional Investors		
E.1.1	Shareholder voting	HNBA conducts regular discussions with Institutional Investors. The annual report provides a balanced review of the Group's performance supporting analysis and objective decision-making. Shareholders are provided an opportunity to comment, discuss, and seek clarifications on any relevant issue with the Chairman and Board at the AGM, on conclusion on formal proceedings, or by prior appointment.	Complied
E.2	Evaluation of Governance Disclosures	Institutional investors are provided with sufficient information to deliberate on matters related to the structure and composition of the Board, facilitating the evaluation of the same.	Complied
F.	Other Investors		
F.1	Investing and divesting decision	HNBA provides sufficient relevant and material financial and non-financial material in its annual report to facilitate meaningful analysis and obtain independent annual advice regarding their investment.	Complied
F.2.	Encouraging shareholder participation and exercising their voting right	Refer Annual General Meeting section on page 247.	Complied
G.	Internet of Things and cybersecurity		
G.1	Internet of Things and Cybersecurity	Refer to IT Governance on page 245	Complied
G.2	Appoint a Chief Information Security Officer	The IT Department has a dedicated IT Security Administrator who reports to the Chief Information Officer on matters related to the security of the Group's information assets. In addition, the Group is planning to appoint a qualified Information Technology professional to assume the role of Chief Information Security Officer, overseeing the implementation of cybersecurity and data protection policies in alignment with the Group's strategic objectives.	Complied
G.3	Cyber risk management to be a regular item on the Board agenda	The Board reviews cyber risk regularly and they are assisted in this by the Board Risk Management Committee.	Complied

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
G.4	Independent periodic review and assurance	The Board also reviewed the Company's information security environment through an external firm specialising in IT security audits. During the year, the Board and the Board Sub-Committees have reviewed the reports relating to information security and have discussed the IT roadmap to address IT security matters.	Complied
G.5	The process of identifying and managing cybersecurity risks	Refer to IT Governance on page 245.	Complied
H.	**Sustainability: ESG Risk and Opportunities**		
H.1, H.2, H.3, H.4 & H.5	Environment, society, and governance (ESG) Reporting	The Annual Report provides information that enables investors and other stakeholders to assess how ESG risks and opportunities are identified, managed, measured, and reported. These details are outlined in the following sections of the Annual Report. • Environmental Reporting » Natural Capital Report on page 204. • Social Reporting » Human Capital Report on page 146. » Social & Relationship Capital Report on page 178. • Governance » Corporate Governance Report on page 233. • Annual Report of the Board of Directors on page 311. The Annual Report has been prepared following the GRI Standards,the Integrated Reporting Framework, and the Code of Best Practice on Corporate Governance which facilitates voluntary reporting of ESG matters	Complied

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
I.	Special Consideration for Listed Entities		
I.1	Establishment and Maintenance of Policies	Governance-related policies are maintained by the Company, and summaries of these policies are hosted on the Company's website. A list of these policies is provided below • Matters relating to the Board of Directors • Board Committees • Corporate Governance, Nominations and Re-election • Remuneration • Internal Code of Business conduct and ethics for all Directors • Risk Management and Internal Controls • Shareholder Communication • Environmental, Social, and Governance Sustainability • Control and Management of Company Assets and Shareholder Investments • Corporate Disclosures • Whistleblowing • Anti-Bribery and Corruption	Complied
I.2	Policy on Matters Relating to the Board of Directors	The Company has established and maintains a formal policy governing matters related to the Board of Directors	Complied

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In 2018, the Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced Direction Number 17, establishing a Corporate Governance framework for insurers. The rules, originally effective from 01 July 2019, underwent amendments in 2020 and 2022. The latest revision, Direction No. 2 of 2022, became effective from 25 February 2022 onwards.

The compliance status of HNB Assurance PLC with these regulations is detailed in the table below:

Requirement	Compliance Status	HNBA Compliance
Section A Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017. *(amended as the Code of Best Practice on Corporate Governance 2023)*	Compliant	The Company's status of compliance with the relevant Corporate Governance Code is given on pages 248 to 262.
Section B(1) The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka
Section B(2) The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As of the date of this report, no Director has served on the Board for more than nine years.
Section B (2) (i) The above 9-year rule shall not be applicable to a major Shareholder Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Not Applicable	No such situation has arisen during the year.
Section B(2) (ii) The above 9-year rule shall not apply to the Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and has 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
Section B (3) (i) The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years.
Section B(3) (ii) Notwithstanding above, Person who serves as a Director and is over 75 years of age or above as at 01st July 2019, such Director may continue to serve as a Director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year.
Section B (4) The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE. *(Listing Rule - Section 09, Corporate Governance is the New Requirement)*	Compliant	The Company's compliance status with Section 09 of the Listing Rules is given on pages 265 to 267.

CORPORATE GOVERNANCE

Requirement	Compliance Status	HNBA Compliance
Section B (5) A person shall not hold offices as a Director of more than 20 companies/entities/institutions including subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act, No.15 of 1995.	Compliant	As of the date of this report, no Director holds a directorship in more than 20 companies/ entities/ institutions and not more than 10 specified business entities.
Section B (6) The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken to rectify the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company. *(Listing Rule - Section 09, Corporate Governance is the New Requirement)*	Compliant	The Company has disclosed the Compliance status with Section 09 of the Listing Rules on pages 265 to 267 of the Annual Report and it is published on the Company and CSE websites within the stipulated period.
Section B (7) The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months	Not Applicable	No such situation has arisen during the year.
Section (B) 8 (a) The Insurer should provide a certification from the company secretary to the IRCSL, stating that continuation of the relevant Director/s beyond the age of 70 years has been approved by passing the resolution at the general meeting. Close relatives of the Director concerned and common Directors holding an ownership stake in the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to the age of 75 years, a fresh resolution shall be passed, and a certification from the company secretary shall be submitted to the IRCSL.	Not Applicable	As at 31st December 2025, none of the Directors had attained the age of 70 years.
Section 8 (b) The Insurer shall provide a written confirmation from the Company Secretary to the IRCSL that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with the provisions of the Companies Act.	Not Applicable	As at 31st December 2025, none of the Directors had attained the age of 70 years.

COMPLIANCE WITH LISTING RULES SECTION 9

Compliance with Corporate Governance Rules of the Colombo Stock Exchange

The Company has duly noted the revised CSE Listing Rule No. 9 on Corporate Governance which replaced the previous Section 7.10 and Section 9: Related Party Transaction Review. HNBA is compliant with all mandatory requirements effective as of 31 December 2025 and will continue to comply with the new rules by the target dates indicated as part of the transition provisions. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules.

Rule No.	Subject	Requirement	Compliance Status	Remarks
9.1.3	Statement of Compliance	All listed entities shall publish a statement confirming the extent of compliance with the Corporate Governance Rules in the Annual Report	Compliant	Please refer page 235 for the statement of compliance
9.2	Policies	Establish, maintain and provide on written request specified policies	Compliant	The Company has implemented the required policies in accordance with Section 09 of the listing rules and has published them, along with their summaries, on the Company's website.
9.3.1 – 9.3.2	Board Committees	Board Committees to include at a minimum: a. Nominations & Governance Committee b. Remuneration Committee c. Audit Committee d. Related Party Transaction Review Committee	Compliant	The Company has already established the mandatory committees in accordance with the listing requirements. The composition, responsibilities, and disclosure required in the committees are setout in the Committee reports from pages 291 to 307
9.3.3		Chairman of Board Committees	Compliant	The Chairman of Board Committees is not the Chairman of the Board in terms of section 09.
9.4.1	Adherence to principles of democracy	Maintain records of all resolutions and information pertaining to its adoption	Compliant	Please refer to Accountability on page 246
9.4.2		Policy for shareholder communication, , contact person and process to inform directors of major issues/concerns of shareholders and comply with guideline for hybrid or virtual meetings	Compliant	
9.5	Policy on matters relating to the Board	Listed entities to establish and maintain a formal policy governing matters relating to the Board	Compliant	The Company maintains a Policy on Matters relating to the Board of Directors

CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Compliance Status	Remarks
9.6	Chairman & CEO	Chairman should be a Non-Executive Director, and the positions should not be held by one person unless a Senior Independent Director is appointed.	Compliant	Refer page 239 Segregation of Key Roles. There is no requirement for a Senior Independent Director due to the segregation of roles. However, in compliance with the CA Sri Lanka Code of Best Practices on Corporate Governance, Mr. Ashoka Goonesekere has been appointed as the Senior Independent Director.
9.7.1	Fitness of Directors & CEOs	Take necessary steps to ensure that Directors and CEOs are, at all times, fit and proper persons in accordance with criteria set out in 9.7.3	Compliant	The Company ensures that the Directors and CEO at all times fulfil the fit and proper assessment criteria set out in the Listing Rules.
9.7.4		Annual Declaration	Compliant	The Directors and the CEO have provided the declaration confirming that they satisfy the Fit and Proper Assessment Criteria during the financial year.
9.7.5		Disclosures in the Annual Report	Compliant	Please refer page 240
9.8.1 – 9.8.2	Board composition	Minimum of 5 directors with at least 2 independent directors or 1/3 rd, whichever is higher in accordance with the criteria set out in 9.8.3	Compliant	Please refer page 237 for the Board Composition
9.8.5		Independent Director shall submit a signed declaration annually and Impairment of independence to be notified via of Market Announcements.	Compliant	Independent Directors have submitted declarations during 2025
9.9	Alternate Directors	Criteria and circumstances for appointing Alternate Directors	Not Applicable	HNBA does not have any Alternate Directors at present
9.10.1	Disclosure relating to Directors	Disclose Policy on maximum number of directorships	Compliant	A Director may hold up to 20 directorships in listed companies, as per IRCSL Direction No. 02 of 2022 on Corporate Governance for Insurers
9.10.2		Market announcement to be made on appointment	Compliant	Accordingly, 17 Market Announcements/ notices have been sent to CSE relating to corporate disclosures.
9.10.3		Market announcement to be made on changes to composition of the Board Committees	Compliant	
9.10.4		Disclose information relating to directors in Annual Report	Compliant	Please refer profiles of Directors of pages 215 to 219 and 311 to 318 on the Annual Report of the Board of Directors.
9.11.1 – 9.11.5	Nomination and Governance Committee	Composition and Functions of the Committee	Compliant	Please refer pages 301 and 302 for the report of the Nominations and Governance Committee
9.11.6		Annual Report Disclosures	Compliant	

Rule No.	Subject	Requirement	Compliance Status	Remarks
9.12.1 – 9.12.7	Remuneration Committee	Composition, functions of the Committee	Compliant	Please refer pages 297 and 298 for the report of the Remuneration & Human Resources Committee
9.12.8		Annual Report Disclosures	Compliant	
9.13.1 – 9.13.4	Audit Committee	Composition and functions of the Committee	Compliant	Please refer pages 291 to 296 for the report of the Audit Committee
9.13.5		Annual Report Disclosures	Compliant	
9.14.1 – 9.14.3	Related Party Transactions Review Committee	Composition and functions of the Committee	Compliant	Please refer pages 299 and 300 for the report of the Related Party Transactions Review Committee
9.14.4		Committee Meetings	Compliant	The Related Party Transactions Review Committee convened 04 times during the year.
9.14.7 – 9.14.8		Disclosures	Compliant	Please refer pages 299 and 300 for the report of the Related Party Transactions Review Committee
9.16	Additional disclosures	Declaration by Board of Directors that: i. All material interests in contracts have been declared and they have refrained from voting on matters they were materially interested in ii. Conducted review of internal controls and obtained reasonable assurance of their effectiveness iii. Made arrangements to make themselves aware of applicable laws, rules and regulations and are aware of changes iv. Disclosure of relevant areas of any material non-compliance with law or regulations and any fines which are material	Compliant	Please refer pages 311 to 318 of the Annual Report of the Board of Directors for the Declarations

CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED (HNB)

HNBGI's corporate governance framework is guided by industry best practices as articulated in the Corporate Governance Codes issued by CA Sri Lanka. In addition, the Company complies with the Corporate Governance requirements set out in the Listing Rules of the Colombo Stock Exchange (CSE), thereby ensuring a robust, transparent, and well-integrated governance structure. Further details relating to the Company's governance framework and its practical application are outlined in the subsequent section of this Report.

CORPORATE GOVERNANCE AT HNBGI

Established in 2015 as a wholly owned subsidiary of HNBA, HNBGI was formed following the transfer of the General Insurance business previously carried out by HNBA. In July 2019, the Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced a comprehensive Corporate Governance Framework applicable to all insurers, followed by amendments to Direction No. 17 in 2020 and 2022. HNBGI complies with the latest amendment to Direction No. 17, which became effective on 25 February 2022, and the relevant disclosures are set out in the table on pages 270 and 271 of this Report.

In addition to regulatory compliance, the Company aligns its governance practices with the Corporate Governance requirements stipulated in the Listing Rules of the Colombo Stock Exchange (CSE) and adopts best practices outlined in the Corporate Governance Codes issued by CA Sri Lanka. A detailed overview of the Corporate Governance framework and its application within HNBGI Limited is presented in the following section.

During the year under review, no new corporate governance regulations were introduced by the IRCSL. Accordingly, the Company continued to comply with all existing governance requirements issued by the regulator, including IRCSL Direction No. 17 as amended. which sets out the key principles and standards governing the corporate governance practices of regulated insurance entities.

The Board and the Directors of HNBGI

As of 31 December 2025, HNBGI comprises one Executive Director and six Non-Executive Directors, two of whom are Independent.

Details on the Board of Directors appear in section 5 of the Annual Report of the Board of Directors on the affairs of HNBA for the year ended 31 December 2025 on page 314.

Compliance with Corporate Governance Codes

Non-Executive Directors

As of 31 December 2025, 06 Directors of HNBGI held non-executive positions. Consequently, the Company fulfils the stipulated requirement regarding the minimum number of Non-Executive Directors, as mandated by the Corporate Governance Code.

Accordingly, the Board comprises two Independent Non Executive Directors, in addition to four nominee directors from HNB, two of whom represent the HNB Assurance Board, including the Chairman. In addition, there is one Executive Director on the Board.

Independent Non-Executive Directors

Among the 06 Non-Executive Directors at HNBGI in the year 2025, 02 held Independent Director positions.

Roles of the Chairman and the Chief Executive Officer of HNBGI

The roles of the Chairman and the Chief Executive Officer (CEO) of HNBGI are clearly defined and segregated in order to maintain an appropriate balance of power and authority within the governance structure. During the year under review, Mr. Stuart Chapman served as the Chairman, while Mr. Sithumina Jayasundara held the office of Executive Director/Chief Executive Officer. This clear separation of responsibilities supports effective leadership, strengthens accountability, and ensures sound Board oversight over management, thereby promoting robust corporate governance and the long term sustainability of the Organisation.

Board Functions

The Charter governing the Board of Directors of HNB Assurance PLC (HNBA) is also applicable to the Board of Directors of HNBGI, ensuring consistency in governance principles, roles, responsibilities, and decision-making processes across the Group.

Board Meetings

During the year 2025, the Board of Directors of HNBGI held 12 meetings to discuss and deliberate on matters relating to strategy, performance, risk management, and regulatory compliance. The attendance record of each Director at these meetings is disclosed on page 314 of the HNBA Annual Report.

Board Sub Committees of HNBGI

The Board Sub Committees established at HNB Assurance PLC (HNBA) provide oversight of HNBGI's operations within their respective areas of responsibility. In this context, Nomination and Governance Committee, Related Party Transactions Review Committee, Risk Management Committee, Investment Committee, and Strategy Review Committee of HNBA review and monitor matters pertaining to HNBGI, as applicable. Further in compliance with the applicable standards of corporate governance, the Board has established dedicated sub-committees to strengthen oversight and governance practices. Accordingly, two sub-committees, namely the Remuneration and Human Resources Committee and the Audit Committee, were constituted with effect from 1st May 2025 to ensure effective corporate governance

These Committees shared by HNBGI include representation from the HNBGI Board, ensuring that the specific interests, perspectives, and operational context of HNBGI are appropriately considered during deliberations. This arrangement promotes effective oversight, alignment with Group governance standards, and informed decision-making across the Group.

Information relating to Sub Committee activities, including the number of meetings held and key matters discussed, is communicated to the General Insurance Board through formal reporting mechanisms. Minutes and summaries of applicable Sub Committee deliberations—particularly those of the Risk Management and Investment Committees—are tabled at Board meetings of HNBGI. As the

shared Committees consider matters across both life and general insurance operations, the General Insurance Board receives regular and timely updates on discussions held and decisions taken at Sub Committee level, ensuring continuous oversight and transparency.

External Audit

HNBGI's external audit is carried out by Messrs. KPMG , who also serve as the External Auditors of its parent company, HNBA, as well as the ultimate parent company, Hatton National Bank PLC. This arrangement promotes consistency in audit approach, reporting standards, and the application of accounting and assurance practices across the Group.

Internal Audit

The internal audit function of HNBGI is undertaken by internal Audit Department, who also serve as the Internal Auditors of the parent company. The internal audit plan is formulated in consultation with, and approved by, the Audit Committee, and is designed to provide comprehensive coverage of HNBGI's operations. The audit approach is risk-based, with adequate measures in place to ensure that key and high-risk areas within the Company's operational, financial, and control environment are appropriately reviewed.

During the year under review, the Company continued to operate within its established internal control framework. Oversight of internal controls was further strengthened through the ongoing work of the internal audit function, which regularly assesses control effectiveness and compliance with applicable policies, procedures, and regulatory requirements. The internal audit function continues to operate as a shared Group-level resource, ensuring consistency in assurance practices while maintaining effective oversight tailored to HNBGI's risk profile.

RISK MANAGEMENT AND COMPLIANCE OF HNBGI

The Risk Management function of HNBGI is overseen by the Risk and Control Department of HNB Assurance PLC (HNBA) and is implemented with due consideration to the specific risk profile and regulatory requirements of the general insurance business. In this regard, HNBGI maintains a dedicated Risk Register, a clearly articulated Risk Appetite Statement, and a set of Key Risk Indicators (KRIs) to facilitate effective identification, assessment, monitoring, and mitigation of risks.

To ensure compliance with applicable laws, regulations, and internal policies, a structured monthly compliance checklist is prepared for HNBGI. Operational Managers, who are accountable for compliance within their respective areas of responsibility, review, validate, and formally sign off on this checklist. The completed checklists, together with confirmations provided by the Compliance Officer, are submitted to the Audit Committee, Risk Management Committee, and the Board of Directors for review, oversight, and discussion, thereby ensuring effective monitoring and timely escalation of compliance related matters.

For further information on the Group's overall risk management framework and practices, reference may be made to the Risk Management Report of the HNBA Group on page 305 and 306 of this Report.

CODES AND POLICIES

All policies applicable at Group level to HNB Assurance PLC (HNBA) are also applicable to HNBGI and are implemented across its operations. Accordingly, the Board Sub-Committees and the Internal Audit function provide oversight to ensure that HNBGI adheres to all relevant Group policies on an ongoing basis. The Company continues to operate within the established Group policy framework, ensuring consistency in governance standards, controls, and compliance practices.

In parallel, and as part of a phased transition reflecting the distinct operational and regulatory requirements of the general insurance business, HNBGI has commenced the development of standalone policies in selected areas. During the year under review, a separate Data Protection Policy specifically applicable to General Insurance operations was developed and approved. Additional policies, including a standalone Email Usage Policy, are currently under development and will be formally disclosed upon approval and implementation. This approach ensures that policy governance remains both aligned with Group standards and responsive to business-specific regulatory and operational considerations.

CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED (HNB)

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In 2018, the Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced Direction No. 17, establishing a comprehensive Corporate Governance Framework applicable to licensed insurers. Following an extended transition period, the Direction became effective from 1 July 2019. Subsequent amendments to Direction No. 17 were issued by the IRCSL in 2020 and 2022 to further strengthen governance standards within the insurance sector.

The most recent amendment, Direction No. 2 of 2022 (Revised), came into effect on 25 February 2022 and sets out the prevailing corporate governance requirements applicable to insurers. HNB General Insurance Limited complies with the applicable provisions of the revised Direction, and the Company's compliance status in relation to these regulatory requirements is detailed in the table set out below.

The compliance status of HNB General Insurance Limited with Corporate Governance Framework for Insurers.

Requirement	Compliance Status	How We Comply
Section A Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017. (amended as the Code of Best Practice on Corporate Governance 2023)	Compliant	HNBGI is not a listed entity. However, its Parent Company's (HNBA) status of compliance with the relevant Corporate Governance Code is given from pages 248 to 262.
Section B(1) The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka.
Section B(2) The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As of the date of this report, no Director has served on the Board for more than nine years.
Section B(2) (i) The above 9-year rule shall not apply to a major Shareholder Director representing a major corporate shareholder and /or corporate groups with majority shareholding i.e., more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Not Applicable	No such situation has arisen during the year.
Section B(2) (ii) The above 9-year rule shall apply to the Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and has 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year.
Section B(3) (i) The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years.
Section B(3) (ii) Notwithstanding above, Person who serves as a director and is over 75 years of age or above as of 01st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year

Requirement	Compliance Status	How We Comply
Section (B) 4 The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE. (Listing Rule - Section 09, Corporate Governance is the New Requirement)	Compliant	HNBGI is not a listed company. However, the compliance status of its parent company, HNBA, with Section 09 of the Listing Rules is presented on page 265 to 267. Furthermore, HNBGI strives at all times to align with the minimum applicable standards of the Listing Rules to ensure good governance practices across the Group.
Section (B) 5 A person shall not hold offices as a Director of more than 20 companies/entities/institutions including subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act, No.15 of 1995.	Compliant	As of the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities.
Section (B) 6 The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo Stock Exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken to rectify the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company. (Listing Rule - Section 09, Corporate Governance is the New Requirement)	Compliant	The Company's Parent Company (HNBA) has disclosed the Compliance status with Section 09 of the Listing Rules on pages 265 to 267 of the Annual Report and it is published on the Company and CSE websites within the given period.
Section (B) 7 The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months.	Not Applicable	No such situation has arisen during the year.
Section (B) 8 (a) The Insurer should provide a certification from the company secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been approved by passing the resolution at the general meeting. Close relatives of the Director concerned and common Directors holding an ownership stake in the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to the age of 75 years, a fresh resolution shall be passed with the certification from the company secretary shall be submitted to the IRCSL.	Not Applicable	No such situation has arisen during the year.
Section B (8) (b) The insurer shall provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years is not prohibited by the Articles of Association of the relevant insurer and that such insurer complies with the provision of the Companies Act.	Not Applicable	No such situation has arisen during the year.

RISK MANAGEMENT REVIEW

RISK MANAGEMENT STRATEGY

HNB Assurance PLC adopts a robust and forward-looking risk management strategy to ensure resilience, policyholder protection, and sustainable value creation. The Company maintains a strong governance framework lead by the Board and the Board Risk Management Committee, supported by the Executive Management Committee and a structured Three Lines of Defence model.

The Company defines clear risk appetite and tolerance levels across insurance, market, operational, credit, liquidity, regulatory, and reputational risks. Regular risk assessments, Key Risk Indicators (KRIs) monitoring, and emerging risk evaluations enable early detection and proactive management of threats. Scenario analysis and stress testing further strengthen preparation for extreme events.

Core risk mitigation practices include disciplined underwriting, actuarial experience studies, and optimised reinsurance arrangements. Market risks are managed through prudent investment strategies and asset–liability matching. Operational and technology risks are addressed through strong internal controls, cybersecurity measures, and comprehensive business continuity and disaster recovery plans.

HNB Assurance ensures adherence to regulatory frameworks including IRCSL guidelines, Risk-Based Capital requirements, and the Personal Data Protection Act. The Company also integrates sustainability and climate risk considerations into business processes.

OPERATIONAL RISK MANAGEMENT HIGHLIGHTS

HNB Assurance PLC continued to strengthen operational performance during the year through disciplined execution and a reinforced risk governance approach. Risk Management supported sustainable growth across both Life and General Insurance segments by embedding risk-based decision-making into key operational processes, enhancing control disciplines, and promoting customer-centric outcomes aligned with the Company's risk appetite.

Core operational functions including underwriting, claims, and customer service were enhanced through process automation and system improvements, with a focus on reducing operational risk, improving consistency, and strengthening auditability. The Company's distribution expansion and productivity initiatives were supported by targeted controls, structured training, and ongoing monitoring to ensure operational risk, compliance risk, and reputational risk are proactively managed.

Innovation and product enhancements were pursued with due consideration of emerging risks, ensuring that new and revised offerings are supported by appropriate risk assessments, clear controls, and governance oversight. Operational resilience was further reinforced through enhancements to IT infrastructure, cybersecurity safeguards, and ongoing business continuity preparedness, strengthening the Company's ability to respond to disruptions and external threats.

In parallel, improved use of data analytics and enhanced risk monitoring, underwriting quality, and early identification of adverse trends, enabling more timely management action and supporting informed decision-making across the business.

RISK CULTURE

HNB Assurance PLC fosters a strong and accountable risk culture that supports prudent decision-making and long-term organisational resilience. The Company embeds risk awareness across all levels through clear policies, structured governance, and continuous communication. Employees are encouraged to take ownership of risks within their respective functions, reinforcing the principles of transparency, integrity, and proactive management.

Regular training, workshops, and awareness programs ensure that staff understand emerging risks, regulatory requirements, cybersecurity practices, and the Company's risk appetite. The Three Lines of Defence model strengthens accountability, enabling business units, risk management, and internal audit to work collaboratively while maintaining appropriate independence.

Open communication is encouraged across teams, allowing early escalation of concerns, near-misses, and control weaknesses. Leadership promotes ethical behaviour and reinforces the importance of compliance, customer protection, and responsible business conduct.

Through these efforts, HNB Assurance continues to cultivate a culture where risk is understood, managed responsibly, and integrated into everyday decisions supporting sustainable growth and maintaining stakeholder confidence.

RISK GOVERNANCE

HNB Assurance PLC maintains a robust risk governance framework that ensures effective oversight, accountability, and alignment with regulatory expectations. The Board of Directors holds ultimate responsibility for risk management and sets the overall risk appetite, strategic direction, and governance standards for both the Company and its subsidiary.

The Board Risk Management Committee (BRMC) provides dedicated oversight of the Risk Management Framework, reviewing risk exposures, Key Risk Indicators (KRIs), stress-testing outcomes, and adequacy of internal controls. The Committee ensures that emerging risks, regulatory developments, and market dynamics are evaluated and addressed in a timely manner.

Operational execution of risk management responsibilities is supported by the Executive Committee (EXCO), which coordinates risk identification, assessment, and mitigation across all business units. The Company adopts a Three Lines of Defence model, with business units managing day-to-day risks, the Risk and Compliance functions ensuring independent monitoring, and Internal Audit providing assurance on control effectiveness.

Policies, procedures, and Risk Management Framework is reviewed periodically to ensure alignment with industry best practices, IRCSL regulations, Risk-Based Capital (RBC) requirements, and the Company's growth objectives. Clear reporting lines, regular risk dashboards, and open communication channels strengthen the governance structure, reinforcing accountability and decision-making transparency.

Board Oversight

The Board of Directors holds ultimate responsibility for risk management, setting the risk appetite, strategic direction, and governance standards for the Company and its subsidiary.

Board Risk Management Committee (BRMC)

Provides focused oversight of the Risk Management Framework by monitoring risk exposures, Key Risk Indicators (KRIs), stress-testing results, and internal control effectiveness. Ensures timely response to emerging risks, regulatory changes, and market developments.

Executive Committee (EXCO)

Drives operational risk management by coordinating risk identification, assessment, and mitigation across all business units.

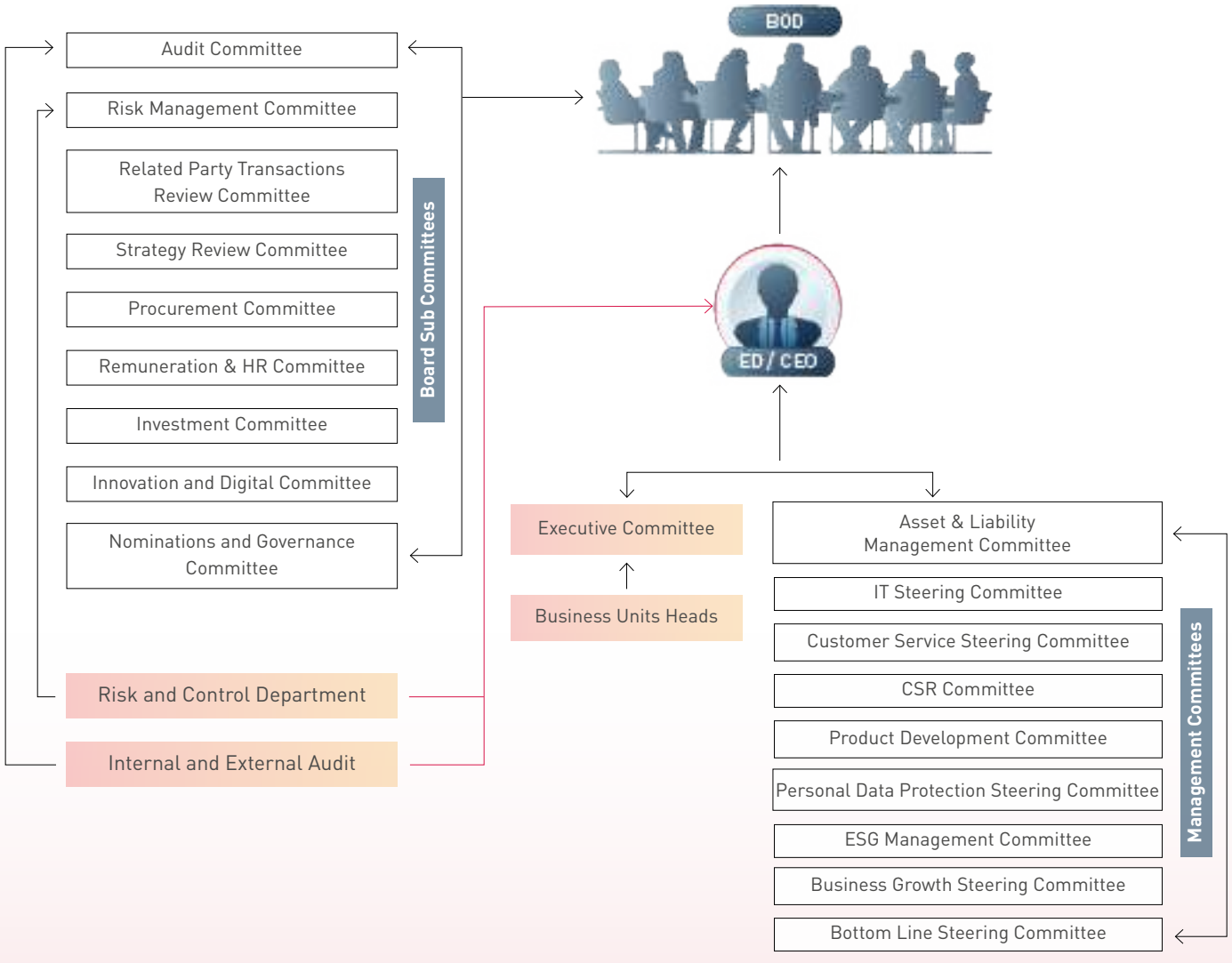
RISK MANAGEMENT FRAMEWORK

HNB Assurance PLC operates under a comprehensive Risk Management Framework designed to identify, assess, monitor, and mitigate risks across the organisation. The framework supports prudent decision-making, regulatory compliance, and long-term business sustainability.

The framework is built on a structured governance model, with the Board of Directors providing overall direction and setting the Company's risk appetite. The Board Risk Management Committee oversees the effectiveness of the framework, while the Executive Committee ensures operational execution across all functions.

Risk identification and assessment are carried out through periodic risk reviews, Key Risk Indicators (KRIs) monitoring, scenario analysis, and stress testing. Risks are categorised into key areas including underwriting, market, credit, operational, liquidity, regulatory, and reputational risk. Each business unit acts as a risk owner, supported by the Risk and Control team that provide independent oversight of the Company's risk management.

The Company adopts a Three Lines of Defence approach, strengthened by documented policies, internal controls, and continuous monitoring. Advanced analytics, automated systems, and digital risk tools enhance the accuracy of risk assessment and reporting.



RISK MANAGEMENT REVIEW

1 First Line of Defence

- Functions overseeing and navigating potential risks within the business.
- Recognising potential risks and upholding efficient internal control measures.
- Implementing daily routines for managing and overseeing risk and control protocols.

2 Second Line of Defence

- Risk management function that facilitates and monitors the implementation of effective risk management practices by business teams.
- Defining target risk exposure, reporting adequate risk-related information throughout the organisation.

3 Third Line of Defence

- The Board receives thorough assurance through internal and external audits, ensuring independence and objectivity.
- Recommend improvements and corrective actions where necessary.
- Ensure adequacy of risk controls and appropriate risk governance.

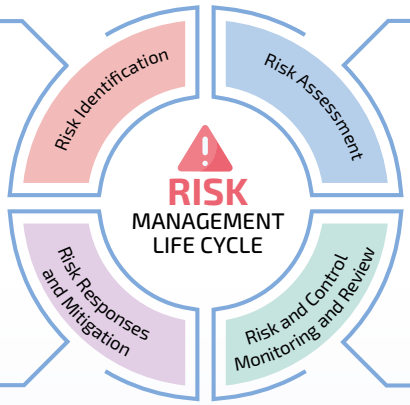
RISK APPETITE

HNB Assurance PLC's risk strategy defines how the Company approaches risk to achieve its strategic objectives, guided by the Board and the Risk Management Committee. The Risk Appetite establishes clear quantitative and qualitative statements with metrics and thresholds across solvency, liquidity, climate, operational, conduct, and reputational risks. Risk Preferences outline where the Company chooses to take, avoid, or accept risks, while risk tolerances and risk triggers set boundaries and monitor thresholds for material or volatile risks affecting solvency and liquidity. Together, these elements ensure proactive, disciplined, and transparent risk management throughout the organisation.

RISK MANAGEMENT AND INTERNAL CONTROL POLICY

HNB Assurance PLC's Risk Management & Internal Control Policy provides a structured framework for identifying, assessing, monitoring, and mitigating risks across the organisation. Governed by the Board and overseen by the Board Risk Management Committee, the policy integrates a Three Lines of Defence model, Key Risk Indicators, stress testing, and scenario analysis to ensure risks are managed within approved tolerances. It addresses all key risks, including underwriting, market, operational, liquidity, regulatory, and reputational risks, while fostering a strong risk-aware culture. Regular reviews ensure alignment with regulatory requirements, emerging risks, and industry best practices, supporting the Company's long-term stability and sustainable growth.

The process of discovering, recognising, and documenting the risk an organisation faces is the first of four processes that operate within the risk management life cycle.



A process used to identify and evaluate risk and its potential effects. Several techniques are used to assess the risk as required.

Focuses on the decisions made regarding the correct way to respond to the risk. The commonly accepted options for risk response are: Risk acceptance, Risk mitigation, Risk sharing and Risk avoidance.

The process of communicating real-time risk and performance data to different stakeholders.

Monitoring risk is a continuous activity that results in an awareness of what is happening across different parts of the organisation.



KEY RISKS

HNB Assurance PLC's Key Risks, their potential impact, and key mitigation measures are summarised in the following pages. While not exhaustive, these risks have been identified as those most likely to significantly affect the Company's strategic objectives, performance, solvency, liquidity, or reputation over the next twelve months.

The selection of Key Risks has remained stable throughout the year and aligns with those regularly reported to the Board Risk Management Committee for review and discussion. Risks are assessed based on their likelihood and potential impact after current mitigation measures.

The Company operates in an environment of macroeconomic uncertainty, regulatory change, and increasing cyber threats. The risk radar is continuously updated to reflect the current assessment and prioritisation of key risks. Stress and scenario testing, including reverse stress testing, is conducted regularly to evaluate operational and financial resilience.

Insurance Risk

The risk arises from inaccuracies in estimating optimal predictions or unforeseen variations in the frequency, magnitude, and timing of insurance obligations. This includes risks related to mortality, morbidity, and longevity, as well as difficulties in forecasting policyholder behaviour, such as persistence and effectively managing associated expenses.

Reputation Risk

The risk of potential or actual damage to the Company's image may impair our profitability and/or business sustainability.

Strategic Risk

The risks to our business plan due to changes in various factors, such as macro-economic factors, government policies, regulatory environment and tax regime.

Operational Risk

Operational risk refers to the potential loss or harm resulting from inadequate or failed internal processes, systems, people, or external events.

Financial Risk

Financial risk refers to a wide range of exposures that can affect the Company's ability to fulfil its financial obligations or achieve its financial objectives. These risks are inherent to the financial operations of insurance companies and have the potential to impact profitability, solvency, and overall financial health significantly. Key categories of financial risk include Market Risk, Credit Risk, Liquidity Risk, and Investment Risk. Effective management of financial risk necessitates a comprehensive approach, integrating risk management practices into every aspect of financial operations to ensure resilience and stability.

Sustainability Risk

Sustainability risks, particularly those linked to environmental, social, and governance (ESG) considerations, are becoming increasingly critical in the life and general insurance sectors. Climate change, widely regarded as the foremost long-term global risk, poses significant challenges for the insurance industry, including the growing likelihood of weather-related catastrophes that lead to claims exceeding expectations. These risks highlight the necessity for the insurance sector to adapt by incorporating sustainability considerations into strategic planning, risk management, and operational frameworks. Beyond climate change, sustainability is also influenced by factors such as customer experience, corporate reputation, governance practices, data security and privacy.

At HNBA/HNBGI, we have integrated ESG considerations into the corporate Plan 2024 and further elaborated in 2025, reflecting our commitment to proactively address sustainability risks. Monitoring these risks is an ongoing process, requiring collaboration across departments and alignment with the organisation's overall strategy. Our approach includes regularly revisiting and refining our sustainability strategies to ensure resilience and adaptability in the face of evolving challenges.



RISK MANAGEMENT REVIEW

Insurance Risk

Insurance risk is the likelihood of a claim incident occurring as well as more general exposure relating to the acquisition and persistency of insurance business. Key risk drivers of Life Insurance business are mortality rates, longevity, lapse rates, discount rates, distribution expenses and management expenses.

LIFE INSURANCE BUSINESS

- Underwriting Risk
- Reinsurance Risk
- Claims Risk

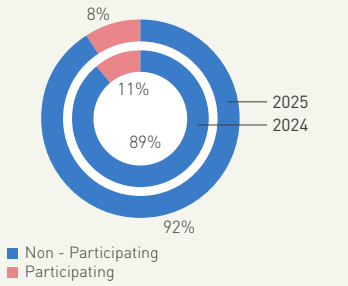
LINK TO STRATEGY

LINK TO MATERIAL TOPICS
Risk Management, Governance, and Compliance

CAPITALS IMPACTED

UNDERWRITING RISK

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. It can include underestimated liabilities arising from unpaid business written in previous years and underpriced policies in current use.

Developments in 2025	Risk Mitigation	Risk Indicators
During 2025, underwriting was shaped by subdued inflation and lower interest rates, alongside continued cost-of-living pressure. In this context, underwriting required sustained focus on pricing adequacy, careful management of sum insured adequacy and policy terms, and closer monitoring of customer affordability and persistency behaviour, while also reflecting the broader fiscal environment in expense assumptions where relevant.	• Segregation of duties between underwriting and sales, with underwriting centralised at the Head Office. • Underwriting limits are explicitly defined in the Manual of Financial Authority. • Input from the Consultant Actuary and Reinsurer is maximised when determining product terms and conditions, ensuring pricing aligns with the risks covered. • Medical reports are sourced from registered laboratories, with regular reviews by Management to maintain service quality. • Underwriting is conducted in strict adherence to guidelines set by the reinsurers. • Focused training is provided to Insurance Advisors on proper selling techniques in Sinhala, Tamil, and English. • A 'Customer Needs Analysis' form is utilised to identify customer requirements and recommend the most suitable policies. • Strong governance and oversight through management committees and the Board Risk Management Committee to ensure alignment with risk appetite and strategic objectives. • Diversification of the underwriting portfolio across products, channels, and customer segments to reduce concentration risk.	Par/ Non - Par Contribution 

Further details on Underwriting Risk Management are given in Note 4.2.2.1.2 on page 357.

REINSURANCE RISK

Refers to retention of risks beyond the Company's net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

Developments in 2025

In 2025, Life reinsurance risk continued to be influenced by a disciplined and increasingly selective global reinsurance market, with reinsurers maintaining a strong focus on pricing adequacy, treaty terms, and counterparty quality, although renewal conditions generally moderate and capacity remained available for well-structured programmes. These dynamics affected treaty pricing, retention levels, and contractual terms across core life reinsurance arrangements, particularly for higher-sum-assured risks and portfolios sensitive to mortality and morbidity experience. HNB Assurance proactively managed these conditions through early renewal planning, diversification of reinsurance partners, and continued engagement with highly rated reinsurers, supporting effective risk transfer, capital protection, and stable underwriting capacity within the Organisation.

Risk Mitigation

- Strict adherence to reinsurers' guidelines and regulatory requirements.
- Regular restructuring of reinsurance agreements with reinsurers.
- A close and professional relationship is maintained with all reinsurers.
- Only reinsurers with ratings exceeding regulatory requirements are engaged.
- Outstanding reinsurance receivables are frequently reviewed.
- Continuous monitoring of changes in the ratings of reinsurance companies is conducted.
- Strong governance and oversight through management committees and the Board Risk Management Committee to ensure alignment with capital management and solvency objectives.

Risk Indicators

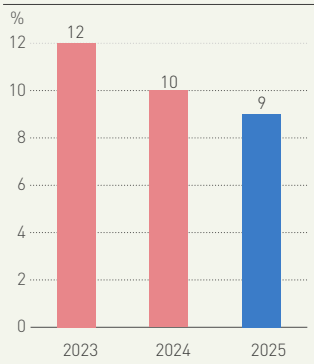
Reinsurer (Life)	Reinsurers Country of Origin	Credit Rating	Rating Agency
Munich-Re	Germany	AA	Fitch
RGA	Dublin, Ireland	A+	Fitch
Munich-Re Retakaful	Malaysia (Retakaful branch)	AA	Fitch
Hannover Re	Germany	AA	Standard & Poor's

Further details on Reinsurance Risk Management are given in Note 4.2.2.1.3 on page 358.

RISK MANAGEMENT REVIEW

CLAIMS RISK

Claims Risk refers to the risk of over or under payment of claims, the risk of not meeting the service standards set for claims payment process and claims cost exceeding the budgeted levels.

Developments in 2025	Risk Mitigation	Risk Indicators
In 2025, an Independent Actuary is engaged to carry out an influenced by inflationary pressures on medical and service costs, as well as increased claims frequency in certain segments arising from economic and climate-related factors. These developments placed upward pressure on claims severity and settlement costs. HNB Assurance responded by strengthening claims governance, analytics, and operational efficiency, while maintaining a strong focus on timely and fair claims settlement to protect customer trust and portfolio sustainability.	• The in-house Actuarial Department closely monitors the Life Insurance business and provides guidance to the Management for more informed decision-making. • Claims are reserved immediately upon notification or receipt of information regarding the death, injury, or illness of an insured. • Service standards for claim processing times are established and monitored by the Management and the Board Risk Management Committee. • Independent investigators are engaged to examine claims, ensuring the identification of potential fraudulent claims. • Financial authority limits are defined based on claim limits, with the highest authority vested in the claims panel, which oversees decisions on significant, complex claims and appeals.	Claim Ratio without Maturities 

Further details on Claim Risk Management are given in Note 4.2.2.1.4 on page 358.

Insurance Risk

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous Insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for one year. Exceptions include Marine Insurance contracts where the coverage period is less than one year, and Title Insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

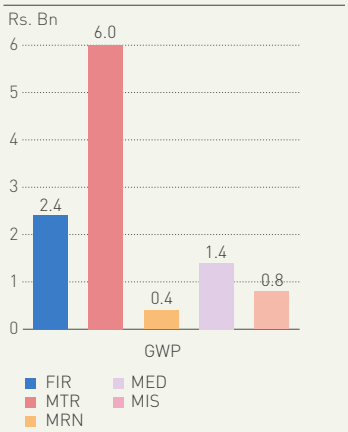
GENERAL INSURANCE

- Underwriting Risk
- Reinsurance Risk
- Claims Risk

UNDERWRITING RISK

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. Underwriting risk could also arise due to a lack of understanding regarding changes in the environment such as the effect of climate change.

Underwriting Risk Contd.

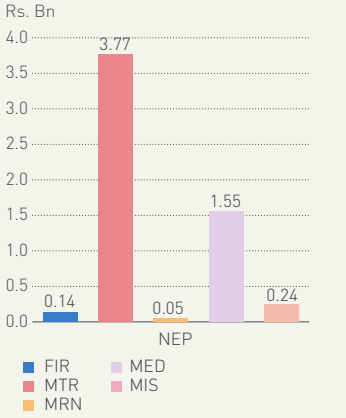
Developments in 2025	Risk Mitigation	Risk Indicators
During 2025, General Insurance underwriting was influenced by subdued inflation and lower interest rates, alongside continued cost-of-living pressure and its impact on repair and replacement costs. In this context, underwriting required sustained focus on pricing adequacy, accurate sums insured, and disciplined application of policy terms and deductibles, supported by closer monitoring of portfolio mix and emerging loss trends. The underwriting approach also reflected the broader fiscal environment in expense assumptions where relevant to ensure continued technical adequacy and sustainable profitability.	• Segregation of duties between sales and underwriting. The underwriting function is centralised at Head Office for both Motor and Non-Motor. • Training and development programs for underwriting staff and the distribution network team are facilitated through the establishment of the General Insurance Academy, aimed at enhancing their technical knowledge and expertise. • Careful selection and implementation of underwriting strategies to diversify risk by type and level of insured benefits. • Maintenance of statistical databases on all customer profiles and regular review of loss-making customers. • Strict control over issuance of cover notes and limiting these to the 60-day validity period. • Manual of Financial Authority is available to give guidance on underwriting limits. • Carrying out risk surveys and portfolio reviews. • A risk-based pricing mechanism has been implemented for motor insurance underwriting to ensure premiums align with the risk profile of each policy. • Minimum premium levels have been established for specific vehicle categories. • Staff incentive schemes are designed to account for both turnover and profitability. • Average premium prices with that of the average claims cost and the claims frequency are monitored daily to identify any changes in the business on an ongoing basis.	**HNBGI GWP - Class wise** 

Further details on Underwriting Risk Management are given in Note 4.2.2.2.2 on page 359.

RISK MANAGEMENT REVIEW

CLAIMS RISK

Claims Risk refers to the risk of over or under payment of claims, risk of not meeting the service standards set for claims payment process and claims cost exceeding the budgeted levels.

Developments in 2025	Risk Mitigation	Risk Indicators
In 2025, HNB General Insurance experienced a moderate increase in claims in line with business growth, with higher volumes observed in both motor and non motor portfolios. Motor claims remained a key driver due to accident frequency and rising repair costs, while non motor segments, such as fire and engineering, showed steady growth, supporting portfolio diversification. The company strengthened its claims management through enhanced processes, faster settlement, and improved customer service, mitigating operational and reputational risks.	• Motor claims engineering and motor claims processing functions have been segregated to ensure proper segregation of duties. • The average size of the claims outstanding and a trend analysis on the claims outstanding amount is carried out to check any unusual movements in claims reserving. • A qualified Independent Actuary is engaged semi-annually to assess the adequacy of reserves for Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims. • All third-party claims are reviewed separately with the support of the Legal and Compliance Department. • Periodic closed file reviews are conducted to identify potential control lapses. • Independent investigators are employed to examine claims, ensuring fraudulent claims are detected. • The number of on-site assessments for low-value motor claims is increased to enhance service quality and reduce administrative costs in the claims process. • Financial authority limits are defined based on claim limits, with the maximum authority delegated to the claims panel, which is responsible for decisions on significant or complex claims and appeals.	HNBGI NEP – Class wise 

Further details on Claim Risk Management are given in Note 4.2.2.2.4 on page 361.

REINSURANCE RISK

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. Underwriting risks could also arise due to a lack of understanding regarding changes in the environment such as the effect of climate change. Referring to retention of risks beyond the Company's net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

Developments in 2025

Following Cyclone Ditwah (Nov 2025), Sri Lankan insurers' net catastrophe exposure is generally expected to be moderated by reinsurance, with reinsurers absorbing a large share of non motor losses; however, reinsurance risk increases through potential delays or disputes in recoveries, reinstatement premium costs, and tighter renewal terms/retentions for catastrophe-exposed programmes.

Risk Indicators

Reinsurer	Reinsurers Country of Origin	Credit Rating	Rating
Best Meridian International Insurance Company SPC (CICA Re)	San Juan, Puerto Rico	A-	AM Best
AmFirst Specialty Insurance Company	USA	A-	AM Best
MISR Insurance Company	Egypt	BBB	AM Best
The New India Assurance Co Ltd	India	BBB+	AM Best
Swiss Reinsurance Company Ltd	Singapore	AA	AM Best
The Asian Reinsurance Corporation	Thailand	BBB-	AM Best
Petro Vietnam Insurance (PVI)	Vietnam	A-	AM Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government Entity)	BBB	Fitch Ratings
Himalayan Reinsurance Limited	Nepal	BBB-	AM Best
PT Asuransi Tugu Pratama Indonesia Tbk	Indonesia	A-	AM Best
Lancashire Syndicates Limited (9329 at Lloyds)	UK	AA-	AM Best
Antares Syndicate 1274 (AUL 1274 at Lloyds)	UK	AA-	AM Best
Ocean Underwriting Consortium 4872	UK	AA-	AM Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	A-	S&P
The AdA Specialty Consortium 4769	UK	AA-	AM Best
Hannover Rück SE	Germany	AA	AM Best

Risk Mitigation

- Outstanding reinsurance receivables are reviewed frequently.
- Conduct a focused treaty wording review (event definition, aggregation, exclusions, deductibles, sub-limits, reinstatements) to minimise recovery disputes.
- A close and professional relationship is maintained with all reinsurers and reinsurance brokers.
- Confirmed reinsurance is secured before issuing cover, except for certain selected classes written on a net basis.
- Only a globally trusted and stable portfolio of reinsurance companies is utilised.
- Changes in the ratings of reinsurance companies are continuously monitored.

Further details on Reinsurance Risk Management are given in Note 4.2.2.2.3 on page 359.

RISK MANAGEMENT REVIEW

Financial Risk

HNBA is exposed to financial risk from its portfolio of investments in financial instruments which are subject to credit risk, market risk and liquidity risk. Stability of economy, fiscal and monetary policy, stability of the financial system, and vibrancy of capital markets impact the risk ratings. Appropriate policies and procedures have been set in place to manage these financial risks.

LINK TO STRATEGY

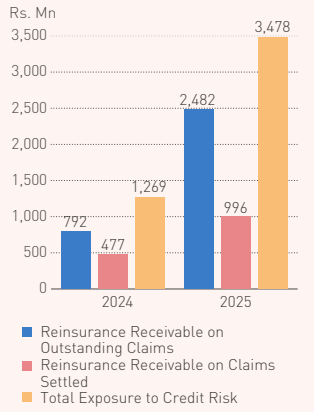
LINK TO MATERIAL TOPICS
Risk Management,
Governance, and Compliance

CAPITALS IMPACTED

CREDIT RISK - (INSURANCE RECEIVABLE AND RI RECEIVABLE)

Uncertainty of the debtors' ability to meet obligations due to the Company.

Developments in 2025	Risk Mitigation	Risk Indicators
Credit risk continues to remain at elevated levels due to stressful economic conditions. HNBA has increased monitoring of credit and supported debt collection through the call center.	• Premium outstanding is followed up meticulously. • Policy cancellations are periodically reviewed, and the status of outstanding premiums is checked before settling claims. • Premium receivables (RI) are periodically reviewed to ensure adequate impairment provisions are made. • The creditworthiness of reinsurers is assessed during selection, and their ratings are periodically reviewed. • Outstanding balances are reviewed monthly to ensure that all dues are collected or set off against payables.	Credit risk – Reinsurance receivables – Group

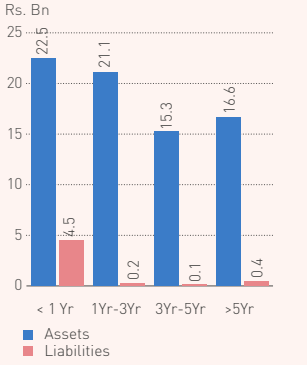


Further details on Credit Risk Management are given in Note 4.2.3.3 on page 367.

LIQUIDITY RISK

The inability of the Company to meet contractual obligations such as claim settlements and payments to reinsurers and other creditors due to the insufficient availability of cash and other liquid investments.

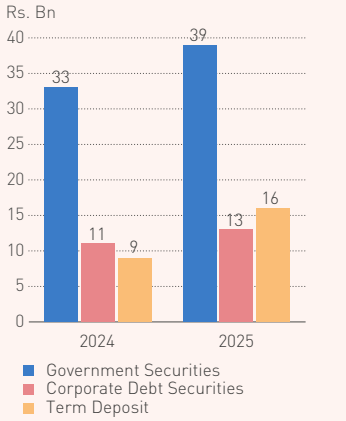
Developments in 2025	Risk Mitigation	Risk Indicators
The Group has remained liquid throughout the year with CAR well above regulatory requirements.	• The Group adheres to the Asset and Liability Management (ALM) guidelines outlined in the Group Investment Policy, which are regularly reviewed by the Investment Committee. • Guidelines are established for asset allocations, portfolio limit structures, and maturity profiles to ensure sufficient funding is available to meet insurance and investment contract obligations. • The maturity mix of the investment portfolio is reviewed regularly by both Management and the Investment Committee. • The Capital Adequacy Ratio (CAR) is monitored periodically by both Management and the Board.	Maturity Profile of Assets and Liabilities - Group



Further details on Liquidity Risk Management are given in Note 4.2.3.4 on page 372.

CREDIT RISK

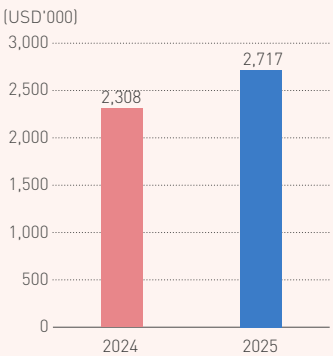
The risk of a loss due to a counterparty failing to meet its contractual obligations.

Developments in 2025	Risk Mitigation	Risk Indicators
As stressed economic conditions continued, HNBA adopted a cautious approach to investments in financial instruments, only investing in Investment Grade-Rated entities/instruments. This risk is carefully monitored to optimise earnings while balancing the risks.	• Investments are made only with entities that meet the minimum credit rating requirements outlined in the Investment Policy. • Investments in entities outside these limits are conducted only with explicit approval from the Investment Committee. • All investments in Corporate Debt Instruments, whether rated or not, are done after a detailed evaluation carried out by the Investment Management Team, who will recommend investments for approval by the Chief Investment Officer, ED / CEO or the Investment Committee according to the limits of authority pertaining to investments. • Single party exposure limits are determined based on credit ratings and regulatory requirements and are closely monitored at various levels. • Master Repo Agreements are signed with all primary dealers to ensure zero default risk for Government Securities purchased through them in the event of their bankruptcy. • Custodian arrangement for Government Securities is maintained with Hatton National Bank.	**Concentrations of Credit Risk - Financial Instruments** 

Further details on Credit Risk Management are given in Note 4.2.3.2 on page 365.

FOREIGN CURRENCY LIQUIDITY RISK

The inability of the Company to meet foreign currency contractual obligations such as claim settlements and payments to reinsurers and other creditors, due to the insufficient availability of foreign currency.

Developments in 2025	Risk Mitigation	Risk Indicators
In 2025, foreign currency liquidity risk continued to be influenced by volatility in exchange rates, evolving external sector conditions, and the timing of foreign currency obligations, including reinsurance premiums and claims settlements. While overall market conditions showed gradual stabilisation, careful management remained essential to ensure timely availability of foreign currency. HNB Assurance actively managed this risk through prudent planning, close monitoring of foreign currency cash flows, and effective coordination with financial counterparties, ensuring the Company's ability to meet its foreign currency commitments without disruption. The Group has successfully made all necessary payments up to the date of the report.	• Foreign exchange requirements are planned, with early discussions held with bankers to meet these needs. • As part of the HNB Group, HNBA benefits from the expertise of one of the largest banks in the country.	**Foreign Currency Liquidity - Assets** 

Further details on Foreign Currency Liquidity Risk Management are given in Note 4.2.3.5 on page 377.

RISK MANAGEMENT REVIEW

MARKET RISK

The risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, equity price risk and currency risk. As exposure to currency risk is minimal, this has not been elaborated further, except for the sensitivity disclosed below.

Developments in 2025

In 2025, market risk was shaped by interest rate volatility, movements in equity markets, and fluctuations in foreign exchange rates, reflecting ongoing macroeconomic adjustments and global financial market uncertainties. Changes in yield curves and asset valuations affected investment income and the fair value of the Company's investment portfolio. HNB Assurance actively managed these exposures through prudent asset allocation, portfolio diversification, and continuous market monitoring, ensuring alignment with risk appetite and supporting stable returns.

Risk Indicators

	Interest Rate Risk		Equity Price Risk		Currency Risk	
Exposure Rs.Mn.	2024	2025	2024	2025	2024	2025
Assets	60,098	77,838	834	806	678	845
Liabilities	3,737	5,204	-	-	-	-

	2025							
Sensitivity Rs.Mn.	Yield Curve100% bps		ASPI 10%		Exchange Rate 5%		Total	
	PBT	Equity	PBT	Equity	PBT	Equity	PBT	Equity
Increase/ Strengthening	-	(664)	80	56	(42)	(29)	122	(578)
Decrease/ Weakening	-	704	(80)	(56)	42	29	(123)	618

Risk Mitigation

- ALM guidelines are reviewed regularly by the Investment Committee.
- Continuous monitoring of macro-economic changes by Investment Committee and Risk Management Committee.

Further details on Credit Risk Management are given in Note 4.2.3.5 on page 378.

INTEREST RATE RISK

The risk of fluctuations in the fair value or future cashflows of investments due to a change in market interest rates. This may result in under achievement of investment income, fall in fund value and inability to meet solvency standards as a result of a fall in bond prices due to a rise in interest rates.

Developments in 2025

In 2025, interest rate risk remained significant amid changes in domestic and global interest rate environments, influencing both investment returns and the valuation of insurance liabilities. Movements in yield curves affected fixed income portfolio performance and asset–liability matching dynamics.

Interest Rate Risk Contd.

Risk Indicators

Exposure Rs.Mn – 2025				
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Assets	-	68,499	9,338	77,838
Liabilities	351	594	4,259	5,204
Sensitivity				
			Impact on PBT	Impact Equity
100 bps Parallel Increase in All Yield Curves			_	(664)
100 bps Parallel Decrease in All Yield Curves			_	704

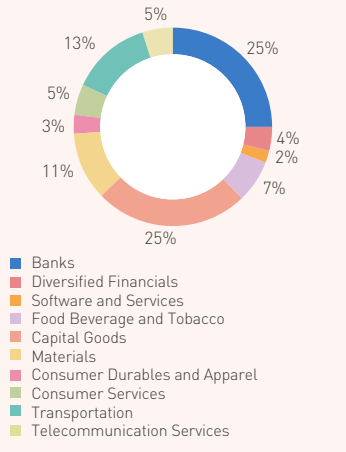
Risk Mitigation

- The Group adheres to the Asset and Liability Management (ALM) guidelines outlined in the Group Investment Policy.
- Macro-economic indicators and their impact on the Group's Investment Portfolio are closely monitored on a regular basis by the Management, Investment Committee, and Risk Management Committee.
- Adjustments to the asset allocation and maturity mix of investments are made periodically as necessary.
- Investments are classified into different categories, as required by SLFRS/LKAS standards, based on both the intention and ability of the Company to hold such investments.

Further details on Interest Rate Risk Management are given in Note 4.2.3.5 on page 373.

EQUITY RISK

The risk of fluctuations in equity investments due to changes in equity market prices

Developments in 2025	Risk Mitigation	Risk Indicators
The country's expected slow recovery from the economic crisis and steep decrease in interest rates weighed on the performance of Colombo Stock Exchange with ASPI moving up.	• Total exposure to equity investments is kept within the agreed target asset allocation and sectoral equity limits. • Investments are primarily made in fundamentally sound stocks, identified through an evaluation process conducted by the Investment Management team. • Equity portfolios are reviewed quarterly by the Investment Committee. • The impact of market movements and sensitivity is periodically monitored, with impact sensitivities also being tracked.	**Equity Portfolio Diversification** 

Further details on Equity Risk Management are given in Note 4.2.3.5 on page 376.

RISK MANAGEMENT REVIEW

Operational Risk

Operational risk is the possibility of incurring losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes fraud, business interruptions, inaccurate processing of transactions, non-compliance regulations, etc.

- Human Resource Risk
- Fraud Risk
- Cybersecurity Risks

LINK TO STRATEGY

LINK TO MATERIAL TOPICS

Risk Management, Governance, and Compliance

CAPITALS IMPACTED

HUMAN RESOURCE RISK - STAFF TURNOVER RISK

An increase in staff turnover and skilled employees move for high salaries/ migration.

Developments in 2025	Mitigation
In 2025, labour migration among professionals continued to remain elevated, driven by the pursuit of improved quality of life, career progression, and higher income opportunities amid lingering economic pressures in Sri Lanka. While outward migration showed signs of gradual moderation compared to prior years, the professional workforce continued to be influenced by global employment opportunities, technological advancements, and the increased adoption of remote and hybrid working models, enabling professionals to access overseas roles without physical relocation.	• Counselling support is provided to employees as needed. • Exit interviews are conducted, and induction programs are periodically carried out. • Staff turnover analysis is regularly reviewed by the Management and the Board. • Employee surveys are conducted periodically to gather feedback. • Periodic salary surveys are conducted to ensure competitive compensation for staff. • Qualified and experienced professionals are recruited from the industry.

FRAUD RISK

Fraud risk commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery, and extortion.

Developments in 2025	Mitigation
In 2025, fraud risk at HNB Assurance remained stable, continuing the trend observed in the previous year despite ongoing economic challenges in Sri Lanka. While macroeconomic pressures persisted, a moderation in inflation and a gradual recovery in economic conditions contributed to the maintenance of current fraud risk levels. The Company strengthened internal controls, monitoring systems, and anti-fraud initiatives, ensuring early detection, prevention, and mitigation of potentially fraudulent activities.	• Internal audits are regularly carried out in areas which are susceptible to fraud. • The Risk and Control Department continuously monitors areas that are most vulnerable to business risks. • Internal policies and procedures are strengthened to enhance overall risk management.

CYBERSECURITY RISK

Cybersecurity risk refers to an organisation's vulnerability to losses due to a cyber-attack or data breach.

Developments in 2025	Mitigation
In 2025, cybersecurity continued to be a key focus area for HNB Assurance, due to the increasing sophistication of cyber threats and the growing reliance on digital platforms. The Company strengthened its cyber resilience through the implementation of advanced threat monitoring, vulnerability assessments, and intrusion detection systems. Enhanced policies and procedures for data protection, network security, and access controls were established to safeguard customer information and critical systems. Hardware components and licensed software are upgraded, and the latest technology is applied when required and available.	• A quality assurance mechanism is implemented for the acceptance of third-party and fourth-party services. • Regular user access reviews and penetration tests are conducted to ensure system security. • Continuous awareness programs are carried out to promote security as the best practices. • Strong endpoint protection solutions are employed to safeguard against threats. • Sensitive data is encrypted to ensure privacy and security.

Reputation Risk

Reputation risk is the potential threat to an organisation's standing, credibility, or public image due to negative events, actions, or perceptions. It arises when stakeholders such as customers, investors, regulators, or the public lose trust in the organisation, which can lead to financial loss, legal consequences, or long-term damage to business relationships.

LINK TO STRATEGY

LINK TO MATERIAL TOPICS
Risk Management, Governance, and Compliance

CAPITALS IMPACTED
Social and Relationship Capital

OPERATIONAL RISK

Risks to reputation arising from failures in internal processes, systems, or operations that negatively impact stakeholder trust or customer confidence.

Developments in 2025	Mitigation
In 2025, HNB Assurance strengthened its operational resilience to protect its reputation amid system transformations, rapid business growth, and evolving regulatory requirements. Key measures included phased technology upgrades, enhanced data governance and privacy controls, digital process improvements, staff training, and robust business continuity planning. Proactive monitoring of customer satisfaction and transparent stakeholder communication ensured service quality and trust were maintained, mitigating risks of operational failures that could negatively impact on the company's credibility and stakeholder confidence.	• Phased technology upgrades to minimise system disruptions during core system transformations. • Enhanced data governance and privacy controls to ensure compliance with the Personal Data Protection Act. • Digital process improvements to streamline policy administration and claims handling. • Staff training and capacity building to maintain service quality during increased operational demand. • Robust business continuity planning to address potential operational interruptions. • Proactive monitoring of customer satisfaction and transparent communication to maintain stakeholder trust.

RISK MANAGEMENT REVIEW

COMPLIANCE AND LEGAL RISK

Risks to reputation arising from breaches of laws, regulations, or internal policies that result in legal penalties, public criticism, or loss of credibility.

Developments in 2025	Mitigation
In 2025, HNB Assurance continued to operate in an evolving regulatory and governance environment where compliance and legal risks carried potential reputational implications. Key developments included strengthened data privacy and governance frameworks aligned with the Personal Data Protection Act, enhanced board-level oversight of compliance and legal matters, and continued adherence to updated corporate governance and listing rule requirements. These risks were mitigated through robust internal controls, regular compliance monitoring, policy reviews, staff training, and strengthened legal and ethical frameworks. Collectively, these measures supported regulatory compliance, minimised legal exposure, and safeguarded stakeholder trust and the company's reputation.	• Strengthened data governance and privacy controls to ensure full compliance with the Personal Data Protection Act and protect customer information. • Enhanced the Board and Senior Management oversight of compliance and legal matters to reinforce accountability and governance standards. • Regular monitoring of regulatory and legal developments to ensure timely alignment with evolving laws, regulations, and listing requirements. • Periodic review and updating of internal policies and procedures to maintain compliance with statutory and corporate governance standards. • Ongoing compliance training and awareness programs to promote ethical conduct and reduce the risk of regulatory breaches.

Strategic Risk

Strategic Risk refers to the potential for adverse impacts on an organisation's performance, sustainability, or long-term objectives arising from inappropriate or ineffective business strategies, poor strategic decisions, or failure to respond adequately to changes in the external environment. It includes risks associated with market dynamics, competitive pressures, regulatory changes, technological disruption, and shifts in customer expectations that may affect the achievement of the company's strategic goals.

LINK TO STRATEGY

LINK TO MATERIAL TOPICS
Risk Management, Governance, and Compliance

CAPITALS IMPACTED

MARKET AND COMPETITIVE RISK

Risks to reputation arising from failures in internal processes, systems, or operations that negatively impact stakeholder trust or customer confidence.

Developments in 2025	Risk Mitigation
In 2025, HNB Assurance operated in a highly competitive insurance market shaped by evolving customer expectations and intensified competition. Strong premium growth and expansion of distribution channels strengthened the Company's market position while increasing exposure to market and competitive risks. These risks were mitigated through continuous product innovation and differentiated offerings across key customer segments, including protection and savings solutions for individuals and families, health and wellness-focused covers, investment-linked and retirement-oriented products, and tailored corporate and SME insurance solutions, supported by the expansion of bancassurance and advisor networks. Enhanced digital and customer experience initiatives, regular market and competitor analysis, and proactive brand-building efforts further reinforce competitiveness. Collectively these measures supported sustainable growth and strengthened HNB Assurance's positioning across multiple customer segments.	• Continuous product innovation to meet evolving customer needs and maintain market relevance. • Expansion and diversification of distribution channels, including bancassurance and agency networks, to strengthen market reach. • Enhancement of digital capabilities and customer experience to improve service efficiency and differentiation. • Strengthening brand positioning and marketing initiatives to reinforce customer trust and competitive advantage. • Ongoing performance benchmarking against industry peers to sustain growth momentum and market leadership.

GROWTH AND EXPANSION RISK

Risk associated with unsuccessful expansion into new markets, products, or distribution channels.

Developments in 2025	Risk Mitigation
In 2025, HNB Assurance experienced strong growth and expansion across its insurance businesses, strengthening market presence while increasing exposure to growth and expansion risks. Rapid scaling of operations and distribution required careful management to ensure sustainability and service quality. These risks were mitigated through diversification of distribution channels and product offerings, investments in digital capabilities, strengthening internal capacity and talent, and regular strategic reviews to align growth initiatives with the company's long-term objectives. Strengthened data governance and privacy controls to ensure full compliance with the Personal Data Protection Act and protect customer information.	• Expansion and adaptation of product offerings to meet evolving customer needs and market trends. • Investment in digital platforms and tools enhance operational efficiency and customer experience. • Strengthening internal capacity and staff training to manage increased operational scale effectively. • Regular strategic reviews and market assessments to ensure growth initiatives remain sustainable and aligned with long-term objectives. • Monitoring and management of operational scalability to mitigate potential service delivery or quality risks during expansion. • Diversification of distribution channels to ensure wide and balanced market reach.

Sustainability Risk

Sustainability Risk refers to the potential for adverse impacts on an organisation's financial performance, operations, reputation, or long-term viability arising from Environmental, Social, and Governance (ESG) factors. These risks may result from climate change, resource constraints, regulatory and societal expectations, workforce practices, or governance failures, and can affect the organisation's ability to achieve sustainable growth and create long-term value for stakeholders.

LINK TO STRATEGY

LINK TO MATERIAL TOPICS
Risk Management, Governance, and Compliance

CAPITALS IMPACTED

REGULATORY CONTEXT

Environmental, Social and Governance (ESG) reporting requirements in Sri Lanka have evolved significantly in recent years, driven by increased regulatory focus, investor expectations, and global sustainability standards. Listed entities are required to align their sustainability disclosures with the SLFRS Sustainability Disclosure Standards, with SLFRS S2 mandating the identification and disclosure of material climate-related risks and opportunities with effect from 2025. In line with this regulatory requirement, HNBA plans to commence reporting under SLFRS S1, which encompasses sustainability-related risks and opportunities, from the financial year 2026 onwards. Amendments to the Colombo Stock Exchange (CSE) Listing Rules further require Annual Reports to incorporate sustainability disclosures prepared in accordance with these standards, with a strong emphasis on governance, strategy, risk management, and metrics and targets. Collectively, these regulatory developments reinforce the importance of Board-level oversight, robust governance structures, and transparent ESG reporting to support long-term value creation and market confidence. These requirements place a strong emphasis on demonstrable Board-level oversight of Environmental, Social, and Governance (ESG) risks and opportunities, particularly across the core SLFRS S1 & S2 pillars of Governance, Strategy, Risk Management, and Metrics and Targets.

Core Pillars of SLFRS S1 and S2



RISK MANAGEMENT REVIEW

SUSTAINABILITY AND ESG GOVERNANCE STRUCTURE

The Board of Directors retains overall accountability for sustainability and climate-related matters at HNB Assurance. Governance oversight is exercised through the Board Risk Management Committee (BRMC), which serves as the designated Board sub-committee for the oversight of sustainability and Environmental, Social and Governance (ESG) risks and opportunities, including climate-related issues. In this capacity, the BRMC provides direction and challenge to ensure ESG considerations are appropriately identified, assessed, and integrated into the Company's risk management framework, strategic priorities, and key business decisions.

The Board is composed of reputed and experienced professionals with diverse expertise, including relevant exposure to sustainability, governance, and risk oversight. This collective capability supports informed deliberation and effective stewardship over ESG and climate-related matters.

The Board monitors and oversees progress against climate-related goals and targets through regular reporting to the BRMC, which includes updates on key risk indicators, sustainability metrics, and management action plans. Progress is reviewed against approved targets, with deviations escalated to the Board for direction, corrective action, and strategic alignment as required.

At management level, oversight is exercised through the ESG Management Committee, chaired by the Executive Director / Chief Executive Officer and comprising members of Senior Management, with the Head of Risk Management serving as Secretary. The Committee is responsible for implementing Board-approved ESG strategies, monitoring progress against action plans, and coordinating the ongoing management of sustainability-related risks and opportunities. The Committee reports to the BRMC through meeting minutes and updated action plans, supporting timely escalation, accountability, and alignment with regulatory and strategic requirements.



STRENGTHENING BOARD OVERSIGHT OF SUSTAINABILITY AND ESG RISKS

To further enhance governance in line with evolving regulatory expectations and best practices, it is proposed to formalise and reflect in the BRMC Charter the Committee's oversight responsibilities for sustainability and ESG-related risks and opportunities, including climate-related matters. This will reinforce Board-level oversight and ensure ESG considerations are systematically embedded within the Company's risk governance, strategic planning, and decision-making processes.

This enhancement will also support alignment with SLFRS S2 governance requirements and reinforce the Company's commitment to responsible, resilient, and sustainable long-term value creation.

Detailed analysis of sustainability-related risks and opportunities, please refer to pages 91 to 125 of the SLFRS Sustainability-related Financial Disclosures section of this Annual Report.

AUDIT COMMITTEE REPORT

> Through independent challenge and sound judgement, the Audit Committee supports effective governance while ensuring the Organisation remains aligned with its purpose, values, and long-term sustainability.



Ashoka Goonesekere
Chairman, Audit Committee

AREAS OF FOCUS

- Financial Reporting
- Internal Audit
- Internal Controls
- Risk Management
- Regulatory Compliance
- Assurance

STRUCTURE

January – June 2025

Common Board Audit Committee overlooked the Group, HNB Assurance PLC & HNB General Insurance Ltd.

July – December 2025

Two separate Board Audit Committees were established for the Company, HNB Assurance PLC & Subsidiary, HNB General Insurance Ltd.

COMPOSITION

HNB Assurance PLC (Jan – Dec 2025)

Mr. A Goonesekere
Chairman (SIND/NED)

Mr. L U D Fernando
Member (NIND/NED)

Dr. P S Gamwarige
Member (IND/NED)

SIND – Senior Independent Director
IND - Independent Director
NIND – Non-Independent Director
NED – Non Executive Director

MEETINGS AND ATTENDANCE

HNB Assurance PLC (Company)

The committee held 07 meetings during the year

Mr. A Goonesekere 7/7
Mr. L U D Fernando..... 6/7
Dr. P S Gamwarige..... 7/7

CHARTER OF THE COMMITTEE

The Audit Committee ("the Committee") supports the Board in ensuring disciplined and systematic oversight of the Company's financial reporting, internal audit, internal control environment, and external audits of the Company, extending to its wholly owned subsidiary, HNB General Insurance Limited.

During the year under review, the Group further strengthened its governance framework by transitioning from a common Audit Committee to a separate Audit Committee for the Company, HNB Assurance PLC and its Subsidiary, HNB General Insurance Ltd. with effect from July 2025, to facilitate more focused oversight of the respective businesses. Each Audit Committee is chaired by a Senior Independent Non-Executive Director and comprises Independent Non-Executive Directors in compliance with the applicable regulatory requirements. Each Audit Committee has a separate Audit Committee Charter approved by the respective Boards.

The charter of the Audit Committee, approved by the Board, clearly defines the Terms of Reference of the Committee. It is reviewed annually to ensure that new developments relating to the Committee's functions are addressed and the most recent review was approved by the Board.

The Committee is authorised to conduct any investigations it considers necessary and has unrestricted access to information, as well as full cooperation from Management and employees, to obtain information required for the effective discharge of its duties and responsibilities. The Committee is also empowered to obtain independent external professional advice on matters within its remit and, where appropriate, to engage with Management, Auditors, Regulators, Actuaries, and other relevant parties. In recognition of the importance of maintaining current and relevant expertise, Committee members continued to enhance their knowledge through internal briefings, presentations, and seminars, as appropriate.

The Audit Committee Chairman and the members of the respective Audit Committees were in regular contact with the management, through numerous meetings and communications to oversee the audits and control aspects of various initiatives, the Company and its subsidiary undertook during the year.

Key responsibilities of the Committee are given below

- Monitor and review the effectiveness of financial reporting processes to ensure that accurate, appropriate, and timely information is provided to the Board, Regulatory Authorities, Shareholders, and other Stakeholders.
- Obtain and review assurances from the CEO and CFO, as appropriate, that financial records have been properly maintained and that the financial statements present a true and fair view of the Company's and the Group's operations and financial position.

AUDIT COMMITTEE REPORT

ATTENDEES BY INVITATION

Mr. Dinesh Dharmadasa (SIND-HNBGI) attended the HNBA Audit Committee as an invitee prior to establishment of a separate Audit Committee for HNBGI.

Executive Director/Chief Executive Officer and other Executive Committee members of HNBA and HNBGI attend meetings by invitation to the respective Audit Committees regularly.

SECRETARY TO THE COMMITTEE

Ms. Arunika Jayasundara
Head of Internal Audit

EXPERTISE

The Chairman and members of the committee have extensive experience in diverse fields the details which can be found on pages 215 to 219

- Review the integrity of the Company's and the Group's financial statements, including the Annual Report and Interim Financial Statements, in consultation with the External Auditors where applicable, to ensure that they are prepared in accordance with Sri Lanka Accounting Standards (LKAS), Sri Lanka Financial Reporting Standards (SLFRS), and applicable laws and regulations, and recommend the same to the Board of Directors.
- Liaise with the Board Risk Management Committee and Management to assess the adequacy, efficiency, and effectiveness of the Group's Risk Management framework in mitigating risks associated with financial reporting.
- Liaise with the Related Party Transactions Review Committee to ensure that the Group's related party transactions comply with the Listing Rules and that appropriate disclosures are made in the financial statements.
- Review the adequacy, design, and effectiveness of the Company's internal control systems.
- Obtain and review assurances from the CEO and other key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.
- Ensure that the Group adopts and adheres to high standards of corporate governance, the Companies Act No. 07 of 2007, the Listing Rules, the SEC Act, and relevant Company policies in the conduct of its business. The Committee will also monitor compliance with applicable laws and regulations, including but not limited to;
  - » Regulation of Insurance Industry Act No 43 of 2000,
  - » Rules and Regulations and determinations by the Insurance Regulatory Commissions of Sri Lanka,
  - » Inland Revenue Act No 24 of 2017 and subsequent amendments thereto,
  - » Value Added Tax Act No 14 of 2002 and subsequent amendments thereto,
- Provide recommendations on the appointment, re-appointment, or removal of External Auditors, including their remuneration, terms of engagement, and scope of audit, based on an assessment of their qualifications, expertise, resources, and independence.
- Evaluate the Company's ability to continue as a going concern for the foreseeable future.

SUBSIDIARY OVERSIGHT ARRANGEMENTS

The Company maintains effective Group-wide oversight of its wholly owned subsidiary HNB General Insurance Ltd. (HNBGI) through harmonised governance and control frameworks.

For the first half of the year 2025, the Audit Committee of the Company, HNB Assurance PLC (HNBA) maintained a consolidated oversight approach wherein the financial reporting, internal audit, internal control environment, and external audits of both the Company (HNBA) and the Subsidiary (HNBGI), were reviewed at the HNBA Audit Committee meetings with the participation of Mr. Dinesh Dharmadasa, Senior Independent Director (SIND) of HNB General Insurance Ltd, as an invitee along with the Executive Director/Chief Executive Officer and the Executive Committee Members of HNBA and HNBGI.

To further strengthen the governance framework and to facilitate more focused oversight, the Subsidiary, HNBGI formed a separate Audit Committee Chaired by Mr. Dinesh Dharmadasa (SIND) of HNBGI and conducted its 1st Audit Committee meeting on 25th July 2025. The Chairman of the Audit Committee of the Company (HNBA) attends the Audit Committee meetings of the Subsidiary, HNBGI as an invitee and a mechanism is in place for the Subsidiary to report to the Audit Committee of the Company on key risk areas. These arrangements facilitate consistency in audit coverage, internal control standards, and escalation of significant matters to the Audit Committee of the Company.

ACTIVITIES IN 2025

Financial Reporting Oversight

The Audit Committee reviewed and discharged its responsibilities in relation to financial reporting and related matters, with a focus on ensuring the integrity, transparency, and reliability of the Company's financial information.

During the year, the Audit Committee reviewed the quarterly and annual financial statements of the Company, the Group, and the Subsidiary, and recommended the same to the Board for approval prior to publication, with particular emphasis on the following key areas:

- Evaluated the adequacy and effectiveness of the internal control environment and financial reporting systems and processes including the Financial Statement Closure Processes, to ensure the accuracy, completeness, and reliability of information disclosed in the financial statements.
- Reviewed the appropriateness of accounting principles applied and assessed the reasonableness of significant accounting estimates, assumptions, and management judgements, particularly in areas requiring a high degree of judgement.
- Assessed the impact of new and revised accounting standards and developments in the financial reporting framework, including Sri Lanka Accounting Standards (SLFRS/LKAS), and ensured that appropriate disclosures were made in the financial statements.
- Ensured consistency in the application of accounting policies and methods, and confirmed their compliance with applicable SLFRS/LKAS, regulatory guidelines, and industry-specific requirements.
- Reviewed significant accounting, actuarial, and financial reporting matters, including judgemental and complex areas, in consultation with Management and the External Auditors. Key areas of focus included actuarial valuations of insurance contract liabilities, particularly the methodologies and critical assumptions applied; income tax and deferred tax positions, including interpretation of applicable tax regulations and impact to the financial statements from the assessments raised against the company; valuation and impairment of financial assets; and the recognition of provisions and contingent liabilities arising from legal and regulatory matters.
- Obtained and reviewed quarterly written assurances from the Chief Financial Officer and Chief Technical Officer confirming that the Procedure Check Lists for Accounts, General and Life for the respective periods are in order and that all procedures identified in the checklists have been complied with; to ensure that the Company and the Subsidiary's financial processes are managed in compliance with key operational guidelines.
- Discussed matters communicated by the External Auditors, including audit findings, key audit matters, and management letter points, and directed Management to implement appropriate corrective and remedial actions within agreed timelines.
- Evaluated the appropriateness of the going concern assumption, taking into consideration uncertainties arising from prevailing economic conditions and their potential impact on the Company's financial performance, liquidity position, solvency margins, and regulatory capital adequacy.
- Reviewed the adequacy of disclosures relating to key risks and uncertainties, including those arising from macro-economic conditions, market volatility, credit risk, liquidity risk, insurance risk, and operational risk, as reflected in the financial statements.
- Reviewed the status of outstanding tax assessments and related contingent liabilities, together with actions initiated for resolution, based on regular updates and reports submitted by the Chief Financial Officer.
- The Executive Director/CEO's and CFO's responsibilities including entities operations and finances are set out on page 324 of this Annual Report.

Readiness for Adoption of SLFRS 9 and SLFRS 17

Throughout the year the Committee reviewed the Company's and its Subsidiary's readiness to implement SLFRS 17: Insurance Contracts and SLFRS 09: Financial Instruments Standards required to be adopted with effect from 01st January 2026.

Readiness for SLFRS 17 – Insurance Contracts

SLFRS 17 establishes comprehensive principles for the recognition, measurement, presentation, and disclosure of insurance contracts and represents a significant change to existing accounting practices in the insurance industry. During year 2025, implementation efforts progressed from planning and design to execution and validation stages, under the continued oversight of the Audit Committee and the Board in consultation with Management and external consultants.

Key developments during the year included:

- Continued oversight of the SLFRS 17 implementation programme, through the specially established Project Steering Committee chaired by the Chief Executive Officers of the Company and the Subsidiary, including senior representatives from Accounting, Actuarial, Information Technology, and Operations functions to ensure cross-functional governance.

AUDIT COMMITTEE REPORT

- Progression of systems implementation and data readiness initiatives, including data mapping, interface development, and strengthening of data quality and governance controls.
- Commencement of parallel run activities, enabling the Company to assess the reliability of SLFRS 17 calculations, identify operational gaps, and evaluate the impact on financial results and key performance indicators.
- Ongoing assessment of internal controls and financial reporting implications.

Progress updates were continuously monitored by the Audit Committee to ensure that implementation activities were progressing in line with the established timelines.

SLFRS 9 – Financial Instruments

In parallel, the Audit Committee also reviewed the Company's and its Subsidiary's readiness for the adoption of SLFRS 9 – Financial Instruments, with particular focus on classification and measurement of financial assets, impairment requirements under the Expected Credit Loss (ECL) model, and associated governance arrangements. The Committee ensured that adequate resources were available to Management to support effective implementation, including the engagement of an external consultant to provide technical assistance.

Implementation of SLFRS S1 and S2

SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information and SLFRS S2 Climate-related Disclosures became effective from 1st January 2025.

The Committee ensured that adequate resources were available to Management to support effective implementation, including the engagement of an external consultant to conduct gap analysis, provide technical guidance, and deliver targeted training.

Risk and Internal Controls

The Committee exercised oversight over the Company's internal control framework and risk management processes to ensure their adequacy and effectiveness.

Activities during the year included:

- Ensured close coordination with the Board Risk Management Committee through the regular review of its minutes tabled at Audit Committee meetings.
- Evaluated the design and operating effectiveness of key internal controls, including financial, operational, and compliance controls together with the responses from the management through review of Reports of Internal Auditors and External Auditors.
- Assessed the impact of system changes, process enhancements, and business growth on the control environment.
- Reviewed related party transactions through the Related Party Transactions Review Committee.

INTERNAL AUDIT

The Committee ensured that the Internal Audit function operated independently and effectively in providing assurance to the Board on the adequacy and effectiveness of the Company and the Subsidiary's risk management framework, internal controls, and governance processes.

During the year 2025, the Group Internal Audit function transitioned from a hybrid model to a fully in-house model, wherein all internal audit activities of the Group are performed internally. The Head of Internal Audit is responsible for the internal audit activities of both the Company and the Subsidiary, ensuring consistency in audit methodology, reporting standards, and follow-up of audit findings across the Group.

The Internal Audit function reports functionally to the respective Audit Committees and administratively to senior management, thereby maintaining its independence and objectivity. With effect from September 2025, the Audit Committee appointed the Head of Internal Audit to serve as the Secretary to the Audit Committee, to further strengthen independence, improve coordination, and enhance the effectiveness of Audit Committee proceedings.

During the year, the Internal Audit function conducted Branch Audits and Departmental Audits in accordance with the approved annual internal audit plan covering the operations of the Company and the Subsidiary.

In discharging its oversight responsibilities over the Internal Audit function during the year, the Audit Committee:

- Reviewed and approved the annual risk-based Internal Audit Plan and recommended enhancements to audit scope and coverage, ensuring adequate coverage of high-risk areas, regulatory requirements, and branch operations.
- Reviewed Internal Audit reports presented during the year, including findings, root causes, and management responses of the Company and its subsidiary.
- Monitored the status of implementation of agreed corrective actions and following up on overdue actions.
- Monitored the effective transition of the Internal Audit function from a hybrid model to a fully in-house model, including adequacy of Internal Audit resources, competencies, and independence, including reporting structures.
- Assessed the independence, objectivity, and performance of the Internal Audit function and the Head of Internal Audit.
- Ensured effective coordination between Internal Audit and External Auditors, with internal audit reports and key observations being made available to the External Auditors to avoid duplication of audit efforts.
- Held private sessions with the Head of Internal Audit, without the presence of management, to facilitate open discussion on availability of access to information required, audit findings and governance concerns.

Compliance with Laws and Regulations

The Audit Committee monitored the Company's and the Group's compliance with applicable laws, regulations,

and regulatory guidelines through a structured oversight framework. In this regard, the Committee:

- Reviewed monthly compliance checklists signed off by Management of the Company and its subsidiary to ensure timely compliance with statutory and regulatory submissions, including those required by the Department of Inland Revenue, the Insurance Regulatory Commission of Sri Lanka (IRCSL), Registrar of Companies, Securities and Exchange Commission of Sri Lanka and applicable labour laws and regulations.
- Reviewed quarterly and annual regulatory returns submitted to the IRCSL to ensure accuracy and timely submission.
- Reviewed reports from the External Auditors on the factual findings on compliance with Circular 29 and specified areas of Determination 14 and filing the same with the Regulator.

IT Risk and Control Assessment

In view of the Company's transition to the new core system, Messrs. Deloitte Associates was engaged to conduct a data migration audit to validate the data integrity, highlight any risks or inconsistencies within the migration process and to ensure compliance with the relevant data governance policies and regulatory standards. Additionally, the Internal Audit function also carried out a data migration audit, and its findings were reported to the Audit Committee and agreed corrective actions were duly followed up.

As part of the external audit process, Messrs. KPMG performed a review of general and application IT controls during the year.

The Audit Committee reviewed relevant minutes of the Board Risk Management Committee, including observations made by the Auditors in relation to information security, IT-related risks, data protection, and cyber security. The Committee monitored Management's progress in implementing agreed action plans to address identified information technology and information security control gaps and risks, to strengthen the overall control environment.

Fraud Risk

The Audit Committee oversaw the measures implemented by Management to mitigate fraud risk across the Company and the Group. During the year, no material or significant fraudulent activities were reported to the Committee.

The Committee ensured the continued effectiveness of policies, processes, and practices aimed at preventing and detecting fraud, including:

- Reviews conducted by the Risk Management Department, Compliance Department, Internal Audit, and External Auditors to identify and mitigate fraud risks within the Company and its subsidiary; and
- The operation of a Whistleblowing Policy that enables employees and other stakeholders to report suspected fraudulent or unethical activities.

Ethics and Good Governance

The Group has a Whistleblowing Policy in place which safeguards the confidentiality of whistleblowers and provides clear reporting channels to nominated officers.

Matters relating to ethics, integrity, and good governance that require the attention of the Audit Committee are investigated, and appropriate remedial actions are taken where necessary. The Committee continues to emphasise the importance of ethical conduct and a strong culture of integrity across the Group.

Corporate Governance

The Audit Committee is satisfied that the Company has complied with the applicable corporate governance requirements under the Listing Rules of the Colombo Stock Exchange. The Committee also noted the Company's compliance with the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka. Further, the Company has adopted the revised Corporate Governance requirements under Section 09 of the Colombo Stock Exchange Listing Rules, effective from 2024.

External Audit

The Committee maintained oversight of the External Audit process to safeguard auditor independence and audit quality and during the year, the Audit Committee:

- Reviewed and discussed the audit plan, scope, audit methodology, and key focus areas presented by the External Auditors, Messrs. KPMG, Chartered Accountants.
- Held discussions with Management and the External Auditors to ensure effective coordination of audit activities and to confirm that the External Auditors were provided with unrestricted access to all information, records, and personnel required for the conduct of the audit.
- Evaluated the Key Audit Matters arising from the audit, with particular focus on significant judgements, assumptions, estimates, and the approaches adopted by Management, the Company and its subsidiary, and the Auditors to ensure the reasonableness and integrity of the financial reporting process.
- Reviewed the External Auditors' Report and the Management Letter in consultation with Management and the External Auditors and monitored the timely implementation of agreed corrective actions to address control weaknesses and process improvements identified during the audit.
- Met with the External Auditors, without the presence of Management, to discuss the conduct of the audit, significant audit findings, and any matters of concern arising therefrom.
- Reviewed the statutory audit fees for the year and recommended the same to the Board of Directors for approval.

AUDIT COMMITTEE REPORT

Independence of the External Auditors

Messers KPMG have been functioning as the External Auditor since 2020 under the same Engagement Partner for a period of six years.

The Audit Committee reviewed and assessed the independence and objectivity of the External Auditors and the effectiveness of the external audit process. A written declaration, as required under the Companies Act, No. 07 of 2007, was obtained from Messrs. KPMG, confirming that there were no relationships or circumstances that could impair their independence in relation to the Company or the Group.

Non-Audit Services

The Group has a Non-Audit Fee Policy approved by the Audit Committee in place and the Internal Audit Function continuously monitors and reports compliance to the Audit Committee. The Audit Committee reviews the Group Non-Audit Fee policy on an annual basis to ensure it is in line with the applicable regulatory and professional standards.

During the year, the Committee reviewed the nature and extent of non-audit services provided by the External Auditors and their affiliated entities to ensure that auditor independence and objectivity were not compromised. The Audit Committee ensured that non-audit services did not affect the External Auditor's objectivity and independence by assessing their expertise and fees relative to the audit fee, while also confirming that these services were not among those prohibited under the Securities and Exchange Commission of Sri Lanka's guidelines for listed companies. Accordingly, as far as the Audit Committee is aware, the Committee is satisfied that the External Auditors remained independent throughout the year.

Appointment of the External Auditors

The Board Audit Committee is responsible for recommending to the Board of Directors the appointment, re-appointment, or removal of the External Auditors in compliance with applicable professional standards and statutory requirements.

Accordingly, the Audit Committee has recommended the appointment of Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company for the financial year ending 31 December 2026, subject to the approval of Shareholders at the Annual General Meeting. The Committee has also recommended the proposed remuneration of the External Auditors to the Board of Directors for approval.

Reports of the External Actuaries

Willis Towers Watson (WTW) India Private Limited is the appointed External Actuary of the Company and its subsidiary. The External Actuaries provided written reports summarising their observations and conclusions in relation to actuarial valuations and assumptions. Representatives of the External Actuaries were invited to present their findings and respond to queries at Audit Committee meetings annually.

Committee Effectiveness and Continuous Improvement

To enhance its effectiveness, the Committee:

- Considered developments in financial reporting standards, regulatory expectations, and governance practices relevant to the insurance industry.
- Ensured that Committee members remained adequately informed through periodic briefings and updates.
- During the year, the Audit Committee conducted a self-evaluation of its performance based on a structured checklist. The objective of the evaluation was to assess the effectiveness of the Committee's activities and to enhance its contribution to the Board and Management.

Conclusion

The Audit Committee, together with Management, reviewed the adequacy and effectiveness of the Group's system of internal controls and noted the actions taken to further strengthen the control environment where required.

The Committee is satisfied that the Group has complied with the applicable requirements of the Companies Act, No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange, the Securities and Exchange Commission Act, and other relevant regulatory requirements, and that the Group's assets are adequately safeguarded.

The Committee is also satisfied with the independence, objectivity, and effectiveness of both the Internal and External Auditors throughout the year. Further, the Committee is of the view that the accounting policies adopted and the significant judgements and estimates applied by Management provide reasonable assurance that the Financial Statements of the Company and the Group present a true and fair view of their financial position and performance.



Ashoka Goonesekere
Chairman, Audit Committee

Colombo, Sri Lanka
24th February 2026

REMUNERATION AND HUMAN RESOURCES COMMITTEE REPORT

> We're investing in people development and AI to create a future-ready workforce—combining human potential with digital intelligence to drive innovation, market leadership, and long-term value.



Dr. Sankalpa Gamwarige
Chairman, Remuneration and Human Resources Committee

AREAS OF FOCUS

- Strengthen Salesforce Growth & Capability.
- Enhance Employee Development & Career Progression.
- Foster a Culture of Engagement & Inclusion

COMPOSITION

Dr. P S Gamwarige
Chairman (IND/NED)

Mr. S A Chapman
Member (NIND/NED)

Mr. A Goonesekere
Member (SIND/NED)

SIND - Senior Independent Director
IND - Independent Director
NIND - Non-Independent Director
NED - Non Executive Director

MEETINGS AND ATTENDANCE

The Committee held 3 meetings during the year.

Dr. P S Gamwarige..... 3/3
Mr. S A Chapman 3/3
Mr. A Goonesekere 3/3

ATTENDEES BY INVITATION

Mr. P H L N Wimalaratne
Executive Director / CEO of HNBA

SECRETARY TO THE COMMITTEE

Ms. Jansenidevi Sundararajan
Board Secretary of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 215 to 219.

CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Remuneration and Human Resources Committee Charter, which is reviewed annually. The Charter defines the objectives, duties and responsibilities, composition, etc., of the Committee. The Remuneration and Human Resources Committee Charter outlines the company's strategic intent in adopting HR practices that provide the employees with quality service while creating a platform that would enable each one to offer their services with trust and confidence to attain the Company's goals while fulfilling individual aspirations.

Key responsibilities of the Committee are given below:

- Direct the Human Capital strategy of the Company.
- Provide direction in developing HR policies and strategies.
- Recommend the level and structure of remuneration for key management personnel (Senior Management Team).
- Recommend increments and bonuses payable based on recommendations submitted by the CEO.
- Recommending policy for remuneration of Non-Executive Directors, the Chairperson, & the CEO.

HR STRATEGY AND ACTIVITIES IN 2025

In 2025, the Committee oversaw the implementation of a refreshed Human Resources Strategy designed to position HR as a strategic business partner rather than a purely support function. The strategy was built around enabling sustainable growth, operational efficiency, and workforce agility in a rapidly evolving, technology-driven environment in the AI era.

The HR Strategy for the year focused on three integrated pillars:

1. Talent Optimisation – ensuring the right skills, capabilities, and leadership depth are available to execute the Company's strategy.
2. Performance and Productivity Enhancement – embedding a performance-driven culture supported by data, continuous feedback, and outcome-based rewards.
3. Cost and Risk Optimisation – improving workforce efficiency while maintaining strong governance, compliance, and employee engagement.

A key milestone in 2025 was the consolidation of digital HR platforms and system enhancements, enabling improved workforce analytics, streamlined processes, and data-driven decision-making. These initiatives were supported by structured change management and capability-building programs, ensuring employees were equipped to adopt new ways of working and leverage digital tools effectively.

HNBA'S POSITION AS A PREFERRED EMPLOYER

The Company continued to strengthen its position as a preferred employer, recognising talent as a key differentiator for long-term competitive advantage.

REMUNERATION AND HUMAN RESOURCES COMMITTEE REPORT

During 2025, initiatives focused on enhancing the employee lifecycle through improved onboarding, clearer career pathways, and consistent reinforcement of the Employer Value Proposition (EVP), "Challenging You to Grow." The EVP reflects the Company's commitment to continuous professional development, performance-based growth, and meaningful career opportunities.

Diversity, Equity, and Inclusion (DEI) remained a priority, supporting an inclusive culture where diverse perspectives are valued. These efforts contributed to sustained employee engagement, with engagement survey and Employer Net Promoter Score (eNPS) results continuing to outperform industry benchmarks.

FOCUS ON EMPLOYEE WELLBEING

Employee well-being remained a key HR priority in 2025, with recognition of its importance to sustained performance.

Initiatives included enhanced mental health support, access to counselling services, stress management programs, and policies promoting work-life balance. Flexible working arrangements, including hybrid and remote options, continued where operationally feasible to support productivity and employee needs.

Proactive measures such as workload monitoring, strengthening people management capability, and encouraging adequate rest and leave were embedded into HR practices to mitigate burnout and support a healthy work environment.

FACILITATE CONTINUOUS DEVELOPMENT

The Company maintained a strong focus on continuous professional development through a structured performance management framework and targeted learning, coaching/ mentoring initiatives aligned with business needs.

Key Learning and Development (L&D) priorities in 2025 included:

- Upskilling and reskilling in critical areas such as digital capabilities, data literacy, and leadership.
- Developing future leaders through structured leadership development and succession planning.
- Aligning individual development plans with organisational capability requirements.

These initiatives supported a culture of continuous improvement and adaptability, enabling employees to respond effectively to technological change and evolving roles.



Dr. Sankalpa Gamwarige

Chairman, Remuneration and
Human Resources Committee

Colombo, Sri Lanka
24th February 2026

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

> "The Group oversees all related party transactions to ensure full compliance with applicable regulatory and governance requirements."



Ashoka Goonesekere
Chairman, Related Party Transaction Review Committee

AREAS OF FOCUS

- Compliance with Rules and Regulations.
- Review of Related Party Transactions.
- Protecting Shareholder Interest.

COMPOSITION

Mr. A Goonesekere
Chairman (SIND/NED)

Mr. L U D Fernando
Member (NIND/NED)

Dr. P S Gamwarige
Member (IND/NED)

Mr. P H L N Wimalaratne*
Member (NIND/ED)

SIND - Senior Independent Director
IND - Independent Director
NIND - Non-Independent Director
ED - Executive Director
NED - Non Executive Director

* Appointed to the committee w.e.f. 29th August 2025

MEETINGS AND ATTENDANCE

The Committee held 4 meetings during the year.

Mr. A Goonesekere **4/4**
Mr. L U D Fernando **3/4**
Dr. P S Gamwarige **4/4**
Mr. P H L N Wimalaratne **1/1**

ATTENDEES BY INVITATION

Executive Director / Chief Executive Officer of HNBGI, Chief Financial Officer, Head of Finance HNBA, and Head of Finance and Support Services HNBGI, and Head of Internal Audit attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Jansenidevi Sundararajan
Board Secretary of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 215 to 219.

CHARTER OF THE COMMITTEE

The purpose of the Committee is to conduct an appropriate review of all related party transactions of HNBA and its fully owned subsidiary, HNBGI and to ensure that the Group/ Company complies with the rules set out in Section 08 and Section 09 of the Listing Rules, Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountant of Sri Lanka ("CA Sri Lanka"), and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC). The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, Key Management Personnel (KMP) or substantial shareholders from taking advantage of their positions.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines to ensure that the Company complies with the rules listed in Section 08 and Section 09 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka, the Code of Best Practice on Related Party Transactions issued by the SEC and Sri Lanka Accounting Standards: LKAS 24- Related Party Transactions.
- Review all proposed related party transactions in advance, subject to the exceptions given under Section 9.14.10 of the Listing Rules.
- Perform other activities relating to the Charter as requested by the Board.
- Regularly report to the Board on the Committee's activities.
- Ensure that they have access to enough knowledge /expertise to assess proposed Related Party Transactions and where necessary obtain appropriate professional and expert advice from an appropriately qualified person.
- Share information with the Audit Committee as and when necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

ACTIVITIES IN 2025

Review of Related Party Transactions

The Committee met quarterly and reviewed all related party transactions of the Company and the Subsidiary for the year 2025. All related party transactions entered into during the year were of a recurrent, trading nature and were necessary for the day-to- day operations of the Company / Group.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally transacted with the public. All details of such related party transactions entered into during the year, are given in Note 50 to the Financial Statements on pages 467 to 472 of this Annual Report.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee reviewed and recommended the Related Party Transactions Policy of the Company, establishing a framework for identifying, evaluating, approving, and disclosing such transactions to ensure transparency and regulatory compliance. The said Policy was approved by the Board of Directors.

The minutes of the Committee meetings were recorded at Board meetings of HNBA and HNBGI for the review of the Board of Directors.

POLICIES AND PROCEDURES

Chief Financial Officer is responsible for reporting the information adhering to the Related Party Transactions Policy of the Company which is adopted in line with the applicable provisions of Sri Lanka Accounting Standards, Section 8 and Section 9 of the Listing Rules of the CSE, Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka and Code of Best Practice on RPT transactions issued by SEC and all other applicable laws and regulations

Moreover, on a quarterly basis, the Chief Financial Officer is required to report the approved related party transactions actually entered into by the Company and the Subsidiary for Committee's consideration.

SCOPE OF OPERATIONS

The principal function of the Committee is to review and scrutinise transactions with Directors, KMPs, subsidiaries, and other related parties in line with applicable regulatory requirements.

In discharging the above responsibilities, the Committee relies on the integrity of related party transaction data obtained from the following sources:

- A comprehensive list of related parties prepared based on the latest declarations duly signed by the respective Directors/KMPs.
- Related party transactions identified, confirmed, and submitted to the Committee

In addition the Company's Internal Audit Division is mandated to periodically verify the accuracy and completeness of the reported data by performing audit checks, thereby enhancing transparency and reliability.

SELF-APPRAISAL OF THE COMMITTEE FUNCTIONS

An annual self-evaluation of the Committee's effectiveness was conducted and supported by individual assessments completed by the Committee members. The review for 2025 concluded that the Committee continues to function effectively and competently.

CONCLUSION

During the year under review, the Company complied with the related party transactions rules set out in Section 8 and Section 9 of the Listing rules, the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission (SEC). An affirmative statement of compliance with the rules pertaining to related party transactions by the Board of Directors and KMPs is included on page 315 of this Annual Report.



Ashoka Goonesekere

Chairman, Related Party Transactions Review Committee

Colombo, Sri Lanka
24th February 2026

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

> The Nominations & Governance Committee continues to play a pivotal role in shaping the composition of the Board, ensuring that its collective expertise and leadership capabilities remain aligned with the demands of a highly regulated operating environment.

Lakshman Silva
Chairman, Nominations & Governance Committee



AREAS OF FOCUS

» Board and Board Sub-committee composition, skills, expertise, and attributes.

» Corporate Governance

COMPOSITION

Mr. L H A L Silva
Chairman (IND/NED)

Mr. S A Chapman
Member (NIND/NED)

Mr. A Goonesekere
Member (SIND/NED)

Mr. L U D Fernando
Member (NIND/NED)

Dr. P S Gamwarige *
Member (IND/NED)

SIND - Senior Independent Director
IND - Independent Director
NIND - Non-Independent Director
NED - Non Executive Director

* Appointed w.e.f. 17th February 2025

MEETINGS AND ATTENDANCE

The Committee held 6 meetings during the year.

Mr. L H A L Silva **6/6**
Mr. S A Chapman **6/6**
Mr. A Goonesekere **6/6**
Mr. L U D Fernando **3/6**
Dr. P S Gamwarige **5/5**

ATTENDEES BY INVITATION

Executive Directors / Chief Executive Officers of HNBA and HNBGI.

SECRETARY TO THE COMMITTEE

Ms. Jansenidevi Sundararajan
Board Secretary of HNBA

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 215 to 219

CHARTER OF THE COMMITTEE

The Committee operates in accordance with the Terms of Reference approved by the Board. The purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new Directors, re-appointment of current Directors, selection and appointment of the Chief Executive Officer and evaluation of the Board of Directors including the Chief Executive Officer.

Key responsibilities of the Committee are given below:

- Exercise general oversight with respect to corporate governance of the HNBA Group.
- Implement approved procedure in selecting and appointing Directors/CEO.
- Assess performance and contributions made by Directors towards the overall discharge of responsibilities of the Board and make a recommendation on the re-election of current Directors to the Board of Directors.
- To determine qualifications, experience and key attributes required for eligibility to be considered for appointment of the CEO.
- To consider and recommend from time to time the requirements of additional/ new expertise and the succession arrangements for retiring Directors and Key Management Personnel.
- To regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.
- Periodically appraise the framework for assessment of Board performance and the Board discussion on self-evaluation.

ACTIVITIES IN 2025

- The Nominations & Governance Committee has implemented the necessary measures to comply with the new regulations introduced by the Colombo Stock Exchange (CSE) and has ensured that the Sub-Committees are constituted in accordance with the regulations within the stipulated timeframe.
- The Committee reviewed the Directives issued by the Insurance Regulatory Commission of Sri Lanka and ensures full compliance with all regulatory requirements.
- The Committee reviewed and recommended to the Board the re-appointment of Mr. Lakshman Silva, who retires by rotation in accordance with the Articles of Association. Mr. Silva was last re appointed on 2nd April 2024, and the Committee's recommendation in this regard was made at its meeting held on 9th January 2026. Mr. Silva abstained from participating in discussions and voting on this matter. A brief profile of Mr. Silva appears on pages 215 and 216 of this Annual Report.

NOMINATIONS AND GOVERNANCE COMMITTEE REPORT

The Committee confirms that neither Mr. Silva nor his immediate family members have any relationship with the other members of the Board, the Company, or any shareholder holding more than 10% of the Company's voting shares

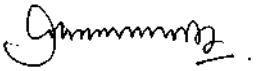
- The Committee considered and recommended to the Board the appointment of Mr. Lasitha Wimalaratne as an Executive Director to the Board of HNB Assurance PLC.
- The Committee also considered the appointment of Mr. Sithumina Jayasundara as an Executive Director to the Board of HNB General Insurance Limited.
- During the year, the Committee recommended to the Board the appointment of Ms. Poornima Ranawaka as a Non-independent Non-Executive Director to the Board of HNB Assurance PLC.
- The Committee reviewed the composition of the Board Committees and recommended to the Board the re-structuring of Board Sub-Committees.
- The Committee was satisfied that the Corporate Governance Policies/Framework of the Company are in line with the applicable laws upon receiving relevant reports from the Management.

DISCLOSURES

- The Company has an established policy and procedure in place for the nomination of Directors to the Board.
- Independent Directors retire by rotation and are required to seek re-election at regular intervals at least once in every three (3) years.
- The HNBA Board comprises diverse Directors whose expertise drives the Company's objectives. Director profiles are given on pages 215 to 219 of this Annual Report.
- All Non-Executive Directors have provided signed declarations confirming their independent or non-independent status.
- The performances of the Board and the CEO are evaluated annually against the financial and non-financial objectives set out for achieving the company's short, medium, and long-term goals.
- All Independent Directors held a meeting, chaired by the Senior Independent Director, to discuss Company-related matters and concerns.
- All Directors undergo an induction program upon appointment, covering industry regulations and the Company's business strategy and periodic updates of any changes to applicable Statutes and Regulations are provided at Board meetings.

CONCLUSION

The Committee is satisfied that the combined knowledge and experience of the Board match the demands facing the Group. The Committee confirms that the Company is in compliance with the Corporate Governance requirements stipulated under the Listing Rules of the CSE.



Lakshman Silva

Chairman, Nominations & Governance Committee

Colombo, Sri Lanka
24th February 2026

INVESTMENT COMMITTEE REPORT

"The Committee provided oversight and strategic guidance over the Company's investment strategy, underpinned by disciplined investment processes that contributed to robust performance. The Committee remained vigilant to evolving risk factors, offering strategic direction focused on optimising investment returns while maintaining a balanced and prudent approach to risk management to support long-term financial strength, stability, and sustainable value creation."



Lakshman Silva
Chairman, Investment Committee

AREAS OF FOCUS

» Increasing investment returns through investment portfolio management strategies.
» Strengthening the investment risk management strategies and monitoring compliance.

COMPOSITION

Mr. L H A L Silva
Chairman (IND/NED)

Mr. A Goonesekere
Member (SIND/NED)

Mr. P H L N Wimalaratne*
Member (NIND/ED)

Mr. A Abeygunasekara
Member (NIND/NED-HNBGI)

Mr. J M J S D Jayasundara*
Member (NIND/ED-HNBGI)

SIND - Senior Independent Director
IND - Independent Director
NIND - Non-Independent Director
NED - Non Executive Director
ED - Executive Director

* Appointed w.e.f. 29th August 2025

MEETINGS AND ATTENDANCE

The Committee held 4 meetings during the year.

Mr. L H A L Silva **4/4**
Mr. A Goonesekere **4/4**
Mr. P H L N Wimalaratne **1/1**
Mr. A Abeygunasekara **4/4**
Mr. J M J S D Jayasundara **1/1**

CHARTER OF THE COMMITTEE

The Investment Committee (the Committee) is responsible for assisting the Board in reviewing the investment policies, strategies, and performance of the Investment portfolios of the Company and its subsidiary.

AUTHORITY

As per the Charter of the Investment Committee in furtherance of its duties, the Committee is authorised to have direct access to, and receive regular reports from the Management, and to request any additional information relating to its responsibilities. The Committee is also empowered to review and amend policies and programs falling under its purview and recommend them to the Board for adoption.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines for the management of the investment portfolios of the Company and its Subsidiary.
- Reviewing and advising on the strategies to be followed by the investment function, after evaluating the Macro environment and investment portfolios.
- Monitoring compliance of the investment function with applicable laws and regulations and the Investment Policies of the HNBA & HNBGI.
- Providing recommendations on any changes to the Investment Policy deemed by the Committee to be necessary to the Board for approval.
- Evaluating and granting approval for any investment activity which requires specific approval of the Committee as per the Investment Policy.
- Evaluating the performance of the existing investments, through a periodic comparison of actual returns with expected returns.
- Regularly reporting to the Board on the Committee's activities.
- Reviewing and assessing the adequacy of the Committee Charter periodically and recommending any proposed changes to the Board for approval.
- Performing other activities under the Committee Charter, as requested by the Board.

INVESTMENT COMMITTEE REPORT

ATTENDEES BY INVITATION

Chief Investment Officer, Head of Actuarial, Head of Risk Management, Head of Legal & Compliance, Head of Finance and Management of the Investment front office and back office attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Mr. Ruwan Rodrigo
Chief Financial Officer

EXPERTISE

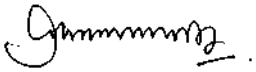
The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 215 to 219

ACTIVITIES IN 2025

- The Committee reviewed information presented by the Management at its meetings on macro-economic conditions and external environment and provided guidance on investment strategies to be followed.
- The performance of investment portfolios of the Company and its Subsidiary was evaluated each quarter and the guidance given where necessary.
- The Company's and Subsidiary's compliance requirements of the Investment Policy, statutory rules and regulations were monitored by receipt and review of quarterly compliance reports from the Management.
- Liquidity Management, Asset and Liability Management (ALM) and Investment Risk Management were evaluated throughout the year.
- The Committee reviewed the subsequent changes proposed to the Investment Policy of the Company and its Subsidiary, considering economic and regulatory changes, and the growth of the investment portfolios of the Company/ Subsidiary and made recommendations to the Board where relevant.
- The Investment Committee reviewed and provided guidance on the appointment of an external asset manager to manage a portion of the HNBA's equity investments, with the objective of enhancing overall portfolio returns.
- In addition to scheduled meetings, the Committee also maintained constant dialogue with the management throughout the year and discussed matters as and when they arose. Any issue that needed the attention of the Investment Committee was promptly attended to and resolved through close communication between the Committee and the top management.

CONCLUSION

The Committee provided oversight and strategic guidance over the Company's investment strategy, underpinned by disciplined investment processes that contributed to robust performance. The Committee remained vigilant to evolving risk factors, offering strategic direction focused on optimising investment returns while maintaining a balanced and prudent approach to risk management to support long-term financial strength, stability, and sustainable value creation. The Committee believes that the Company and its Subsidiary delivered an impressive performance by effectively managing investment portfolios, achieving returns well above the targets set, commensurate with the risk appetite, while adhering to the guidelines outlined in the Investment Policy and ensuring compliance with statutory regulations.



Lakshman Silva
Chairman, Investment Committee

Colombo, Sri Lanka
24th February 2026

RISK MANAGEMENT COMMITTEE REPORT

"The Committee continued to strengthen the Group Risk Management Framework and maintained a prudent approach to managing risks amid evolving regulatory, governance, and accounting standards. Fostering an organisation-wide culture of risk awareness remains a priority in supporting sustainable business growth across both Life and General Insurance"



Lakshman Silva
Chairman, Risk Management Committee

AREAS OF FOCUS

- Key Risk Indicators.
- Risk Management Policy & Framework.
- Macroeconomic Risks.
- Regulatory & Compliance Risks

COMPOSITION

Mr. L H A L Silva
Chairman (IND/NED)

Mr. S A Chapman
Member (NIND/NED)

Mr. P R Saldin*
Member (NIND/NED)

Prof. A K W Jayawardane
Member (NIND/NED)

Mr. P H L N Wimalaratne**
Member (NIND/ED)

Ms. W A P A Ranawaka***
Member (NIND/NED)

Ms. P Abeygunawardena
Member (IND/NED-HNBGI)

Mr. J M J S D Jayasundara**
Member (NIND/ED-HNBGI)

IND - Independent Director
NIND - Non-Independent Director
NED - Non Executive Director
ED - Executive Director

* Ceased to be a Director w.e.f. 16th January 2026

** Appointed w.e.f. 29th August 2025

*** Appointed w.e.f. 01st October 2025

CHARTER OF THE COMMITTEE

The Risk Management Committee assists the Board in fulfilling its responsibility with respect to the oversight of the Risk Management Framework, including significant policies and practices used in managing risks of the Company and its fully owned subsidiary, HNBGI.

The terms of reference of the Committee are defined in the Risk Management Committee Charter which is approved by the Board and reviewed annually.

Key responsibilities of the Committee

The Committee has been empowered to have direct access to and receive regular reports from the Management. To discharge its duties and responsibilities effectively and efficiently, the Committee is authorised to request and receive any information from the management relating to its responsibilities.

Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview.

Key responsibilities of the Committee are given below:

- Review the Entity's risk policies annually and assess the effectiveness of the risk management process, including the adequacy of the overall control environment and key controls in areas of significant risk.
- Review HNBA's Risk Management Framework, other significant policies, processes, information and systems that Management uses to manage risk exposures, as well as risk assessment methodologies, risk response strategies and approaches to stress testing.
- Provide input to Management and approve the enterprise risk appetite and tolerance, ensuring the approved statements and tolerance levels are communicated across the Company and by line of business.
- Monitor the organisation's risk profile - its on-going and potential exposure to risks of various types. Review loss incident reports and provide assistance to management to take steps to prevent similar events in future.
- Receive, review, and provide feedback to Management on HNBA's key risk categories—including underwriting, claims reserving, information security (including cyber security), regulatory, credit, market, liquidity, operational, and sustainability risks—together with exposures, concentrations, monitoring metrics, and Management's assessment of acceptable and appropriate risk levels.
- Review and discuss with Management on issues raised by Internal/External Auditors that impact upon the Risk Management Framework of the Group.
- Take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the Listed Entity's policies and regulatory requirements.

RISK MANAGEMENT COMMITTEE REPORT

MEETINGS AND ATTENDANCE

The Committee held 4 meetings during the year.

Mr. L H A L Silva	4/4
Mr. S A Chapman	4/4
Mr. P R Saldin	3/4
Prof. A K W Jayawardane	4/4
Mr. P H L N Wimalaratne	1/1
Ms. W A P A Ranawaka	1/1
Ms. P Abeygunawardena	4/4
Mr. J M J S D Jayasundara	1/1

ATTENDEES BY INVITATION

Mr. Ruwan Manatunga - Chief Risk Officer-HNB PLC, Chief Financial Officer & other members of the Executive Committee attended meetings by invitation regularly.

SECRETARY TO THE COMMITTEE

Ms. Amali Rajapaksha
Head of Risk Management

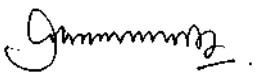
EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 215 to 219.

- Overseeing the processes to ensure that the Entity's Internal Controls and Risk Management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards.
- Ensure compliance with applicable laws and regulatory requirements (including PDPA, AML and Anti-Corruption laws, IRCSL/CBSL directives, and CSE Listing Rules), remain updated on regulatory changes, and align the Company's Risk Management practices accordingly.
- Developing and overseeing the implementation/updates of Business Continuity Management plans and contingency measures to prepare for and respond to unforeseen events or emergencies and to ensure business resilience.

ACTIVITIES IN 2025

- The Committee reviewed the Risk Management and Internal Control Policy and oversaw the ongoing development, implementation, and maintenance of the Group's Risk Management Framework and Risk Appetite Statements, ensuring alignment with emerging regulatory requirements, governance standards, and industry best practices.
- The Committee reviewed the Group's risk response strategies relating to business continuity planning, cash flow and liquidity management, human resource management, and the digitalisation agenda, to ensure timely and effective responses to changes in the macroeconomic environment.
- Emerging and key risks across the Group were considered in detail, and the Committee provided direction on mitigation measures and management actions.
- The Committee reviewed the Group's compliance with applicable laws and regulations through management compliance checklists, reviewed the Anti-Bribery and Corruption Policy, and reviewed the Group's Anti–Money Laundering and Counter-Terrorism Financing (AML/CTF) risk.
- The Committee reviewed readiness for compliance with the Personal Data Protection Act and IFRS 17, including progress updates and key implementation risks.
- The Committee discussed the investment strategy, reviewed Asset and Liability Management (ALM) positions, and reviewed the Risk-Based Capital (RBC) position and related risk implications.
- The Committee reviewed Key Risk Indicators (KRIs) against internal tolerance levels covering credit, reinsurance, market, operational, and strategic risks, including management actions taken in response to internal breaches.
- Cybersecurity and other IT risk matters were reviewed, including management initiatives to strengthen the Group's information security environment, and the Committee provided guidance on further enhancements.
- The Committee reviewed reported loss incidents and near-misses across the Group and recommended corrective and preventive actions.
- The Committee also oversaw ESG-related risk considerations, including climate-related risks and opportunities, as well as data protection governance, monitoring progress on ESG integration and the effectiveness of data protection controls and preparedness measures.
- Minutes of all meetings were tabled at Audit Committee meetings to support the Audit Committee in fulfilling its statutory, regulatory, and oversight responsibilities, and were also tabled at the Boards of HNBA and HNBGI to keep Directors apprised of proceedings and key matters discussed.



Lakshman Silva
Chairman, Risk Management Committee

Colombo, Sri Lanka
24th February 2026

STRATEGY REVIEW COMMITTEE REPORT

"The Committee provided oversight and strategic direction, guiding the Company through a challenging business climate with innovative ideas, proactively monitoring strategic risks and opportunities, supporting strong performance, and ensuring balanced decisions that augmented the Company's long-term financial strength, stability, and commitment to sustainable value creation."



Stuart Chapman
Chairman, Strategy Review Committee

AREAS OF FOCUS

- Key performance indicators
- Implementation of the Strategic Plans
- Improving the Group level profitability
- ESG Challenges
- Strategic Investments

COMPOSITION

Mr. S A Chapman
Chairman (NIND/NED)

Mr. L U D Fernando
Member (NIND/NED)

Mr. P R Saldin*
Member (NIND/NED)

Prof. A K W Jayawardane
Member (NIND/NED)

Mr. P H L N Wimalaratne**
Member (NIND/ED)

Mr. D Dharmadasa
Member (SIND/NED -HNBGI)

Mr. M S Wijemanne
Member (NIND/NED-HNBGI)

Ms. P Abeygunawardana
Member (IND/NED-HNBGI)

Mr. J M J S D Jayasundara**
Member (NIND/ED-HNBGI)

* Ceased to be a Director w.e.f. 16th January 2026

** Appointed w.e.f. 29th August 2025

SIND – Senior Independent Director
IND - Independent Director
NIND - Non-Independent Director
NED - Non-Executive Director
ED – Executive Director

CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Strategy Review Committee Charter, which is reviewed periodically.

The Strategy Review Committee's main purpose is to monitor the HNBA Group key performance indicators and implementation of the Strategic Plan. It reviews management recommendations and supports timely implementation/amendments to group strategy, while keeping the respective group boards informed and obtaining their approval when required. The strategy committee, together with management, ensures business continuity, growth, and profitability of both HNBA and HNBGI. The committee demonstrates effective oversight and reassures stakeholders of proactive strategic management.

AUTHORITY

The Committee has been empowered by the Board of HNBA to receive regular reports on matters under its purview with relevance to both HNBA and HNBGI to have effective oversight of its duties.

Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview.

KEY RESPONSIBILITIES

The committee reviews and recommends to the Board any amendments to Company Strategy as deemed necessary from time to time, including assessing and reporting on Environmental, Regulatory, Industry, and other Macro-level challenges that may affect the business.

It provides strategic inputs to develop, review, and amend the Strategic Plan for HNBA and HNBGI.

Also, the Committee recommends research and investigations into any matter within its scope with the concurrence of the Board.

ACTIVITIES IN 2025

- The Strategy Review Committee Charter, in its scope, includes reviewing progress against the Strategic Plan and achievement of KPIs – short, medium, and long-term, process changes, Human Resource challenges, Technological enhancements, Regulatory recommendations, ESG factors, and other relevant matters, and makes recommendations to the Board from time to time.
- Reviewed the group product development plan and its implementation with reference to meeting customer expectations and group KPIs.
- Reviewed strategic investment assumptions to match market conditions and to pursue investment-backed products without compromising the endowment business.

STRATEGY REVIEW COMMITTEE REPORT

MEETINGS AND ATTENDANCE

The Committee held 04 meetings during the year.

Mr. S A Chapman	**4/4**
Mr. L U D Fernando	**1/4**
Mr. P R Saldin	**3/4**
Prof. A K W Jayawardane	**3/4**
Mr. P H L N Wimalaratne	**2/2**
Mr. D Dharmadasa	**4/4**
Mr. M S Wijemanne	**1/4**
Ms. P Abeygunawardena	**4/4**
Mr. J M J S D Jayasundara	**2/2**

ATTENDEES BY INVITATION

Ms. Priyanka Wijayaratne, Assistant General Manager – Strategy - HNB PLC

Mr. Bimal Perera, Chief Growth Officer - HNB PLC

Executive Committee members of HNBA & HNBGI on a need basis.

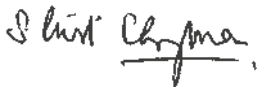
SECRETARY TO THE COMMITTEE

Ms. Geethani C Saram
Head of Transformation & Strategy

EXPERTISE

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 215 to 219

- Reviewed the Ranking Model for Agency and Partnership Sales Channels based on key channel KPIs to ascertain branch performance and grading.
- Reviewed data analytics projects to assess the lead conversion potential of the HNB portfolio. As a second step, the development of a strategy to capitalise on business opportunities within the HNB group.
- Reviewed the HNBA group marketing strategy through current media landscape, the company's ongoing marketing efforts, and future initiatives.
- Reviewed alternate premium collection methods, associated costs, and recommendations for new premium collection channels with a view to enhancing product persistency, accountability, and efficiency.
- Explored affiliations and strategic partnerships with adjacent business areas, specifically healthcare, to unlock new opportunities.
- Reviewed HNBGIs' lease conversion trajectory to capture insurance segments within the HNB group customer base.
- Reviewed the monthly Combined ratio, Claims Ratio, and other key business ratios of the group.
- Reviewed potential business opportunities for collaboration within the group.
- Explored opportunities for inorganic growth.
- Reviewed industry information to assess HNBA group's competitive advantages and regularly updated the board on its strategic direction.



Stuart Chapman
Chairman – Strategy Review Committee

Colombo, Sri Lanka
24th February 2026

DIRECTORS' STATEMENT ON INTERNAL CONTROL

This Statement is made in accordance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and relates to the system of internal controls in place during the year ended 31 December 2025 and up to the date of approval of the Annual Report.

BOARD RESPONSIBILITY

The Board of Directors ("Board") is responsible for ensuring the adequacy and effectiveness of the internal control and risk management framework of HNB Assurance PLC ("the Company").

Accordingly, the Company has established a comprehensive system of internal controls encompassing risk management, financial, organisational, operational, compliance, and information technology controls. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore provide only reasonable and not absolute assurance against material misstatement, loss, or fraud.

The Board has established an ongoing and structured process for identifying, assessing, and managing the principal risks faced by the Company. This process is aligned with the evolving nature of the business, regulatory requirements, and the operating environment, including changes arising from regulatory developments and emerging risks.

The Board has delegated oversight of internal controls to the Board Audit Committee and the Board Risk Management Committee, while retaining ultimate responsibility for the effectiveness of the system. The effectiveness of the risk management and internal control framework is reviewed periodically through the Board Audit Committee and the Board Risk Management Committee, with independent assurance provided by the Internal Audit function.

During the year, the Board, with the support of its Sub-Committees, reviewed internal control deficiencies identified through internal audits, external audits, and management reviews, and ensured that appropriate corrective actions were implemented to strengthen the control environment. Management supports the Board by identifying and evaluating risks, and by designing, implementing, and monitoring internal controls and policies to mitigate such risks on an ongoing basis.

Based on the reviews conducted and the assurances received, the Board is satisfied that the system of internal controls in place during the year was sound and adequate to provide reasonable assurance over the reliability and integrity of financial reporting. The Board is also satisfied that the Financial Statements have been prepared in accordance with applicable Sri Lanka Accounting Standards, regulatory requirements, and best practices.

PROCESS FOR REVIEWING INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has established an ongoing and structured process to review the adequacy, effectiveness, and integrity of the system of internal controls over financial reporting of the Company and its wholly owned subsidiary, HNB General Insurance Ltd. The key elements of this process include the following:

- The Board is supported by its Sub-Committees, including the Board Audit Committee and the Board Risk Management Committee, in overseeing financial reporting, internal controls, and risk management in line with approved strategies, budgets, policies, and business objectives.
- With effect from July 2025, separate Board Audit Committees were established for the Company and the subsidiary to provide enhanced focus, more effective oversight, and entity-specific attention to financial reporting and internal control matters. Further, with effect from September 2025, the Head of Internal Audit assumed the role of Secretary to both Board Audit Committees, a function previously carried out by the Board Secretary. This change was introduced to further strengthen the independence and effectiveness of the Board Audit Committee operations.
- During 2025, the Group operated a fully in-house Internal Audit function adopting a risk-based approach. The Head of Internal Audit is responsible for the internal audit activities of both the Company and the Subsidiary, ensuring consistency in audit methodology, reporting standards, and follow-up of audit findings across the Group. Internal audits were conducted across key functions, departments, and branches in accordance with the annual internal audit plan approved by the Board Audit Committee, with audit scope and frequency determined based on assessed risk levels. Significant findings and control weaknesses were reported to the respective Board Audit Committees for review.
- The Board Audit Committees reviewed internal control deficiencies identified by Internal Audit, External Auditors, regulatory authorities, and Management, evaluated the adequacy and effectiveness of internal controls over financial reporting, and monitored the timely implementation of agreed corrective actions.
- The Board Audit Committees reviewed the impact of changes in Sri Lanka Accounting Standards (SLFRSs and LKASs) on financial reporting and considered assessments of General and Application IT Controls relevant to financial reporting carried out by the External Auditors.
- Key matters arising from Board Audit Committee deliberations were reported to the Board through the tabling of Committee minutes, and further details of Board Audit Committee activities are set out in the Audit Committee Report in this Annual Report.
- The Board Risk Management Committee (BRMC) has been established to assist the Board in overseeing the risk management framework of the Company and its subsidiary. Risk assessments are conducted on a regular basis to

DIRECTORS' STATEMENT ON INTERNAL CONTROL

evaluate key risks and the adequacy of existing and proposed controls for mitigating such risks. The outcomes of these risk assessments are presented to the BRMC, the Chief Executive Officer, and Senior Management, as appropriate.

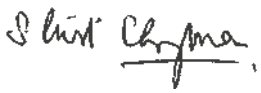
- Key Risk Indicators (KRIs) have been established across all major operations of the Company and its subsidiary. A consolidated KRI report is prepared on a monthly basis, with a summary presented to the Board Risk Management Committee. Significant risk trends and emerging concerns are further deliberated at Board level.
- Real-time incident reports are collected from all Head Office divisions and the branch network. A summary of significant incidents is escalated to the Board Risk Management Committee for review. In addition, Branch Risk and Control Self-Assessments (RCSAs) and procedural checklists are obtained on a monthly basis to support ongoing risk monitoring.
- A comprehensive Compliance Checklist covering all applicable laws, regulations, and supervisory requirements is signed off by Management on a monthly basis and tabled at meetings of the Board Audit Committee and the Board Risk Management Committee.
- Compliance reports prepared by the Head of Legal and Compliance are also presented regularly to the Board Audit Committee, the Board Risk Management Committee, and the Investment Committee. Additionally, the Head of Legal and Compliance submits a monthly compliance status report to the Board covering both the Company and its subsidiary.

CONFIRMATION

Based on the processes and reviews described above, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting. The preparation of Financial Statements for external purposes was done in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No. 07 of 2007, Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange.



Ashoka Goonesekere
Chairman, Board Audit Committee



Stuart Chapman
Chairman

Colombo, Sri Lanka
24th February 2026

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2025

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the Contents of the Annual Report as Required by Section 168 of the Companies Act, No. 07 of 2007.

1. PREFACE

The Board of Directors ('the Board') of HNB Assurance PLC ('HNBA' or 'the Company') is pleased to present the Annual Report together with the Audited Financial Statements of the Company, consolidated Financial Statements of the Group for the financial year ended 31st December 2025 as set out in pages 333 to 474 and the Auditors' Report on the Financial Statements.

This report covers statutory requirements and directions of the Companies Act, No. 07 of 2007 as amended, Regulation of Insurance Industry Act, No. 43 of 2000 as amended, the Listing Rules of the Colombo Stock Exchange (CSE), rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and is guided by the recommended best practices on Corporate Governance.

The Annual Report was reviewed and approved by the Board of Directors of the Company on 24 February 2026 and appropriate number of copies will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as specified and stipulated.

As required by the Section 168 of the Companies Act, No. 07 of 2007, the following information is disclosed in this report prepared for the year ended 31st December 2025.

Reference to the Companies Act	Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference from the Annual Report of the Board of Directors
Section 168 (1) (a) (i)	The nature of the business of the Company or any of its subsidiaries.	Section 2.3 on page 312
Section 168 (1) (b)	Financial Statements for the accounting period completed and signed in accordance with Section 151, and any Group Financial Statements for the accounting period completed and signed in accordance with Section 152.	Section 3.1 on page 312
Section 168 (1) (c)	Auditor's appointment and Auditors' Report on the Financial Statements of the Group and the Company.	Section 8.1 on page 316
Section 168 (1) (d)	Accounting Policies of the Group and the Company and any changes therein.	Section 3.2 on page 312
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company and its subsidiary during the accounting period.	Section 5.6 on page 315
Section 168 (1) (f)	Remuneration and other benefits paid to Directors during the accounting period.	Section 5.7 on page 315
Section 168 (1) (g)	Total amount of donations made by the Group during the accounting period.	Section 20 on page 318
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company and the subsidiary as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company and the subsidiary during the accounting period.	Section 5.1 on page 314 Section 5.2 on page 315
Section 168 (1) (i)	Disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company and the subsidiary	Section 8.2 on page 316
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and the subsidiary.	Section 8.2 on page 316
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board of Directors.	Section 24 on page 318
Section 168 (2)	A company that is required to include Group Financial Statements in its annual report shall include those in relation to its subsidiaries, the information specified in paragraphs (b) to (j) of subsection (1).	All requirements in relation to the subsidiary operations have also been covered under relevant sections
Section 168 (3)	The Annual Report of a company need not comply with of paragraph (a) and paragraphs (d) to (j) of subsection (1), if all Shareholders agree in writing that it need not do so. Any such agreement shall be noted in the Annual Report.	Not Applicable. The Company complies with paragraph (a) and (d) to (j) of subsection (1)

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2025

2. REVIEW OF THE BUSINESS

2.1 Formation

The Company was incorporated on 23rd August 2001 as a limited liability company under the Companies Act, No. 17 of 1982, and reregistered on 09th August 2007 as per the requirements of the Companies Act, No. 07 of 2007 as amended and bears the Company Registration Number, PQ 108. In November 2003, ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE). The Company is registered under the Regulation of Insurance Industry Act, No. 43 of 2000 to operate as a Life Insurance company and also owns a fully owned subsidiary, HNB General Insurance Limited ("HNBGI"), which is a licensed General Insurance company registered under the same Act. The ultimate parent of the Company is Hatton National Bank PLC, a Licensed Commercial Bank which owns 59.99% of the voting rights of the Company. The registered office of the Company is located at No. 479, T B Jayah Mawatha, Colombo 10.

2.2 Corporate Vision, Mission and Values

The vision, mission and the values of the Company are given on page 11 of this report. The Directors and employees of the Company and the Group practices high standards of ethical behaviour in carrying out the business in line with the vision and mission set.

2.3 Principal Business activities of the Company and the Group Companies

The principal activity of the Company is Life Insurance business and HNB General Insurance Limited carries out General Insurance business. No significant change took place in the principal business activities of both entities. Both companies also provide Takaful Insurance products within the framework of main business activities. These Takaful business operations are structured as 'Window Units' and considered a part of the Company's/Group's operations for both financial and regulatory reporting purposes.

2.4 Review of Business and Future Developments

An overview of the business performance and the future developments of the Company and the Group are discussed and presented in the Chairman's Message, Chief Executive Officer's review (pages 32 to 37 and 38 to 43), and the Management Discussion and Analysis (pages 56 to 210). These reports together with Audited Financial Statements reflect the state of affairs of the Company and the Group.

2.5 Value Creation Process

This Report illustrates the efforts that the company has undertaken to create value to all its stakeholders which is depicted in the value creation model on page 56. Significant impacts are identified that could affect the value creation process and has been categorised as risks and opportunities. The Board has developed required strategies to mitigate these risks and gain from opportunities through the company's annual strategic plan.

3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

3.1 Director's Responsibility for Financial Reporting

As per Section 150 (1) of the Companies Act, No. 07 of 2007, the Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and the Group and these Financial Statements give a true and fair view of the state of affairs of the Company and Group in compliance with Sections 151, 152, 153 (1) and 153 (2) of the Companies Act, No. 07 of 2007 as amended.

Accordingly, the Financial Statements of Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and also comply with requirements of the Companies Act, No. 07 of 2007 as amended, Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Rules and Regulations of the Insurance Regulatory Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.14 and the recommended best practice. The detailed statement of Directors' Responsibility is included in pages 322 to 323 forms an integral part of this report.

The Financial Statements for the year ended 31st December 2025 which appears on pages 333 to 474 are duly signed by the Chief Financial Officer and two Directors of the Company, in accordance with Section 168 (1) (b). These statements constitute an integral part of the Annual Report of the Board of Directors.

3.2 Material Accounting Policies and Changes during the Year

The material accounting policies adopted in the preparation of the Financial Statements and changes to material accounting policies if any, in the preparation of the Financial Statements are described on page 339.

3.3 Going Concern

The Directors after having made necessary assessment of the Company's and its subsidiary's ability to continue as a going concern declare that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the financial statements and business operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's and its subsidiary's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared for the Company and its subsidiary on going concern basis.

3.4 Events Occurring after the Date of the Statement of Financial Position

Except for the events occurring after the reporting date disclosed in Note 51 on page 472, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

3.5 Contingencies

All contingencies to the Group and the Company were disclosed in the Note 53 on the page 472. In the opinion of the Directors, and in consultation with the Company Lawyers and Tax Consultants, litigations currently pending against the Group and the Company, would not have a material impact on the reported financial results.

All pending litigations for claims have been evaluated and adequate provisions have been made in the Financial Statements where necessary.

4. FINANCIAL RESULTS AND APPROPRIATIONS

4.1 Gross Written Premium (GWP)

Gross Written Premium of the Group for the year 2025 was Rs.30,450.4 Mn. (2024: Rs. 22,737.9 Mn) whilst the Company's Gross Written Premium for the year 2025 was Rs. 19,490.0 Mn (2024: Rs. 13,709.7 Mn). Note 32 to the Financial Statements in page 450 provides a segmental analysis of the Gross Written Premium.

4.2 Profits and Appropriations

The Profit After Tax of the Group for the year 2025 was Rs. 2,384.7Mn (2024: Rs. 1,896.9Mn) whilst the Company's Profit After Tax for the year 2025 was Rs. 2,122.7 Mn (2024: Rs. 1,656.7 Mn). The details of the appropriation of profit are given below.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Taxation	3,385,279	2,712,921	3,030,236	2,358,470
Income Tax Expenses	(1,000,548)	(816,060)	(907,501)	(701,759)
Profit for the Year	2,384,731	1,896,861	2,122,735	1,656,711
Unappropriated Profit Brought Forward	10,351,725	9,039,864	8,689,963	7,618,252
Profit Available for Appropriation	12,736,456	10,936,725	10,812,698	9,274,963
Dividend Paid	(585,000)	(585,000)	(585,000)	(585,000)
Unappropriated Profit Carried Forward	12,151,456	10,351,725	10,227,698	8,689,963

4.3 Dividends on Ordinary Shares

Information on first and final dividend proposed by the Company is given in Note 48 on page 465 to the Financial Statements.

The Directors recommended a first and final dividend of Rs. 5 per share for the year under review to be approved by the Shareholders at the forthcoming Annual General Meeting to be held on 30th March 2026. The first and final dividend will be paid on or before 23rd April 2026 to holders of issued and paid-up ordinary shares of the Company, whose names remain in the share registry as at the close of business on the 31st March 2026.

As required by Section 56 (3) of the Companies Act, No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test immediately after the distribution of the first and final dividend of Rs. 750 Mn and Statement of Solvency prepared by the Board was audited by External Auditors Messrs. KPMG in terms of Section 56 (2) of the Companies Act, No. 07 of 2007 as amended.

4.4 Stated Capital

The Stated Capital of the Company as at 31st December 2025 was Rs. 1,171,875,000 comprising 150,000,000 fully paid ordinary shares. (2024: Stated Capital - Rs. 1,171,875,000, No. of Shares:150,000,000).

4.5 Reserves

Transfers to/from Reserves of the Group/Company are shown in the Statement of Changes in Equity appearing on pages 336 and 337.

4.6 Taxation

As per the prevailing tax rules of the country, the company and the subsidiary were taxed at the corporate tax rate of 30% (2024: 30%). The tax position of the Company and its subsidiary is disclosed in Note 46 to the Financial Statements on page 461. The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 9.1 Mn (Deferred tax Asset of Rs. 14.8 Mn in 2024).

4.7 Capital Expenditure

The Company's and Group's capital expenditure on Property, Plant and Equipment and Intangible Assets amounted to Rs. 288.0 Mn and Rs. 643.4 Mn respectively (2024: Company Rs. 332.2 Mn and Group Rs. 382.1 Mn) and all other related information and movements have been disclosed in Note 8 on page 401 and Note 10 on page 410 to the Financial Statements.

At the year end, there were no capital expenditure approved by the Board and contracted, for which no provision has been made in the Financial Statements other than Rs. 296.6 Mn on Property Plant and Equipment and software (2024: Rs. 465.5 Mn) for the Group and Rs. 245.8 Mn on Property Plant and Equipment and software (2024 : Rs. 293.2 Mn) for the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2025

4.8 Financial Investments

The Financial Investments held by the Company and the Group mainly comprises of Financial Instruments. Financial Investments of the Company and Group amounted to Rs. 62,493.4 Mn and Rs. 68,717.1 Mn respectively as at 31st December 2025 (2024 : Rs. 48,486.3 Mn and Rs. 54,304.8 Mn respectively). The details of the Financial Investments are given in Note 11 to the Financial Statements on pages 412 to 421.

4.9 Provisions, Liabilities and Capital Commitments

The Directors have taken all reasonable steps to ensure that adequate provisions were made for all known liabilities and commitments. Contract Liabilities for Life Insurance stood at Rs. 49,248.0 Mn (2024: Rs. 38,647.5 Mn) as at 31st December 2025, while Contract Liabilities for General Insurance constituted Rs. 6,788.9 Mn (2024: Rs. 4,507.0 Mn) as at 31st December 2025. These liabilities have been valued by the appointed Actuaries whose reports are disclosed on pages 326 and 327 respectively. The assumptions and methods used are given in the accounting policies in pages 435 to 440 of these Financial Statements. The Gratuity Liability of the Company and the Group stood at Rs. 355.9 Mn and Rs.605.3 Mn respectively (2024: Rs. 279.9 Mn and Rs. 477.3 Mn respectively), and is certified by an External Actuary.

5. THE BOARD OF DIRECTORS

5.1 Information on Directors of the Company and the Group and Directors Meetings

The Board of Directors of HNBA consist of 8 members, and HNBGI has 7 members as of the signing date of this report. Information relating to the Directors of the Company is available in the Directors' profile on pages 212 to 219. The Board is made up of experienced professionals from diverse backgrounds, experience, expertise and age, contributing varied perspectives to boardroom deliberations. Directors are appointed through a formal and transparent process, assessed for their independence and approved by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

The names, appointment dates and meeting attendance of Directors of Company and the subsidiary are given below.

	Board Status	Appointment to HNBA Board	Appointment to HNBGI Board	HNBA Board	HNBGI Board	Audit Committee	Remuneration & Human Resources Committee	Related Party Transactions Review Committee	Nominations & Governance Committee	Investment Committee	Risk Management Committee	Strategy Review Committee	Procurement Committee	Innovation & Digital Transformation Committee
Mr. S A Chapman – Chairman	Non-Executive	29.03.2019	24.05.2024	12/12	12/12		3/3		6/6		4/4	4/4		
Mr. A Goonesekere*	Independent	31.12.2021	N/A	12/12		7/7	3/3	4/4	6/6	4/4				
Mr. L U D Fernando	Non-Executive	29.03.2019	29.03.2019	11/12	11/12	6/7		3/4	3/6			1/4	4/5	
Mr. L H A L Silva	Independent	01.01.2024	N/A	11/12					6/6	4/4	4/4		5/5	
Dr. P S Gamwarige	Independent	01.01.2024	N/A	12/12		7/7	3/3	4/4	5/5					2/2
Mr. P R Saldin**	Non-Executive	19.02.2024	N/A	11/12							3/4	3/4		
Prof. A K W Jayawardane	Non-Executive	09.08.2024	N/A	11/12							4/4	3/4		2/2
Mr. P H L N Wimalaratne***	Executive	03.07.2025	N/A	5/5				1/1		1/1	1/1	2/2	1/1	1/1
Ms. W A P A Ranawaka	Non-Executive	01.10.2025	N/A	2/2							1/1			
Mr. U K D Dharmadasa*	Independent	N/A	17.02.2023		11/12							4/4	4/5	1/2
Mr. M S Wijemanne	Non-Executive	N/A	29.03.2019		9/12						1/1	1/4		
Mr. A V Abeygunasekara	Non-Executive	N/A	29.03.2019		12/12					4/4				
Ms. P Abeygunawardena	Independent	N/A	01.04.2024		12/12						4/4	4/4		
Mr. J M J S D Jayasundara***	Executive	N/A	02.07.2025		5/5					1/1	1/1	2/2	1/1	1/1

* Senior Independent Director
** Ceased to be a Director w.e.f. 16th January 2026
*** Executive Director/ Chief Executive Officer

Independent Non-Executive Executive



5.2 New Appointments, Retirement, Resignations

Mr. Lasitha Wimalaratne was appointed to the Board of HNB Assurance PLC in the capacity of an Executive Director with effect from 03rd July 2025.

Mr. Sithumina Jayasundara was appointed to the Board of HNB General Insurance Limited in the capacity of an Executive Director with effect from 02nd July 2025.

Ms. Poornima Ranawaka was appointed to the Board of HNB Assurance PLC in the capacity of a Non-Executive Director with effect from 01st October 2025.

Number of Board members reduced to eight (8) consequent to the demise of Mr. Rimoe Saldin on 16th January 2026. The Board records its appreciation of his valuable contribution to the Company.

There were no appointments, retirements or resignations to the Board of both HNBA and HNBGI during the reporting period other than those mentioned above.

5.3 Retirement and Re-election of Directors

In terms of Article 27(7), of the Articles of Association of the Company, Mr. Lakshman Silva is retiring by rotation at the AGM and being eligible, offer himself for re-election.

5.4 Appraisal of Board Performance

Performance of the Board of Directors was reviewed through a self-assessment questionnaire and the responses were shared among all Board members. Suggestions to further improve the performance of the Board that arose from these self-assessment questionnaires were discussed in detail and adopted as appropriate. The Secretary to the Board and the Management continuously follow up on the progress of implementing such agreed actions.

5.5 Board and Sub-Committees

Nine Board sub-committees have been appointed by the Board to support the Board in ensuring that the Company and the Group carry out its activities with the highest ethical standards and in the best interest of all its stakeholders at all times.

The Terms of Reference of these sub-committees follow the recommendations made by various regulatory bodies, including but not limited to the Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission, the Colombo Stock Exchange and the Institute of Chartered Accountants of Sri Lanka. These committee reports are given on pages 291 to 308 in the Annual Report. Committee mandates are reviewed regularly. The composition and meeting attendance by members for the above sub-committee meetings are given in Note 5.1.

5.6 Interest Register and Interest in Contracts or Proposed Contracts

As per requirements of the Companies Act, No. 07 of 2007, an Interest Register is maintained by the Company. Directors have made declarations of their interests in other companies conforming to Sections 192 (1) and 192 (2) of the Companies Act, No. 07 of 2007 as amended and they are recorded in the Directors' Interest Register.

The Interest Register is available at the registered office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act, No. 07 of 2007 as amended.

Directors also refrained from voting on any contract or matter in which they have a material interest as a practice of good governance. Particulars of the Directors' Interests in Contracts are given on page 319 of the Annual Report and Note 50 to the Financial Statements presents complete disclosure on related party transactions, which forms an integral part of the Annual Report of the Board of Directors.

The Directors' Interest in shares has not changed between 31st December 2025 and 24th February 2026, the date of this report.

Name of Director	No. of Shares held as at 31st December	
	2025	2024
Mr. S A Chapman	500	500
Mr. A Goonesekere	Nil	Nil
Mr. L U D Fernando	Nil	Nil
Mr. L H A L Silva	Nil	Nil
Dr. P S Gamwarige	Nil	Nil
Mr. P R Saldin*	Nil	Nil
Prof. A K W Jayawardane	Nil	Nil
Mr. P H L N Wimalaratne**	Nil	N/A
Ms. W A P A Ranawaka***	Nil	N/A

* Ceased to be a Director w.e.f. 16th January 2026
** Appointed to the Board w.e.f 03rd July 2025
*** Appointed to the Board w.e.f. 01st October 2025

5.7 Directors' Remuneration

Director's remuneration including post-employment is given in Note 43 on page 458 to the Financial Statements. Further, Directors are not entitled to obtain any loan from the Company.

5.8 Related Party Transactions

The Company's transactions with related parties, given in Note 50 on page 467 to the Financial Statements have complied with Colombo Stock Exchange CSE Listing Rule 9.14 the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive and the CA Sri Lanka Code of Best Practice on Corporate Governance (2023).

The Related Party Transactions Review Committee reviews all related party transactions recorded for the period and no related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure to CSE and a separate disclosure in the Annual Report as per Section 9.14.8 of the Listing Rules. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures'. All transactions that are entered during the period are on arm's length basis and are in compliance with transfer pricing regulations.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2025

6. SHARE INFORMATION

6.1 Information on Earnings, Dividends, Net Assets and Market Value

Information related to earnings, dividends, net assets, market price per share, and share trading as per the CSE Listing Rules are given on pages 492 to 498. Ratios relating to Dividends, Net Assets, Market Price per Share are presented on Investor Information on page 493.

6.2 Distribution Schedule of Shareholding

The distribution and analysis of shareholding is given on page 494 of this Annual Report. As at 31st December 2025, HNB Assurance PLC had 4,564 registered Ordinary Shareholders (2024 – 3,896).

6.3 Substantial Shareholding

Hatton National Bank PLC holds 59.99% of the Ordinary Voting shares as at 31st December 2025. Information of the top 20 Shareholders and the percentage held by each Shareholder as at 31st December 2025 are presented on page 495 with comparable information as at 31st December 2024.

6.4 Employee Share Ownership/Option Plans

The Company does not have any employee share ownership/ option plans.

6.5 Public Shareholding and Float Adjusted Market Capitalisation

The percentage of shares held by the public as at 31 December 2025 was 40.01% (31st December 2024 – 40.01%). The Float Adjusted market capitalisation of the company was Rs. 6,887 Mn as at 31st December 2025 (2024: Rs. 4,808 Mn) and the company met the minimum public shareholding under option 3 of the Section 7.13.1 (i) (a) (1) of the Listing Rules.

Further, details on shareholding and related information are presented on Investor Information on page 495.

7. EQUITABLE TREATMENT OF SHAREHOLDERS

All Shareholders irrespective of the number of shares owned by them are treated equally and the Company recognises the right of all Shareholders to obtain information. Further establishing this principle, the Chairperson's Message, the Chief Executive Officer's Review, the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity are available in Sinhala and Tamil languages to our Shareholders on request. This is also made available through our Company website.

8. INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

8.1 Auditors' Appointment and Audit Report

The Company's Independent External Auditors, Messrs. KPMG, Chartered Accountants, who were appointed by a resolution passed at the 23rd Annual General Meeting, have carried out an audit on the Financial Statements of the Company and the Consolidated Financial Statements of the Group for the year ended 31st December 2025 and expressed their opinion which appears on pages 329 to 332 of this Annual Report.

8.2 Auditors Remuneration and Relationship

The details of their remuneration in respect of audit fees and audit related fees are given in Note 43.2 on page 459 to the Financial Statements as required by Section 168 (1) (i) of the Companies Act, No. 07 of 2007. As far as the Directors are aware, the Auditors do not have any relationship with the Company, and the subsidiary which would impair the Auditors' independence within the means of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report, thus complies with the Section 168 (1) (j) of the Companies Act, No. 07 of 2007 as amended.

Report of the Audit Committee provides more information on appointment of Auditors, Independence of Auditors and the provision of non-audit services which are available on the page 291 of this Annual Report.

8.3 Appointment of Auditor for the Financial Year 2026

As per the Auditor Rotation Policy the existing auditor is not eligible to be selected immediately after the completion of its tenure. Thus, Messrs. KPMG, the existing auditor, will not be eligible to be reappointed. The Audit Committee has recommended the appointment of Messrs. Ernst & Young Sri Lanka as the External Auditor of the Company for the financial year 2026. The Board of Directors of the Company proposes that, Messrs. Ernst & Young, Chartered Accountants, be appointed as the External Auditors at the Annual General Meeting to be held on the 30th March 2026. In accordance with the Companies Act, No. 07 of 2007, a resolution relating to the appointment of External Auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting to be held on the 30th March 2026.

9. COMPLIANCE WITH LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group/Company has not acted in contravention of any rule or regulation of the country. The Group has submitted all statutory returns and other required details to the relevant authorities on or before the due dates. This is further presented in the Compliance Summary pages from 501 to 503 of this Annual Report.

10. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and related institutions, the IRCSL, and relating to the employees, by the Company and its subsidiary, have been made on time or where relevant provided for, except as specified in Note 53 on page 472 to the Financial Statements, covering contingent liabilities.

11. RISK BASED CAPITAL (RBC) COMPLIANCE

The Company and its subsidiary have complied with the requirements of the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. Total Available Capital (TAC) and Risk based Capital Adequacy Ratio (CAR) of HNBA and HNBGI were maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year.

At the end of the financial year 2025, HNBA recorded a CAR of 283% (2024: 379%) and HNBGI recorded a CAR of 190% (2024: 219%).

12. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board of Directors believes that strong internal controls are an essential part of management of the business and is committed to maintaining financial, operational and risk management controls over all its activities. The ultimate responsibility of Company's/Group's system of internal controls and risk management is vested with the Board of Directors.

Therefore, the Board continuously monitors all business aspects through the Risk Management Committee and the Audit Committee along with the reports of the Internal Auditors to ensure the adequacy and effectiveness of internal controls of the Group, compliance with laws and regulations and established policies adopted by the Group. Further details of these aspects are discussed in the Corporate Governance Report, Director's Statement of Internal Control, Audit Committee Report and Risk Management Committee Report available on pages 233 to 271, pages 309 to 310, pages 291 to 296 and pages 305 to 306 respectively.

13. CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensuring best practices in Corporate Governance and their effective implementation.

The Company's compliance with relevant sections of Corporate Governance framework issued by IRCSL in the year 2018 as amended is given on pages 263 to 264. Further, the table from pages 265 to 267 shows the manner in which the Company is in the process of complying with Section 9 of the amended Rules of CSE on Corporate Governance as applicable and Company's compliance on the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 248. The Corporate Governance Report is given from pages 233 to 271. Also, the Directors declare that;

- all applicable laws and regulations have been complied with by the Company, in conducting its business activities and they are aware of laws and regulations and changes particularly to Listing Rules and applicable capital market provisions
- the Directors have disclosed all material interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested,
- the Company has made all endeavours to ensure that all Shareholders have been treated equitably,
- the business is a going concern with supporting assumptions or qualifications as necessary,
- a review of internal controls, covering financial, operational and compliance controls, and risk management, has been conducted, and a reasonable assurance of their effectiveness and successful adherence has been obtained.
- they have made arrangements to take actions pertaining to disclosure of relevant areas of any material non- compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the entity has operations.

14. CODE OF CONDUCT AND ETHICS

All employees of the Company/subsidiary are governed by a Code of Business Conduct and are expected to abide by the Code without any exceptions. During the year no major Violations of the Code were reported, except for few insignificant operational level incidents over which appropriate and prompt actions were taken by the management. The Board of Directors is also governed by a Code of Conduct and Ethics and during the year no violations of the Code were reported.

15. WHISTLEBLOWING

A Whistle Blowing Policy is in place and has been communicated to all employees of the Company/subsidiary. It encourages to bring to the attention of the Management or the Board any possible risks faced by the Company/subsidiary at the earliest. During the year no major concerns were raised through the Policy.

16. INTEGRATED CORPORATE REPORTING

The Company has prepared this Integrated Annual Report in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Independent Limited Assurance Report provided by Messrs. KPMG on the Integrated Annual Report is given on pages 126 to 128.

17. SUSTAINABILITY

The Company/Group is conscious of the importance of assessing business performance through financial as well as social and environmental aspects. Accordingly, sustainability aspects have been considered when formulating business strategies and details of which are presented on pages 91 to 125.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2025

The Group obtained independent limited assurance over disclosures prepared in accordance with the SLFRS Sustainability Disclosure Standards (SLFRS S1 -General Requirements for Disclosure of sustainability related information and SLFRS S2 – Climate related Disclosures) for the Annual Report 2025. The Independent Limited Assurance Report provided by Messrs. Ernst & Young on the Annual Report is given on pages 129 to 130.

18. ENVIRONMENT PROTECTION

To the best knowledge of the Board, the Company and subsidiary have complied with the relevant environmental laws and regulations and the Company and subsidiary have not engaged in any activity that is harmful or hazardous to the environment. Specific measures taken to protect the environment are found in the Management Discussion and Analysis on pages 80 to 88.

19. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially responsible corporate citizen, the Company carries out a range of CSR activities. The details of CSR activities are given under Management Discussion and Analysis on pages 200 to 202.

20. CORPORATE DONATIONS

Total donations made by the Company during the year amounted to Rs. 750,000 (2024 - Rs. 682,159).

21. HUMAN RESOURCES

The Company and Group ensure that effective human resource practices and policies exist, and these are continuously reviewed and improved to enhance workforce efficiency, effectiveness and productivity. These practices and policies are applied for all employees of the Group/Company irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Company and Group human resources are given in the Management Discussion and Analysis on pages 146 to 162 and on Remuneration and Human Resources Committee Report given on pages 297 to 298.

No material issues were identified during the year relating to employees and industrial relations of the entity.

22. TECHNOLOGY

The Company/Group has accelerated its digitalisation journey focusing on technological advancements to support the business strategy of the Group. The Company and subsidiary invested in digitalisation of processes to increase the efficiencies and deliver superior products and services to customers. This enabled the Group to enhance customer experience and achieve operational excellence. Key achievements for the year are detailed in the pages 168 to 177.

23. ANNUAL GENERAL MEETING

The 24th Annual General Meeting of the Company will be held at the Auditorium on Level 22 of "HNB Towers", at No. 479, T B Jayah Mawatha, Colombo 10, on 30th March 2026 at 10.00 in the forenoon. The Notice of the Annual General Meeting is on page 510 of the Annual Report.

24. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

Board of Directors does hereby acknowledge the contents of this Annual Report as required by Section 168 (1) (k) of the Companies Act, No. 07 of 2007 as amended.

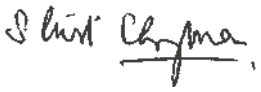
By order of the Board,



Jansenidevi Sundararajan Kuhanesan
Board Secretary



Ashoka Goonesekere
Senior Independent Director



Stuart Chapman
Chairman

Colombo, Sri Lanka
24th February 2026

DIRECTORS' INTERESTS IN CONTRACTS WITH THE GROUP/COMPANY

In compliance with the disclosure requirements of Section 168 (e) of the Companies Act No 07 of 2007, Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed as follows, where the Chairman or a Director of the Company is the Chairman or a Director of such entities.

All Directors of the Company have disclosed their interest in other companies to the Board and such interests are recorded in the Directors' interest register confirming to Section 192 (1) and 192 (2) of the Companies Act No 07 of 2007.

These entities have been categorised as listed, unlisted or foreign, and the Director's role as Executive or Non-Executive is also disclosed as per the requirements of Rule 9.10.4(e) of the CSE Listing Rules.

SUMMARY OF DIRECTORSHIPS IN OTHER COMPANIES

Director Name	Position	Listed	Unlisted	Total
S A Chapman	Chairman - HNBA and HNBGI	-	1*	1
A Goonesekere	Senior Independent Director - HNBA	3	-	3
L U D Fernando	Director - HNBA and HNBGI	2	14*	16
L H A L Silva	Director – HNBA	4	9	13
P S Gamwarige	Director – HNBA	-	3	3
P R Saldin**	Director – HNBA	3	8	11
A K W Jayawardane	Director – HNBA	1	3	4
P H L N Wimalaratne	Director / CEO – HNBA	-	-	-
W A P A Ranawaka	Director – HNBA	-	1	1
D Dharmadasa	Senior Independent Director - HNBGI	2	2*	4
M S Wijemanne	Director - HNBGI	2	4*	6
A V Abeygunasekara	Director - HNBGI	-	2*	2
P Abeygunawardena	Director - HNBGI	-	3*	3
J M J S D Jayasundara	Director / CEO - HNBGI	-	-	-

* Including HNB General Insurance Limited

** Ceased to be a Director w.e.f. 16th January 2026

Directorships in Listed Companies			
Director Name	Position	Company	Capacity
A Goonesekere			
1	D	Distilleries Company of Sri Lanka PLC	NED
2	D	Melstacorp PLC	NED
3	D	Pan Asia Banking Corporation PLC	NED
L U D Fernando			
1	D	Distilleries Company of Sri Lanka PLC	ED
2	D	Melstacorp PLC	ED
L H A L Silva			
1	D	Distilleries Company of Sri Lanka PLC	NED
2	D	Melstacorp PLC	NED
3	C	Panasian Power PLC	NED
4	D	Seylan Bank PLC	NED
P R Saldin			
1	D	Hatton National Bank PLC	NED
2	C	Chemanex PLC	NED
3	D	CIC Holdings PLC	NED

DIRECTORS' INTERESTS IN CONTRACTS WITH THE GROUP/COMPANY

Directorships in Listed Companies			
Director Name	Position	Company	Capacity
A K W Jayawardane			
1	D	Prime Lands Residencies PLC	NED
D Dharmadasa			
1	D	B P P L Holdings PLC	NED
2	D	Ex-pack Corrugated Cartons PLC	NED
M S Wijemanne			
1	D	Lanka Ventures PLC	NED
2	D	LVL Energy Fund PLC	NED

Directorships in Unlisted Companies		
Director Name	Position	Company
S A Chapman		
1	C	HNB General Insurance Ltd
L U D Fernando		
1	D	HNB General Insurance Ltd
2	D	Addison (Pvt) Ltd
3	D	Bell Vantage (Pvt) Ltd
4	D	DCSL Breweries Lanka Ltd
5	D	DCSL Brewery (Pvt) Ltd
6	D	DCSL Group Marketing (Pvt) Ltd
7	D	Melsta Healthcare Colombo (Pvt) Ltd
8	D	Melsta House (Pvt) Ltd
9	D	Melsta Laboratories (Pvt) Ltd
10	D	Melsta Logistics (Pvt) Ltd
11	D	Melsta Pharmaceuticals (Pvt) Ltd
12	D	Melsta Tower (Pvt) Ltd
13	D	Texpro Industries Ltd
14	D	Healthcey (Pvt) Ltd
L H A L Silva		
1	D	Fintech Consultancy (Pvt) Ltd
2	C	Lanka Clear Private Limited
3	D	Lower Kothmaleoya Power Two (Pvt) Ltd
4	D	Manelwala Hydro Power (Pvt) Ltd
5	D	Padiyapelella Hydropower Ltd
6	D	Panasian Investments (Pvt) Ltd
7	D	Panasian Power Zambia Limited
8	D	Panasian Solar (Pvt) Ltd
9	D	Powergen One (Pvt) Ltd
P S Gamwarige		
1	D	Nagarro (Pvt) Ltd
2	D	Praxis Magnus Strategies (Pvt) Ltd
3	D	Technologically Re-Awakening the Culture of Excellence (TRACE)
P R Saldin		
1	D	Akzo Nobel Paints Lanka (Pvt) Ltd
2	D	CIC Agri Business (Pvt) Ltd
3	C	CISCO Speciality Packaging (Pvt) Ltd
4	D	Link Natural Products (Pvt) Ltd
5	D	Paints & General Industries Ltd

Directorships in Unlisted Companies		
Director Name	Position	Company
6	D	Polypak Secco Ltd
7	D	Polytex Properties & Investments Ltd
8	C	Sithma Development (Pvt) Ltd
A K W Jayawardane		
1	D	Bank of Ceylon
2	D	Mother Lanka Foundation
3	M	National Academy of Sciences Sri Lanka
W A P A Ranawaka		
1	D	Ceylon Chamber of Professional Studies
D Dharmadasa		
1	D	HNB General Insurance Ltd
2	D	Lakshman Cooray & Company Ltd
M S Wijemanne		
1	D	HNB General Insurance Ltd
2	D	HNB Investment Bank (Pvt) Ltd
3	D	HNB Stockbrokers (Pvt) Ltd
4	D	Fintech Forum (Guarantee) Ltd
A V Abeygunasekara		
1	D	HNB General Insurance Ltd
2	D	HNB Securities Ltd
P Abeygunawardena		
1	D	HNB General Insurance Ltd
2	D	Black Board Digital Solution (Pvt) Ltd
3	D	Fortitude Executive Coaching (Pvt) Ltd

C ▸ Chairman **D** ▸ Director **NED** ▸ Non-Executive Director **ED** ▸ Executive Director **M** ▸ Member

Related party disclosures as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures' are detailed in Note 50 to the Financial Statements on pages 467 to 472 of this Annual Report.

STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Board of Directors in relation to the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 as amended, is given in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Independent Auditors' Report given on pages 329 to 332. As per the provisions of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act, No. 7 of 2007 as amended, the Directors are required to prepare and present Financial Statements for each financial year for the Company and the Group which give a true and fair view of the state of affairs of the Company as at the reporting date and of the profit or loss for the year and place the same before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31st December 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 thereto.

The Board of Directors also confirms that the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary give a true and fair view of;

- The state of affairs of the Company and the Group as at the date of the Statement of Financial Position; and
- The Financial Performance of the Company and the Group for the financial year ended 31st December 2025.

COMPLIANCE REPORT

In preparing the Financial Statements for the period ended 31st December 2025, the Directors also confirm that,

a) Appropriate accounting policies have been selected and applied in a consistent manner when preparing the Financial Statements/Consolidated Financial Statements appearing on pages 334 to 474.

b) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained in the Financial Statements/ Consolidated Financial Statements and accompanying Notes.

c) The Financial Statements/Consolidated Financial Statements for the year ended 31st December 2025, prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the applicable regulatory requirements including,

- Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.
- Companies Act, No. 07 of 2007 as amended.
- Regulation of Insurance Industry Act, No. 43, of 2000 and subsequent amendments thereto.
- Listing Rules of the Colombo Stock Exchange.
- Code of Best Practice on Corporate Governance 2023 issued by The Institute of Chartered Accountants of Sri Lanka.
- Statement of Recommended Practice (SoRP) issued by The Institute of Chartered Accountants of Sri Lanka.

d) As required by the Section 148 (1) of the Companies Act, the Company and the Group keep accounting records which correctly record and explain the Company's/ Group's transactions and enable the financial position of the Company/ Group to be determined with reasonable accuracy at any time while enabling the preparation of the Financial Statements in accordance with the Companies Act, No. 07 of 2007 as amended and ensuring that these statements can be readily and properly audited.

e) Appropriate steps have been taken to ensure that the Company/ Group maintains proper books of accounts and the financial reporting system is reviewed through the Audit Committee. The report of the Audit Committee is given on pages 291 to 296 of this Annual Report. Financial records of the Company/Group have been reviewed by the Board at their regular meetings and the Interim Financial Statements of the Company/Group have been reviewed and recommended by the Audit Committee and have then been approved by the Board of Directors prior to release to the Shareholders and Public.

f) The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

g) Steps have been taken to establish and maintain a system of internal controls to provide reasonable assurance of the reliability of financial reporting, effectiveness and efficiency of the operations, safeguarding of the assets of the Company/ Group, compliance with applicable laws and regulations, and prevention and detection of fraud and other irregularities. Directors' Statement on Internal Control is given on pages 309 to 310.

h) The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including taxes and duties due to all relevant regulatory and statutory authorities which were payable by the Company/Group as at the reporting date have been paid or where relevant provided for.

i) As required by the Section 56 (2) of the Companies Act, No. 07 of 2007 as amended, the Board of Directors based on the information available is satisfied that the Company will immediately after the distribution of dividends satisfy the solvency test, in accordance with the Section 57 of the Companies Act, No. 07 of 2007 as amended, and has obtained a certificate from the External Auditors, prior to declaring a first and final dividend of Rs 5.00 per share for this year, to be paid on or before 23rd April 2026.

j) As required by the Sections 166 (1) and 167 (1) of the Companies Act, No. 07 of 2007 as amended and Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Colombo Stock Exchange, the Board of Directors have prepared this Annual Report in time and will ensure that a copy thereof is sent to every Shareholder of the Company, who have expressed desire to receive a hard copy or to other Shareholders an online link containing the Annual Report within the stipulated period of time.

k) The Board of Directors after considering the financial position, operating conditions, regulatory environment and other factors required to be addressed, have established that it has reasonable expectations that the Company and the Group have adequate resources to continue in operation to justify applying the 'Going Concern' basis in preparation of these Financial Statements/Consolidated Financial Statements. The Directors are also required to take into consideration the implications of the current economic conditions on the Group's business, operations and financial performance this year as well.

l) As required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act, No. 07 of 2007 as amended, Chief Financial Officer has certified that the Financial Statements of the Company/ Group are in compliance with the requirements of the Companies Act, No. 07 of 2007 as amended. Further, as required by the Sections 150 (1) (c) and 150 (1) (c) of the Companies Act, No. 07 of 2007 as amended and other regulatory requirements the Financial Statements of the Company/Group have been signed by two Directors of the Company on 24th February 2026.

m) The Consolidated Financial Statements of the Group and the Financial Statements of the Company have been provided to the Company's External Auditors, Messrs. KPMG, who were appointed in terms of the Section 158 of the Companies Act, No. 07 of 2007 as amended and in accordance with a resolution passed at the last Annual General Meeting held on 28th March 2025. The External Auditors have been provided with every opportunity to carry out whatever reviews and sample checks on the system of internal controls they may consider appropriate and necessary to express their independent audit opinion on the Financial Statements of the Company and the Consolidated Financial Statements of the Group. The Financial Statements thus made available to them by the Board of Directors along with all the financial records, related data and minutes of Shareholders' and Directors' meetings have been examined by the External Auditors who have expressed their opinion which is given on pages 329 to 332.

Accordingly, the Directors, to the best of their knowledge and belief, are in the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Jansenidevi Sundararajan Kuhanesan
Board Secretary

Colombo, Sri Lanka
24th February 2026

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary as at 31st December 2025 are prepared and presented in compliance with the requirements of the following;

LEGAL AND REGULATORY ACTS:

- Companies Act, No. 07 of 2007.
- The Regulation of Insurance Industry Act, No. 43 of 2000 (including subsequent amendments).

FINANCIAL REPORTING STANDARDS:

- Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.
- Sustainability Disclosure Standards (SLFRS S1 and S2)

CORPORATE GOVERNANCE AND RELATED FRAMEWORKS:

- Listing Rules of the Colombo Stock Exchange (CSE).
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.
- Section 09 on Corporate Governance issued by the Colombo Stock Exchange.
- Statement of Recommended Practice (SoRP) issued by CA Sri Lanka.
- Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed in the SoRP and comply with the disclosure requirements of the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards (SLFRS/LKAS). The accounting policies used in the preparation of the Financial Statements comply with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Significant Accounting Policies and Estimates that involve a high degree of judgment and complexity were discussed with the Audit Committee and the External Auditors of the Group. Comparative information has been reclassified wherever necessary to comply with the current year's presentation.

We accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to these Financial Statements were made on a prudent and reasonable basis to ensure that the Financial Statements reflect, in all material respects, the financial condition, results of the operations and the cash flows of the Company during the year under review and present in a true and fair manner, the form and substance of transactions as well as to ascertain that the state of affairs of the Company/ Group. Based on the above and taking into account the Group's solvency and its ability to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

We also confirm that the Company/Group has taken proper and sufficient care in implementing a system of internal controls and accounting records, for safeguarding assets, ensuring smooth operations of the entity and for preventing and detecting frauds, as well as other irregularities, which are reviewed, evaluated and updated on an on-going basis. The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting. We confirm, to the best of our knowledge, that there were no significant deviations or weaknesses in the design or operation of Internal Controls and any significant fraud that involves management or other employees.

The Audit Committee of the Company meets periodically with both Internal and External Auditors to review the audit plans and the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

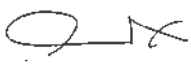
The Financial Statements of the Company/Group were audited by Messrs. KPMG, Chartered Accountants, Independent Auditors and their report is given on pages 329 to 332 of this Annual Report. Prior approval was obtained from the Audit Committee for the audit and non-audit services provided by them to ensure the provision of such services does not impair the objectivity of the Independent Auditors.

We confirm that to the best of our knowledge;

- The Company and the Group have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group/ Company other than those disclosed in Note 54 on page 474 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group/ Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company/Group as at 31st December 2025 have been paid, or where relevant accrued.
- The Company has complied with all relevant legal and regulatory provisions of the Regulation of Insurance Industry Act.



Ruwan Rodrigo
Chief Financial Officer



Lasitha Wimalaratne
Executive Director / Chief Executive Officer

Colombo, Sri Lanka
24th February 2026

FINANCIAL STATEMENTS



RELENTLESS BALANCE

Every movement of a gymnast must be deliberate and precise, requiring intense focus, balance, and unwavering confidence. Even the slightest deviation is visible; therefore, success depends on grace under pressure, stability in motion, and flawless execution refined through practice.

HNB Assurance reflects a strong commitment to rigorous controls, transparent disclosures, and disciplined processes, maintaining accuracy and accountability in every aspect of our financial performance. This commitment ensures clarity, trust, and confidence for stakeholders.

REPORT OF THE LIFE ACTUARY

wtw

HNB Assurance PLC
2nd, 3rd , 4th Floors,
Iceland Business Centre,
No. 30, Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka

06 February 2026

To the shareholders of HNB Assurance PLC

Actuarial Valuation of Long-Term Insurance Business as at 31 December 2025

In accordance with the engagement letter dated 29 May 2024, Willis Towers Watson India Private Limited ("WTW", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of HNB Assurance Plc's Long-Term Insurance Business as at 31 December 2025. We hereby certify that:

1. Proper records have been maintained by the Company which are appropriate for the purpose of actuarial valuation of liabilities of the Long-Term Insurance Fund.

2. Adequate and proper reserves have been held for all liabilities in respect of the Long-Term Insurance Fund, considering all current and contingent liabilities as at 31 December 2025.

3. We have reviewed the long-term provisions, Capital Adequacy Ratio (CAR) and surplus figures for valuation as at 31 December 2025.

4. The total long-term insurance provisions maintained within the life fund (on Risk Based Capital Basis) for conventional business is LKR 36,117 million. The total available capital (TAC) on the regulatory basis is LKR 24,191 million.

5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 and its subsequent amendments is LKR 8,548 million, and the Company's CAR is 283%, compared to the regulatory minimum requirement of 120%.

6. The total surplus distributed to the shareholders for FY2025 is LKR 1,900 million and the surplus distributed to policyholders is LKR 48 million.

7. The tax payable on surplus distributed to policyholder amounted to LKR 14 million. This is determined based on 30% tax on surplus distributed to policyholders.

8. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of HNB Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability stated above. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL [the Solvency Margin (Risk Based Capital) Rules 2015]. Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of HNB Assurance Plc as per the audited accounts of the Company for the year ended 31 December 2025 are higher compared to the liabilities computed in the above-mentioned manner.



Abhishek Chadha, FIA, FIAI
Director – Insurance Consulting and Technology, India
WTW

Willis Towers Watson India Private Limited
Registered Office:
7th Floor, Emaar Capital Towers-2
Mehrauli-Gurgaon Road, Unit 07-001
Sector 26, Sikanderpur Ghosi
Gurugram, 122002
Haryana, India

T: +91 124 4322800
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E: TW.Fin.India@willistowerswatson.com
W: wtwco.com
CIN: U67190HR1996PTC051336

CERTIFICATION OF INCURRED BUT NOT REPORTED (IBNR) AND INCURRED BUT NOT ENOUGH REPORTED (IBNER) CLAIMS RESERVE

wtw

9 February 2026

To the shareholders of HNB General Insurance Limited

HNB General Insurance Limited 31 December 2025 IBNR and LAT Certification

In accordance with the engagement letter dated 29 May 2024, Willis Towers Watson India Private Limited has provided actuarial services relating to the role of Appointed Actuary as at 31 December 2025.

I hereby certify that the undiscounted Central Estimate of IBNR (inclusive of CHE) provision of LKR 411,837,378 is adequate in relation to the Claim Liability of HNB General Insurance Limited as at the 31 December 2025, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2025.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision net of DAC of LKR 3,322,148,949 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of HNB General Insurance Limited as at 31 December 2025. As such, there is no premium deficiency to be recognized by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the above Company, and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

Sipika Tandon Mathur, FIAI
Director, P&C Insurance
Willis Towers Watson India Private Limited

Willis Towers Watson India Private Limited
Registered Office:
7th floor, Emaar Capital Tower 2,
Sector 26, Gurugram,
Haryana, India – 122002

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E: TW.Fin.India@wtwco.com
W: wtwco.com
CIN: U67190HR1996PTC051336

FINANCIAL CALENDAR

Annual Report publication Calendar

Annual Report and Accounts signed/to be signed

For the year 2024	For the year 2025
18th February 2025	24th February 2026

Annual General Meeting to be held

Annual General Meeting to be held

For the year 2024	For the year 2025
28th March 2025	30th March 2026

Interim Financial Statements Calendar

	2025 Submitted on	2026 To be Submitted
1st Quarter (ended 31st March)	5th May 2025	On or before 15th May 2026
2nd Quarter (ended 30th June)	1st August 2025	On or before 15th August 2026
3rd Quarter (ended 30th September)	31st October 2025	On or before 15th November 2026
4th Quarter (ended 31st December)	24th February 2026	On or before 28th February 2027

Dividend Calendar

As at 31st December,	2025	2024
First and final dividend paid/payable	23rd April 2026	23rd April 2025

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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TO THE SHAREHOLDERS OF HNB ASSURANCE PLC

Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of HNB Assurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2025, and 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 as set out on pages 334 to 474 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2025, and of their 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group 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 Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE CONTRACT LIABILITIES

Refer to Note 25 (page 435) and Note 26 (page 440) to these financial statements.

The Life Insurance Contract Liabilities and General Insurance Contract Liabilities as at 31 December 2025 amounted to Rs. 49.2 Bn and Rs. 6.8 Bn respectively, which represents 84% of the total liabilities of the Group.

Risks Description	Our responses - Our audit procedures included:
The valuation of these liabilities involves significant judgement and requires a number of key assumptions to be made that involves significant estimation uncertainty. The accuracy and completeness of the data used in calculating insurance liabilities or forming judgments over key assumptions, would have material impact on the valuation of insurance contract liabilities.	• Evaluating the governance around the Group's reserving process including the scrutiny applied by the Group level actuarial reviews. • Evaluating the design of the Group's relevant controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year. • Assessing the competence, capabilities and objectivity of the independent appointed actuaries of the Group and the Group's staff involved in the valuation process of policyholders' liability.

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Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyard FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

INDEPENDENT AUDITOR'S REPORT

Risks Description	Our responses - Our audit procedures included:

The valuation of insurance contract liabilities depends on the accuracy of data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims.
 	
There is limited information available and a greater level of uncertainty inherent in assessing Group's estimations of claims which have been incurred by the reporting date but have not yet been reported.
 	
Judgment is required when considering the Group's application of historical experience of claims developments to determine current estimates. This includes the variability between the original estimation and the ultimate settlement of claims where there is a long-time delay between the claim being incurred and the ultimate settlement.
 	
Claims estimation uses an actuarial modelling process which involves complex and subjective actuarial methodologies, as well as judgements and assumptions about future events and developments, both within and external to, the Group. The key Actuarial assumptions that drive the claims reserving calculation include loss ratios, claim frequencies, average claim sizes, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims, investment return and where appropriate the discount rates for longer tail classes of business by line of business and allowance for future claim inflation.
 	
Changes in the methodologies, judgements and assumptions used to value the insurance contract liabilities, can lead to material impacts on the valuation of insurance contract liabilities.
 	
The appropriate margin added to the actuarial best estimate of insurance contract liabilities, to provide for the risk of adverse development in the claims involves judgment made by the management, based on the perceived uncertainty and potential for volatility in the underlying claim. As such it is subjective estimate.
 	
As a result of the above factors, insurance contract liabilities have been identified as a key audit matter.
	• Assessing the key controls adopted (including IT related controls) by the Group in providing accurate and complete data to the independent appointed actuary for the purpose of valuations.
	• Assessing the Group's methodology for calculating the insurance contract liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015).
	• Reconciling the movements in insurance contract liabilities during the year with the movements in the financial results reported in separate funds.
	• We involved our actuarial specialist to assist us in assessing the key assumptions, including those for loss ratios, claim frequencies, average claim sizes, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims morbidity, persistency, , investment return and discount rates as well as the provision for adverse deviation by performing the following audit procedures:
	  • Assessing the accuracy and completeness of data used for estimates;
	  • Assessing the approach used by the management to derive key assumptions and reserving methodologies driving the value of the insurance liabilities by;
	  • Comparing the Group's actuarial methodologies with the methodologies applied in the industry , prior periods and the requirements of the accounting standards;
	  • Comparing the assumptions used by management to expectations based on, past experience, market observable data and our own industry knowledge and experience
	  • Evaluating the level of prudence applied and compared this to prior periods;
	  • Reviewing sensitivity analysis over key judgments and assumptions
	  • Independently re-projected the reserve balances for certain classes of business.
	  • Evaluating the Group's calculation of the liability adequacy test and assessed the related results in order to ascertain whether the insurance contract liabilities used for the in-force business are adequate in the context of a valuation on the current best estimate assumptions.
	• Assessing the adequacy of the Group's disclosure in relation to insurance liabilities obtained from our testing and against the requirements of the accounting standards.

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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 auditors' report thereon.

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 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. 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' 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 auditors' 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 and the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group 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.

INDEPENDENT AUDITOR'S REPORT

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 auditors' 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.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report FCA 2294.

Chartered Accountants

Colombo, Sri Lanka
25 February 2026

FINANCIAL STATEMENTS - TABLE OF CONTENTS

	Note	Page No.
Primary Financial Statements		
Statement of Financial Position		334
Statement of Profit or Loss and Other Comprehensive Income		335
Statement of Changes in Equity – Group		336
Statement of Changes in Equity – Company		337
Statement of Cash Flows		338
Notes to the Financial Statements – General		
Corporate Information	1	339
Basis of Preparation and Material Accounting Policies, Accounting Judgments, Estimates and Assumptions	2	339
New Accounting Standards Issued But not yet adopted as at the Reporting Date	3	343
Financial Risk Management	4	351
Fair Value Measurement and Related Fair Value Disclosures	5	381
Segmental Reporting	6	389
Financial Assets and Financial Liabilities	7	397
Notes to the Financial Statements – Statement of Financial Position: Liabilities and Equity		
Property, Plant and Equipment (PPE)	8	401
Right of Use Assets	9	407
Intangible Assets	10	410
Financial Investments	11	412
Investment In Subsidiary - Company	12	422
Loans to Life Policyholders	13	423
Reinsurance Receivables	14	424
Premium Receivables	15	425
Other Assets	16	427
Insurance Contract – Deferred Expenses	17	430
Cash in Hand and at Bank	18	431
Stated Capital	19	432
Retained Earnings	20	432
Available For Sale Reserve	21	433
Other Reserve	22	433
Life Policyholders' Available for sale Reserve Fund	23	433
Restricted Regulatory Reserve	24	433
Insurance Contract Liabilities – Life Insurance	25	435
Insurance Contract Liabilities – General Insurance	26	440
Employee Benefits Liabilities	27	443
Current Tax Liabilities	28	446
Reinsurance Payable	29	446
Lease Creditors	30	447
Other Liabilities	31	448

	Note	Page No.
Notes to the Financial Statements – Statement of Profit or Loss and Other Comprehensive Income		
Gross Written Premium (GWP)	32	450
Premium Ceded to Reinsurers	33	452
Net Change In Reserves For Unearned Premium	34	452
Net Earned Premium	35	453
Interest and Dividend Income	36	453
Net Realised Gains	37	455
Net Fair Value Gains	38	456
Fee and Commission Income	39	456
Other Income	40	456
Net Insurance Benefits and Claims Paid	41	457
Net Change In Insurance Claims Outstanding	42	458
Other Operating and Administration Expenses	43	458
Underwriting and Net Acquisition Costs	44	460
Profit Before Tax	45	460
Income Tax Expense	46	461
Basic and Diluted Earnings Per Share	47	464
Dividend Per Share (DPS)	48	465
Notes to the Financial Statements – Other Disclosures		
Maturity Analysis of Assets and Liabilities Based on the Remaining Maturities at the Reporting Date	49	466
Related Party Disclosures	50	467
Events Occurring after the Reporting Date	51	472
Commitments	52	472
Provision for Liabilities and Contingencies	53	472
Litigations and Claims	54	474
Comparative Information	55	474
Directors' Responsibility Statement	56	474

STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Page No.	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Assets						
Property, Plant and Equipment	8	401	787,860	769,638	498,995	541,118
Right of Use Assets	9	407	506,140	482,551	373,134	427,016
Intangible Assets	10	410	522,369	164,019	279,995	155,588
Deferred Tax Assets	46	461	9,124	14,783	-	-
Financial Investments	11	412	68,717,058	54,304,798	62,493,446	48,486,327
Investment in Subsidiary	12	422	-	-	1,150,000	1,150,000
Loans to Life Policyholders	13	423	504,018	459,395	504,018	459,395
Reinsurance Receivables	14	424	3,478,110	1,268,504	446,736	238,175
Premium Receivables	15	425	3,135,922	2,272,135	767,241	198,723
Other Assets	16	427	1,386,352	1,277,749	966,006	906,713
Insurance Contract - Deferred Expenses	17	430	11,128	33,468	-	-
Cash in Hand and at Bank	18	431	1,592,686	1,402,419	961,692	841,377
Total Assets			80,650,767	62,449,459	68,441,263	53,404,432
Equity and Liabilities						
Equity Attributable to the Equity Holders						
Stated Capital	19	432	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	20	432	12,151,456	10,351,725	10,227,698	8,689,963
Available For Sale Reserve	21	433	249,706	279,432	186,065	211,076
Other Reserve	22	433	(160,701)	(104,708)	(113,126)	(82,179)
Life Policyholders' Available For Sale Reserve Fund	23	433	339,844	437,695	339,844	437,695
Restricted Regulatory Reserve	24	433	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders			14,133,336	12,517,175	12,193,512	10,809,586
Non-Controlling Interest			-	-	-	-
Total Equity			14,133,336	12,517,175	12,193,512	10,809,586
Liabilities						
Insurance Contract Liabilities - Life Insurance	25	435	49,248,002	38,647,547	49,248,002	38,647,547
Insurance Contract Liabilities - General Insurance	26	440	6,788,998	4,507,058	-	-
Employee Benefit Liabilities	27	443	605,262	477,315	355,947	279,864
Current Tax Liabilities	28	446	596,470	559,876	561,275	479,148
Reinsurance Payable	29	446	1,847,886	1,000,350	572,591	214,999
Lease Creditors	30	447	593,622	560,905	456,184	503,233
Other Liabilities	31	448	6,495,355	3,760,247	4,828,542	2,276,075
Bank Overdrafts	18	431	341,836	418,986	225,210	193,980
Total Liabilities			66,517,431	49,932,284	56,247,751	42,594,846
Total Equity and Liabilities			80,650,767	62,449,459	68,441,263	53,404,432

The Notes to the Financial Statements as set out on pages 339 to 474 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.

Ruwan Rodrigo
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.
Signed and on behalf of the Board;

Stuart Chapman
Chairman

Ashoka Goonesekere
Senior Independent Director

Colombo, Sri Lanka
24th February 2026

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,	Note	Page No.	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000	CHANGE Group %	CHANGE Company %
Gross Written Premium	32	450	30,450,397	22,737,994	19,489,970	13,709,655	34	42
Premium Ceded to Reinsurers	33	452	(5,786,807)	(4,585,634)	(1,048,587)	(775,049)	26	35
Net Written Premium			24,663,590	18,152,360	18,441,383	12,934,606	36	43
Net Change in Reserves for Unearned Premium	34	452	(523,541)	199,390	-	-	(363)	-
Net Earned Premium	35	453	24,140,049	18,351,750	18,441,383	12,934,606	32	43
Other Revenue								
Interest and Dividend Income	36	453	8,213,038	7,561,878	7,492,902	6,797,948	9	10
Net Realised Gains	37	455	722,452	100,442	699,868	40,028	619	1,648
Net Fair Value Gains	38	456	74,482	64,853	45,466	76,025	15	(40)
Fee and Commission Income	39	456	480,086	421,785	101,620	93,815	14	8
Other Income	40	456	27,979	41,685	8,494	23,514	(33)	(64)
Total Other Revenue			9,518,037	8,190,643	8,348,350	7,031,330	16	19
Net Income			33,658,086	26,542,393	26,789,733	19,965,936	27	34
Net Benefits, Claims and Expenses								
Net Insurance Benefits and Claims Paid	41	457	(8,367,668)	(6,783,148)	(4,350,496)	(2,995,104)	23	45
Net Change in Insurance Claims Outstanding	42	458	(78,146)	71,922	(52,753)	(12,121)	209	335
Change in Contract Liabilities - Life Fund	25	435	(10,547,068)	(7,679,932)	(10,547,068)	(7,679,932)	37	37
Other Operating and Administration Expenses	43	458	(7,475,941)	(6,413,021)	(5,100,970)	(4,221,465)	17	21
Underwriting and Net Acquisition Costs	44	460	(3,575,346)	(2,734,947)	(3,464,378)	(2,466,158)	31	40
Finance and Other Insurance Related Costs			(228,638)	(290,346)	(243,832)	(232,686)	(21)	5
Total Benefits, Claims and Other Expenses			(30,272,807)	(23,829,472)	(23,759,497)	(17,607,466)	27	35
Profit Before Taxation			3,385,279	2,712,921	3,030,236	2,358,470	25	28
Income Tax Expense	46	461	(1,000,548)	(816,060)	(907,501)	(701,759)	23	29
Profit for the Year			2,384,731	1,896,861	2,122,735	1,656,711	26	28
Other Comprehensive Income, Net of Related Tax,								
Items that are or may be reclassified to Profit or Loss								
- Net Change in fair value of Available For Sale Financial Assets			447,996	1,087,198	445,846	987,778	(59)	(55)
- Realised Gains transferred to Income Statement	37	455	(643,381)	(131,952)	(634,495)	(33,720)	388	1,782
- Amortisation of AFS reserve on reclassification	11	412	65,787	57,165	65,787	57,165	15	15
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	23	433	97,851	(906,981)	97,851	(906,981)	111	111
- Tax related on items that are or may be reclassified to profit or loss	46	461	2,021	(356)	-	-	668	-
Items that will never be reclassified to profit or loss								
- Actuarial Losses on Employee Benefit Liabilities	27	443	(52,402)	(94,430)	(30,947)	(61,004)	(45)	(49)
- Gains on Revaluation of Land and Building	8	401	-	15,976	-	-	(100)	-
- Tax related on items that will never be reclassified to profit or loss	46	461	(3,591)	(4,964)	-	-	(28)	-
Total Other Comprehensive Income for the year, Net of Related Tax			(85,719)	21,656	(55,958)	43,238	(496)	(229)
Total Comprehensive Income for the Year			2,299,012	1,918,517	2,066,777	1,699,949	20	22
Profit attributable to :								
Equity Holders of the Company			2,384,731	1,896,861	2,122,735	1,656,711	26	28
Non-Controlling Interest			-	-	-	-	-	-
Profit for the Year			2,384,731	1,896,861	2,122,735	1,656,711	26	28
Total Comprehensive Income Attributable to :								
Equity Holders of the Company			2,299,012	1,918,517	2,066,777	1,699,949	20	22
Non-Controlling Interest			-	-	-	-	-	-
Total Comprehensive Income for the year			2,299,012	1,918,517	2,066,777	1,699,949	20	22
Basic and Diluted Earnings Per Share (Rs.)	47	464	15.90	12.65	14.15	11.04	26	28
Dividend Per Share (Rs.)	48	465	5.00	3.90				

The Notes to the Financial Statements as set out on pages 339 to 474 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2024 (a)		1,171,875	9,039,864	174,358	(21,290)	(469,286)	381,156	10,276,677
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,896,861	-	-	-	-	1,896,861
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,012,055	-	-	-	1,012,055
Net Change in Fair Value of Available for Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(906,981)	-	-	-	(906,981)
Actuarial Losses on Employee Benefit Liabilities	22	-	-	-	(95,849)	-	-	(95,849)
Gains on Revaluation of Land and Building		-	-	-	12,431	-	-	12,431
Total Other Comprehensive Income for the Year (c)		-	-	105,074	(83,418)	-	-	21,656
Total Comprehensive Income for the Year (d = b+c)		-	1,896,861	105,074	(83,418)	-	-	1,918,517
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	906,981	-	906,981
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Parent								
First and Final Dividend 2023 (f)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2024 (a+d+e+f)		1,171,875	10,351,725	279,432	(104,708)	437,695	381,156	12,517,175
Balance as at 01st January 2025 (g)		1,171,875	10,351,725	279,432	(104,708)	437,695	381,156	12,517,175
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	2,384,731	-	-	-	-	2,384,731
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(127,577)	-	-	-	(127,577)
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	97,851	-	-	-	97,851
Actuarial Losses on Employee Benefit Liabilities	22	-	-	-	(55,993)	-	-	(55,993)
Gains on Revaluation of Land and Building		-	-	-	-	-	-	-
Total Other Comprehensive Income for the Year (i)		-	-	(29,726)	(55,993)	-	-	(85,719)
Total Comprehensive Income for the Year (j= h+i)		-	2,384,731	(29,726)	(55,993)	-	-	2,299,012
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve Fund (k)	23	-	-	-	-	(97,851)	-	(97,851)
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Parent								
First and Final Dividend 2024 (l)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2025 (g+j+k+l)		1,171,875	12,151,456	249,706	(160,701)	339,844	381,156	14,133,336

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2025. (2024 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 339 to 474 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

	Note	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available For Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policy holders' Available For Sale Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2024 (a)		1,171,875	7,618,252	106,834	(21,175)	(469,286)	381,156	8,787,656
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,656,711	-	-	-	-	1,656,711
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	1,011,223	-	-	-	1,011,223
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	(906,981)	-	-	-	(906,981)
Actuarial Losses on Employee Benefit Liabilities	22	-	-	-	(61,004)	-	-	(61,004)
Total Other Comprehensive Income for the Year (c)		-	-	104,242	(61,004)	-	-	43,238
Total Comprehensive Income for the Year (d = b+c)		-	1,656,711	104,242	(61,004)	-	-	1,699,949
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	906,981	-	906,981
Transactions with Owners Recorded Directly in Equity Distributions to Owners of the Company								
First and Final Dividend 2023 (f)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2024 (a+d+e+f)		1,171,875	8,689,963	211,076	(82,179)	437,695	381,156	10,809,586
Balance as at 01st January 2025 (g)		1,171,875	8,689,963	211,076	(82,179)	437,695	381,156	10,809,586
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	2,122,735	-	-	-	-	2,122,735
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(122,862)	-	-	-	(122,862)
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	97,851	-	-	-	97,851
Actuarial Losses on Employee Benefit Liabilities	22	-	-	-	(30,947)	-	-	(30,947)
Total Other Comprehensive Income for the year (i)		-	-	(25,011)	(30,947)	-	-	(55,958)
Total Comprehensive Income for the Year (j = h+i)		-	2,122,735	(25,011)	(30,947)	-	-	2,066,777
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (k)	23	-	-	-	-	(97,851)	-	(97,851)
Transactions with Owners Recorded Directly in Equity Distributions to Owners of the Company								
First and Final Dividend 2024 (l)	48.4	-	(585,000)	-	-	-	-	(585,000)
Balance as at 31st December 2025 (g+j+k+l)		1,171,875	10,227,698	186,065	(113,126)	339,844	381,156	12,193,512

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2025. (2024 - 150 Million Ordinary Shares)

The Notes to the Financial Statements as set out on pages 339 to 474 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31st December,	Note	Page No.	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Cash Flows From Operating Activities						
Profit Before Taxation			3,385,279	2,712,921	3,030,236	2,358,470
Adjustments for:						
Interest Income	36	453	(8,171,776)	(7,538,650)	(7,451,640)	(6,774,752)
Dividend Income	36	453	(41,262)	(23,228)	(41,262)	(23,196)
Amortisation of Intangible Assets	10	410	53,027	31,341	47,525	29,175
Depreciation of Property, Plant and Equipment	8	401	212,967	180,203	157,480	138,610
Net Depreciation of Right of Use Assets	9	407	220,716	206,802	196,827	191,459
Interest Expense of Lease Creditors	30	447	92,337	103,893	76,856	94,773
Provision for Employee Benefits Liabilities	27	443	111,027	83,927	64,417	47,602
Net Realised Gains	37	455	(722,452)	(100,442)	(699,868)	(40,028)
Net Fair Value Gains	38	456	(74,482)	(64,853)	(45,466)	(76,025)
Loss on Intangible assets			-	237	-	168
Gains on Disposal of Property, Plant and Equipment			(287)	(18,837)	(233)	(18,867)
			(4,934,906)	(4,426,686)	(4,665,128)	(4,072,611)
Net Change in Operating Assets	A		(3,346,835)	(365,682)	(989,936)	(149,899)
Net Change in Operating Liabilities	B		16,437,975	8,732,928	13,521,597	8,093,485
Cash Flows from Operating Activities			8,156,234	3,940,560	7,866,533	3,870,975
Gratuity Paid	27	443	(35,482)	(34,902)	(16,080)	(19,163)
Current Tax Paid	28	446	(828,928)	(645,779)	(730,717)	(559,812)
Capital Gain Tax Paid	28	446	(2,666)	(31,653)	-	-
Payment of Lease Interest			(92,337)	(103,893)	(76,856)	(94,773)
Net Cash Generated From Operating Activities (a)			7,196,821	3,124,333	7,042,880	3,197,227
Cash Flows from Investing Activities						
Acquisition of Financial Investments			(207,213,563)	(112,872,788)	(162,699,956)	(80,274,019)
Proceeds from Maturity of Financial Investments	11.5 & 11.6	421	191,476,803	101,464,772	147,492,031	70,491,008
Proceeds from Sale of Financial Investments	11.5 & 11.6	421	2,222,511	2,414,778	2,008,501	1,321,315
Interest Received			7,945,336	7,262,912	7,270,652	6,410,785
Dividend Received			37,028	20,496	37,028	20,464
Acquisition of Intangible Assets	10	410	(370,029)	(131,673)	(171,932)	(127,365)
Acquisition of Property, Plant and Equipment	8	401	(231,984)	(250,381)	(116,082)	(204,870)
Proceeds from the Disposal of Property, Plant and Equipment			1,082	24,901	958	24,805
Advance Paid to Right of Use Assets	9.3	409	(22,176)	(8,635)	(11,496)	(6,235)
Net Cash Used in Investing Activities (b)			(6,154,992)	(2,075,618)	(6,190,296)	(2,344,112)
Cash Flows from Financing Activities						
Dividend Paid	48.4	466	(585,000)	(585,000)	(585,000)	(585,000)
Payment of Lease Capital	30	447	(189,412)	(132,015)	(178,499)	(126,393)
Net Cash Used in Financing Activities (c)			(774,412)	(717,015)	(763,499)	(711,393)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)			267,417	331,700	89,085	141,722
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)			983,433	651,733	647,397	505,675
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	431	1,250,850	983,433	736,482	647,397
Notes to the Cash Flow Statement						
A. Change in Operating Assets						
Decrease in Deferred Expenses			22,340	175,003	-	-
Increase in Loans to Life Policyholders			(44,623)	(17,472)	(44,623)	(17,472)
(Increase)/Decrease in Reinsurance Receivables			(2,209,606)	60,653	(208,561)	87,108
Increase in Premium Receivables			(863,787)	(413,728)	(568,518)	(152,783)
Increase in Other Assets			(251,159)	(170,138)	(168,234)	(66,752)
Net Change in Operating Assets			(3,346,835)	(365,682)	(989,936)	(149,899)
B. Change in Operating Liabilities						
Increase in Other Liabilities			2,693,760	896,232	2,549,266	460,191
Increase in Insurance Contract Liabilities (before tax) - Life Insurance			10,614,739	7,720,506	10,614,739	7,720,506
Increase/(Decrease) in Insurance Contract Liabilities - General Insurance			2,281,940	(187,245)	-	-
Increase/(Decrease) in Reinsurance Payable			847,536	303,435	357,592	(87,212)
Net Change in Operating Liabilities			16,437,975	8,732,928	13,521,597	8,093,485

The Notes to the Financial Statements as set out on pages 339 to 474 form an integral part of these Financial Statements.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Reporting entity

HNB Assurance PLC ("the Company") is a public limited liability company incorporated on 23rd August 2001 under the Companies Act, No. 17 of 1982 with limited liability and domiciled in Sri Lanka. The Company was re-registered under the Companies Act, No. 07 of 2007 on 13th December 2007.

The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE) and the Company is a licensed insurance company registered and regulated under the Insurance Industry Act, No. 43 of 2000 and amendments thereto.

Corporate information of the Group/Company is presented in pages 515 and 516 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st December 2025, comprise "the Company" which refers to HNB Assurance PLC as the holding Company and "the Group" referring to HNB Assurance PLC and its fully owned subsidiary HNB General Insurance Limited.

1.3 Principal Activities and Nature of Operations

There were no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year under review. The principal business activities, nature of operations of the Company and its subsidiary are as follows;

Entity	Principal Business Activities	Description
Parent		
HNB Assurance PLC	Life Insurance	HNB Assurance PLC provides Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration in exchange for premium payments made by the insured.
Subsidiary		
HNB General Insurance Limited	General Insurance	HNB General Insurance Limited provides General Insurance solutions for both individual and corporate customers. Insurance other than 'Life Insurance' falls under the category of General Insurance; Fire, Motor, Marine and Miscellaneous insurance are the main categories under General Insurance.

1.4 Parent Entity and Ultimate Parent Entity

The Group's holding/parent entity is HNB Assurance PLC. In the opinion of the Board of Directors, the Group's ultimate parent undertaking and controlling party is Hatton National Bank PLC which is a licensed commercial bank incorporated in Sri Lanka. The Financial Statements of the Parent and the ultimate parent of the Group are available for public use.

1.5 Number of Employees

The staff strength of the Group as at 31st December 2025 is 1,609 (2024 – 1,541) and the Company 920 (2024 – 876).

2. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (the "Accounting Standards"), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise: Sri Lanka Financial Reporting Standards ("SLFRS"); Sri Lanka Accounting Standards ("LKAS"); Statements of Recommended Practices (SoRPs); Statement of Alternative Treatment (SoATs) and Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

The Group has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

The Group has opted to defer full application of SLFRS 9 – Financial Instruments, until the earlier of 2026 or on adoption of SLFRS -17 Insurance Contracts, by exercising the temporary exemption provided to an insurer (Refer Note 3 of page 343).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Financial Statements include the following components:

Component	Description	Page No.
Statement of Financial Position	Provides information on the financial position of the Group and the Company as at the year end	334
Statement of Profit or Loss and Other Comprehensive Income	Provides information on the financial performance of the Group and the Company for the year under review	335
Statement of Changes in Equity – Group	Depicts all changes made to Shareholders' equity of the Group	336
Statement of Changes in Equity – Company	Depicts all changes made to Shareholders' equity of the Company	337
Statement of Cash Flows	Provides information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows	338
Notes to the Financial Statements	Comprising material accounting policies and other explanatory information	339 - 474

2.1.2 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements as per the provisions of the Companies Act, No. 07 of 2007, the Sri Lanka Accounting Standards, Regulation of Insurance Industry Act, No. 43 of 2000 and the Listing Rules of Colombo Stock Exchange.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility for Financial Reporting' and the certification of the Statement of Financial Position appearing on pages 311 to 318, 322 to 323 and 334 respectively.

2.1.3 Approval of Financial Statements by the Board of Directors

The Consolidated Financial Statements of the Company and its Subsidiary (collectively the Group) for the year ended 31st December 2025 (including comparatives for 2024) were approved and authorised for issue by the Board of Directors on 24th February 2026.

2.1.4 Basis of Measurement

These Financial Statements have been prepared on an accrual basis and under the historical cost convention except for the following material items, which are measured on an alternative basis in the Statement of Financial Position.

Category	Item	Basis of Measurement	Note	Page No.
Assets	Financial instruments at Available For Sale	at Fair Value	11.3	417
	Financial instruments at Fair Value Through Profit or Loss	at Fair Value	11.4	418
	Freehold Land and Buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation	8	401
Liabilities	Insurance Contract Liabilities – Life Insurance	Actuarially Determined Values Based on Actuarial Guidelines Issued by IRCSL	25	435
	Incurred But Not Reported/ Incurred But Not Enough Reported Liability	Actuarially Determined Values Based on Internationally Accepted Actuarial Policies and Methodologies	26	440
	Employee Benefit Liabilities	Actuarially Valued and Recognised at Present Value of the Employee Benefit Liabilities	27	443

The Group and the Company present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery of settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 49 on page 466 of this Financial Statements. No adjustments have been made for inflationary factors affecting these Financial Statements.

2.1.5 Presentation

These financial statements have also been presented in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL), Statement of Recommended Practice (SoRP) issued by CA Sri Lanka and the Listing Rules of the Colombo Stock Exchange (CSE).

2.1.6 Supplementary Statements – Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life Insurance Fund together with the notes are disclosed in pages 476 to 481 continuing the past practice which was a requirement of the Statement of Recommended Practice (SoRP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.

2.1.7 Going Concern

The Group/Company has prepared the financial statements for the year ended 31st December 2025 on the basis that it will continue to operate as a going concern as the Board of Directors is confident that the Group possesses sufficient resources to continue its operations into the foreseeable future.

The basis of preparing the financial statements was based on directors' comprehensive assessment, which includes adherence to regulatory capital requirements, and anticipated funding requirements. The assessment took into consideration of the current economic developments in order to make projection for the future and its potential impact on the business environment in which the Group operates.

In determining the above significant management judgements, estimates and assumptions, the Group has taken into consideration the existing and anticipated impact associated with the prevailing macroeconomic conditions in the country.

Based on the above assessment and taking into consideration the group's profitability, capital and liquidity, the Board of Directors are confident that the condition for the application of going concern principle for the preparation of the financial statements are met.

The Board is not aware of any material uncertainties that may cast significant doubt on the Group/Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group/Company. Therefore, the financial statements continued to be prepared on the going concern basis.

2.1.8 Functional and Presentation Currency

The Financial Statements of the Group/Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Group/Company operates and is also the Functional Currency. There was no change in the Group/Company's Presentation and Functional Currency during the year under review.

2.1.9 Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs.'000) except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

2.1.10 Materiality and Aggregation

Each material class of similar items is presented Separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 01 - 'Presentation of Financial Statements' and subsequent amendments.

Notes to these Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.1.11 Comparative Information

These Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the Financial Statements of the previous financial year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.12 Financial Period

The Financial Statements of the Group are prepared for the twelve months period from 01st January to 31st December and the Company and subsidiary have a common financial year which ends on 31st December.

2.2 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant and reasonable when consolidated financial statements are prepared. Hence, actual results may differ from these estimates.

Current Economic Conditions and estimation uncertainty

Sri Lanka is recovery from the adverse economic condition prevailed in collaboration with the International Monetary Fund. The Sri Lankan government is in the process of addressing the economic challenges to protect the local economy and livelihoods.

The flood event arising from the Ditwah Cyclone impacted the Fire, Motor, Marine, Engineering, and Other Miscellaneous lines of business, with a significant impact observed in the Fire line. Accordingly, an additional allowance has been recognised for flood-related claims under the Fire line of business.

The Group has taken into consideration both the existing and anticipated impact of prevailing macroeconomic conditions in the country, including the potential implications of the Ditwah Cyclone.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgement	Note	Page No.
Classification of Financial Assets and Liabilities	7	397
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	25	435
Measurement of insurance and reinsurance contracts : determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	25 & 26	435 & 440

2.2.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimate	Note	Page No.
Impairment of Non - Financial Assets	2.3.2	343
Fair Value of Financial Instruments with significant unobservable inputs	5	381
Impairment of AFS financial Assets	7	397
Fair Value of free hold land and building	8	401
Useful lifetime of Property, Plant and Equipment	8	401
Recognition of Deferred Tax Asset	46	461
Valuation of insurance contract liabilities – Life Insurance	25	435
Liability Adequacy Test – Life Insurance	25.5	438
Modifications to the discount rate used for valuation of insurance contract liabilities	25.8	439
Valuation of insurance contract liabilities – General Insurance	26	440
Liability Adequacy Test – General Insurance	26.8	442
Valuation of Employee Benefit Liabilities	27	443
Current tax and related assets/liabilities	46	461
Provision for Liabilities and Contingencies	53	472

2.3 Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparation and presentation of Financial Statements as set out in Note 2 to 56 on pages 339 to 474.

2.3.1 Material Accounting Policies

Material Accounting policies adopted by the Group have been applied consistently for all financial periods presented in the Financial Statements of the Group unless otherwise stated. An index to the Material Accounting Policies is set out below; and the detailed explanations to each are set out in the respective notes to the Financial Statements.

Description	Note	Page No.
Material Accounting Policies Not Covered Under Individual Notes	2.3.2	343
New Accounting Standards Issued But not yet adopted as at the Reporting Date	3	343
Financial Risk Management	4	351
Fair Value Measurement and Related Fair Value Disclosures	5	381
Segmental Reporting	6	389
Financial Assets and Financial Liabilities	7	397
Property, Plant and Equipment	8	401
Right of Use Assets	9	407
Intangible Assets	10	410
Financial Investments	11	412
Investment in Subsidiary	12	422
Loans to Life Policyholders	13	423
Reinsurance Receivables	14	424
Premium Receivables	15	425
Other Assets	16	427
Insurance Contract – Deferred Expenses	17	430
Cash in Hand and at Bank	18	431
Stated Capital	19	432
Insurance Contract Liabilities – Life Insurance	25	435
Insurance Contract Liabilities – General Insurance	26	440
Employee Benefits Liabilities	27	443
Current Tax Liabilities	28	446
Reinsurance Payable	29	446
Lease Creditors	30	447
Other Liabilities	31	448
Gross Written Premium (GWP)	32	450
Premium Ceded to Reinsurers	33	452
Net Change in Reserves for Unearned Premium	34	452
Interest and Dividend Income	36	453
Net Realised Gains	37	455
Net Fair Value Gains	38	456
Fee and Commission Income	39	456
Other Income	40	456
Net Insurance Benefits and Claims Paid	41	457
Net Change in Insurance Claims Outstanding	42	458
Other Operating and Administration Expenses	43	458
Staff Expenses	43.1	459
Underwriting and Net Acquisition Costs	44	460
Income Tax Expenses	46	461
Basic and Diluted Earnings Per Share	47	464
Dividend Per Share (DPS)	48	465
Events Occurring After the Reporting Date	51	472
Provisions for Liabilities and Contingencies	53	472

The Company has adopted Sustainability Disclosure Standard – SLFRS S1 on "General Requirements for Disclosure of Sustainability-related Financial Information" (SLFRS S1) and SLFRS S2 on "Climate-related Disclosures" (SLFRS S2) during the year . As these are Disclosure Standards, the related disclosures have been disclosed in the relevant sections of this Annual Report as appropriate and they do not form part of these financial statements.

2.3.2 Accounting Policies Not Covered Under Individual Notes

The following accounting policies which have been applied consistently by the Company, are material but are not covered in any other section.

a) Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated to the functional currency of the Group companies, which is Sri Lankan Rupees, at exchange rates at the dates the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in Profit or Loss. However, foreign currency differences arising from the translation of Available For Sale equity instruments are recognised in Other Comprehensive Income.

b) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is re-estimated and adjusted in profit or loss.

This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating 'value in use' requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in Profit or Loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

c) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS 7 – "Statement of Cash Flows".

Interest and dividend received are classified as investing cash flows and dividend paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows. Cash and Cash Equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flows, cash and cash equivalents are presented net of bank overdrafts (Note 18).

The Statement of Cash Flows is given on page 338.

3. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED AS AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements as summarised below.

3.1 Sri Lanka Accounting Standard – SLFRS 18 on "Presentation and Disclosure in Financial Statements" (SLFRS 18)

SLFRS 18 is a new accounting standard for presentation and disclosure in Financial Statements with effect from January 01, 2027. SLFRS 18 will replace the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" and applies to the Company from January 01, 2027 . The new accounting standard introduces the following key new requirements.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotals, Entities net profit will not change.

Management – defined performance measures (MPMs) are disclosed in a single note in the financial statements. Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotals as the starting point for the statements of cashflows when presenting operating cashflows under indirect method.

The Group/Company is still in the process of assessing the impact of the new accounting standards, particularly with respect to the structure of the Group/Company's statement of profit or loss, the statement of cashflows and the additional disclosures required for MPMs. The Group/Company is also assessing the impact on how information is grouped in the financial statements including items currently labelled as 'other".

3.2 SLFRS 9 – Financial Instruments

SLFRS 9 replaces LKAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. However, the Group has met the relevant criteria and has applied the temporary exemption from SLFRS 9 for annual periods before 1 January 2026. Consequently, the Group will apply SLFRS 9 for the first time on 1 January 2026.

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 – "Financial Instruments": Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2026.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as Fair Value Through Profit or Loss and;
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

	GROUP		COMPANY	
	2025	2024	2025	2024
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance contract liabilities- Life Insurance	49,248,002	38,647,547	49,248,002	38,647,547
Insurance contract liabilities- General Insurance	6,788,988	4,507,058	-	-
Reinsurance Payable	1,847,886	1,000,350	572,591	214,999
Liabilities Connected with insurance	54,884,886	44,154,955	49,820,593	38,862,546
Total Liabilities as per financial statements	66,517,431	49,932,284	56,247,751	42,594,846
Predominance Ratio	87%	88%	89%	91%

Having considered the above criteria, since HNB Assurance PLC and HNB General Insurance Limited are predominantly connected with Insurance activities, and do not engage in a significant activity unconnected with insurance, both companies may continue to apply LKAS 39 – "Financial Instruments": Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2026.

Financial assets – Classification

The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 includes three principal measurement categories for financial assets – measured at amortised cost, FVOCI and FVTPL – and eliminates the previous LKAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of SLFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial Assets - Impairment and Measurement

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward-looking 'expected credit loss' (ECL) model. This model requires considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model applies to the Group's financial assets measured at amortised cost, debt investments at FVOCI, and lease receivables.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date, which the Group considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'.
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for lease receivables will always be measured at an amount equal to lifetime ECL.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information. As a backstop, the Group will consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The key inputs into the measurement of ECL are the term structures of the PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default). ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

Determining Inputs

- Probability of Default (PD)
  - To determine lifetime and 12-month PDs, the Group will use the PD tables based on the default history of obligors in the same industry and geographic region with the same credit rating.
  - The Group will adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

- The PDs will be recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information.
- Changes in the rating for a counterparty or exposure will lead to a change in the estimate of the associated PD.

- Loss Given Default (LGD)
  - LGD is the magnitude of the likely loss if there is a default.
  - The Group will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties.
  - The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.
  - For loans secured by retail property, loan-to-value ratios will be a key parameter in determining LGD.
  - LGD estimates will be calculated considering current and forecast economic conditions on a discounted cash flow basis using the effective interest rate as the discount rate.
- Exposure at Default (EAD)
  - EAD represents the expected exposure in the event of a default.
  - The Group will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.
  - The EAD of a financial asset is its gross carrying amount at the time of default.

Measurement Period and Collective Basis

- Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period.
- Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics, which include:
  - instrument type;
  - credit risk grade;
  - collateral type;
  - date of initial recognition;
  - remaining term to maturity;
  - industry; and
  - geographic location of the borrower.

The groupings used for collective modelling will be subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When Expected Credit Losses (ECL) are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group will use to derive the default rates of its portfolios. This includes the PDs (Probabilities of Default) provided in the default study and the LGDs (Losses Given Default) provided in the recovery studies.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in Profit or Loss.

The Group expects an immaterial impact from adopting the requirements above. The Group has designated investment contract liabilities as at FVTPL because these liabilities as well as the related assets and their performance is evaluated on a fair value basis. All investment contract liabilities have a unit-linking feature whereby the amount due to contract holders is contractually determined on the basis of specified assets. The effect of the unit-linking feature on the fair value of the liability is asset-specific performance risk and not credit risk, and the liabilities are fully collateralised. The Group does not expect that any residual credit risk will have a significant impact on the fair value of the liabilities.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and;
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

Disclosure to provide comparability

The Group will make an assessment of the objective of the business model when a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The table below provides an initial assessment made by the Group on its portfolio of financial assets.

Financial assets that meet the Solely Payment of Principal and Interest (SPPI) Test - Group

(excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
REPO	L & R	3,694,422	3,694,422	Amortised cost
Term Deposit	L & R	16,134,922	16,482,666	Amortised cost
Debentures	L & R	12,572,718	13,645,450	FVTOCI
Treasury Bonds	HTM	14,873,650	17,763,901	FVTOCI

All other Financial Assets - Group

(that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
Treasury Bonds	AFS	19,927,895	19,927,895	FVTOCI
Treasury Bills	AFS	198,482	198,482	FVTOCI
Equity Shares	FVTPL	805,603	805,603	FVTPL
Unit Trusts	FVTPL	509,366	509,366	FVTPL

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Term Deposit and Repo measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Debentures measured at amortised cost under LKAS 39 will be measured at Fair Value under SLFRS 9.
- Debt investment securities that are classified as Available For Sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI measured at fair value.
- The equity investment securities that are classified as FVTPL under LKAS 39 will be continued to classify under FVTPL and measure at fair value under SLFRS 9.

3.3 SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 01st January 2026.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;

b) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and

c) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

Recognition

Currently, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") until those costs were included in profit or loss and OCI. Under SLFRS 17, only insurance acquisition cash flows that arises before the recognition of the related insurance contracts are recognised as a separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

a) the beginning of the coverage period;

b) the date when the first payment from a policyholder becomes due; and

c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Measurement Model) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

a) the amount of fulfilment cash flows ("FCF"), which comprise:

   I. estimates of future cash flows;

   II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and

   III. a risk adjustment for non-financial risk

b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

The Company has decided on the following measurement approaches for its product category.

Category	Model
Participating products	GMM
Universal Life	GMM
Group Life	GMM & PAA
All other non-participating products	GMM

Discount Rates

The discount rates applied to the estimate of cash flows shall:

a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;

b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and

c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

Contractual Service Margin (CSM)

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

a) the initial recognition of an amount for the FCF;

b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and

c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

a) the liability for remaining coverage comprising:

I. the FCF related to future services and;

II. the CSM of the group at that date;

b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

The Group/Company has determined the quantity of benefits provided under each product category when calculating the coverage units under SLFRS 17.

Product category	Insurance service	Investment return service	Investment related service	Coverage units
Participating products (including attaching riders)	Yes	Yes	NA	Total benefit in-force
Universal Life products (including attaching riders)	Yes	Yes	NA	Total benefit in-force
Non-participating products				
- MRP (including attaching riders)	Yes	No	NA	Total benefit in-force
- Super V series (including attaching riders)	Yes	Yes	NA	Total benefit in-force
- Group term (including attaching riders)	Yes	No	NA	Total benefit in-force
- Others non-participating business (including attaching riders)	Yes	Yes	NA	Total benefit in-force

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or

b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Modification and De-Recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

a) if, had the modified terms been included at contract's inception, this would have led to:
   I. exclusion from the Standard's scope;
   II. unbundling of different embedded derivatives;
   III. redefinition of the contract boundary; or
   IV. the reallocation to a different group of contracts; or
b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-Recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

a) insurance contracts issued that are assets;
b) insurance contracts issued that are liabilities;
c) reinsurance contracts held that are assets; and
d) reinsurance contracts held that are liabilities.

Recognition and Presentation in the Statement(s) of Financial Performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

a) an insurance service result, comprising insurance revenue and insurance service expenses; and
b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

a) the effect of the time value of money and changes in the time value of money; and
b) the effect of changes in assumptions that relate to financial risk; but
c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income (OCI).

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct participating insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

Disclosures

An entity shall disclose qualitative and quantitative information about:

a) the amounts recognised in its Financial Statements that arise from insurance contracts;
b) the significant judgements, and changes in those judgements, made when applying SLFRS 17; and
c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 01st January 2026. Earlier application is permitted if company applied SLFRS 9 'Financial instruments' on or before the date of initial application of SLFRS 17.

Transition

Under SLFRS 17, an entity is required to apply the Standard retrospectively unless doing so is impracticable. In such cases, the entity may apply either the modified retrospective approach or the fair value approach.

Due to the unavailability of credible and complete historical data, the Company has decided to apply the fair value approach. Under this approach, the entity determines the Contractual Service Margin (CSM) or the loss component at the transition date as the difference between the fair value of a group of insurance contracts and the fulfilment cash flows (FCF) measured at that date. When applying the fair value approach at transition, the entity is also permitted to choose whether to determine annual cohorts.

At the date of initial application of the Standard, entities that were already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in relation to activities connected with contracts within the scope of SLFRS 17.

Entities may also elect not to restate SLFRS 9 comparatives. Any difference between the previous carrying amount of these financial assets and the carrying amount determined at the date of initial application may be recognised in opening equity at that date. However, if prior periods are restated, all requirements of SLFRS 9 must be fully applied.

SLFRS 17 Implementation program

Implementation of SLFRS 17 requires high level of expertise in both Accounting and Actuarial ends as the new standard is complex and require a fundamental change in accounting and application of significant judgements and estimates. The impact of the Standard will be vital and will affect to the measurement of Insurance Contracts, timing of profit recognition and indicators used to evaluate business performance.

Given that the implementation journey requires new investments in IT, actuarial, and finance systems, the Company has initiated a comprehensive implementation programme for SLFRS 17 and SLFRS 9. This programme includes establishing a strong governance structure, defining accounting policies, and developing robust internal controls to support effective compliance.

The Group is currently in the process of implementing SLFRS 17 and SLFRS 9 with the support of selected external consultants in both actuarial and finance areas to ensure adherence to the reporting requirements. This includes the development of accounting policies and methodological applications, the establishment of appropriate processes and controls, and the implementation of necessary actuarial and finance system enhancements. Most of the key decisions have been finalised under each respective category and the Company is now in the stage of readiness for go-live.

Impact of Adopting SLFRS 17 and SLFRS 9

The Group made a significant progress in implementing SLFRS 17 and SLFRS 9 in terms of technical analysis, transition approach, opening balance sheet and system development during the year 2025. As per the SLFRS 17 and SLFRS 9 implementation roadmap, the Company is in the process of refining accounting policy choices and completing system developments. The parallel run is planned to be completed by mid-2026.

The Group has not yet finalised the testing and evaluation of controls over its new IT systems, changes to its governance framework, and the related financial reporting processes. In addition, the accounting policies, assumptions, judgements, and estimation techniques applied under SLFRS 17 and SLFRS 9 remain subject to refinement until the completion of the first set of financial statements prepared with the date of initial application.

Accordingly, the Group and the Company are currently not in a position to reliably quantify and disclose the financial impact arising from the adoption of SLFRS 17 and SLFRS 9.

4. FINANCIAL RISK MANAGEMENT

4.1 Overview

As discussed under Risk Management Review risk is inherent in the Group's activities, and efforts are made to manage it through continuous identification, measurement, and monitoring. Risk limits and controls are implemented to mitigate potential consequences arising from the volatile and dynamic nature of both the internal and external environment. A robust financial risk management framework, a key component of the Group's overall Risk Management Framework, ensures that the Group's financial risk activities are governed by appropriate policies and procedures, while also proactively identifying potential risks.

Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

The main types of risks to which the Group/Company is exposed and related policies/ processes for measuring and managing such risks are given below.

Type of Risk	Note	Page No.
Life Insurance		355
Insurance Risk	4.2.2.1	355
Product Design Risk	4.2.2.1.1	355
Underwriting Risk	4.2.2.1.2	357
Reinsurance Risk	4.2.2.1.3	358
Claims Risk	4.2.2.1.4	358
General Insurance		358
Insurance Risk	4.2.2.2	358
Product Design Risk	4.2.2.2.1	359
Underwriting Risk	4.2.2.2.2	359
Reinsurance Risk	4.2.2.2.3	359
Claims Risk	4.2.2.2.4	361
Financial Risk		363
Investment Concentration Risk	4.2.3.2	363
Credit Risk	4.2.3.3	364
Liquidity Risk	4.2.3.4	370
Market Risk	4.2.3.5	373
Operational Risk		379
Capital management Framework	4.3	379

Risk Management Framework

The Group/Company has a Risk Management Framework (RMF) designed to identify, measure, respond to, and monitor risks.

The primary role of RMF is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. It is also intended to protect the interests of policyholders and other key stakeholders. An effective RMF is the key to avoid the financial and reputational damage that arises from inadequate or ineffective controls in the business.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The primary responsibility of establishment and oversight of the RMF lies with the Board of Directors of the Company.



The Board of Directors oversees the RMF, delegating its authority to the Risk Management Committee, which reviews the framework, policies, and processes. An Asset and Liability Management Committee (ALMC) monitors the Company's asset, liability, and liquidity positions. The RMF and associated policies are regularly reviewed to adapt to market changes. The Board approves the Group's risk management policies, ensuring they align with corporate goals and regulatory requirements. For more details refer Risk Committee Report in page 305 to 306.

Risk Management Framework

For our shareholders	For our policyholders	For our investors	For our regulators
Ensure sustainable growth in financial performance	Provide assurance that the Company will always be there for them	Provide assurance for the long term value of their investment	Ensure the compliance in regulations to enhance public trust in the industry

The Risk Management Framework (RMF) is to protect the Group shareholders by mitigating risks that could disrupt the Group's ability to achieve sustainable financial performance. This includes preventing situations where the Group might miss key opportunities for growth or face unexpected setbacks that could impact its financial health. Additionally, the RMF is designed to protect the interests of policyholders, investors, and other key stakeholders by ensuring that the Group operates in a way that is both financially sound and compliant with regulations. Below is a breakdown of how our RMF addresses the objectives of various stakeholders.

For shareholders - Ensure sustainable growth in financial performance.

The RMF ensures that the Group remains on track for long-term, sustainable financial growth by identifying and addressing risks that could impede profitability or value creation. This includes mitigating operational, market, and financial risks to maximise shareholder value.

For Policyholders - Provide assurance that the Group will always be there for them.

The framework aims to provide policyholders with peace of mind, assuring them that the Group is stable, reliable, and capable of fulfilling its obligations in the future. Risk management ensures that the Group can continue to offer its products and services even in the face of unforeseen challenges.

For Investors - Provide assurance for the long term value of their investment.

The RMF provides investors with confidence that the Group's risk exposure is being effectively managed, which in turn supports the long-term growth and stability of their investments. It seeks to protect the company's reputation and operational capacity, which directly impacts the value of their investments over time.

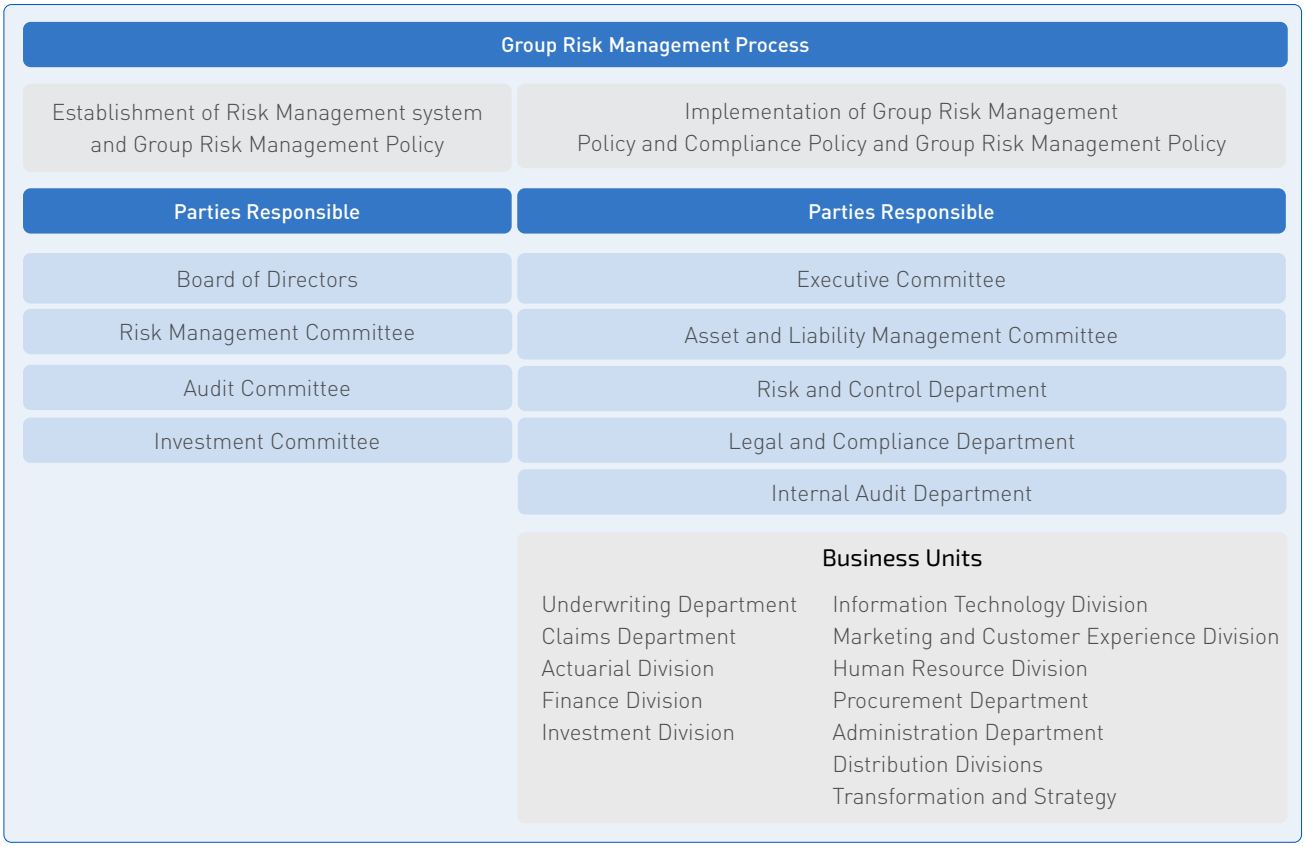
For Regulators - Ensure the compliance in regulations to enhance public trust in the industry.

The RMF ensures that the Group adheres to all relevant regulations and standards, fostering a culture of compliance. By doing so, the Group helps to maintain public trust in the financial and insurance industries, demonstrating that it operates transparently, ethically, and responsibly within the legal framework.

Risk Management Framework

The Board of Directors approves the Group's risk management policies and any commercial, regulatory and organisational requirements of such policies. These policies are defined based on the Group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The following diagram depicts the accountable and responsible parties for the Group's established risk management process which underlines the principal risk management and control responsibilities.



Objectives of Risk Management

The major Risk Management objectives of the Group are to;

- Enhance value creation and stability of the Group by establishing an optimal risk-return profile which avoids losses greater than expected.
- Maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintain strong credit ratings and healthy capital adequacy ratios in order to support business objectives and maximise shareholder value.
- Support decision-making processes by providing consistent, reliable and timely risk information.

Regulatory Framework

Insurance Regulatory Commission of Sri Lanka (IRCSL) protects Policyholders rights through supervision of both life and general insurance companies in line with the requirements of the Regulation of Insurance Industry Act No 43 of 2000 (RII Act) and subsequent amendments thereto. During the financial year the Group and its Subsidiary maintained appropriate

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

levels of solvency and admissible assets as per the Risk-Based Capital Rules (RBC) issued by the IRCSL and in compliance with Section 26 of the RII Act and approved assets complying to Section 25 of the RII Act and Determination 1 issued by the IRCSL, to meet unforeseeable events.

The Company and Subsidiary each maintained adequate Total Available Capital (TAC) levels to support the Risk-Based Capital Requirements (RCR) throughout the year thereby maintained Capital Adequacy Ratios (CAR) well above the regulatory minimum of 120% and regulatory intervention level of 160%.

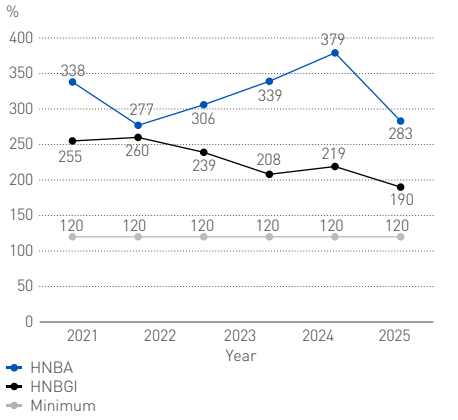
The TAC and CAR of the Company (HNBA) and its Subsidiary (HNBGI) as of 31st December 2025 and 2024 are as follows;

Total Available Capital (TAC) and Risk-Based Capital Adequacy Ratio (CAR)

	As at 31st December 2025				As at 31st December 2024			
	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-Based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-Based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio
	Rs.'000	Rs.'000	%	%	Rs.'000	Rs.'000	%	%
HNBA	24,190,899	500,000	283	120	21,309,811	500,000	379	120
HNBGI	2,248,647	500,000	190	120	2,460,391	500,000	219	120

The chart below shows Company (HNBA) and its subsidiary (HNBGI) Risk based Capital Adequacy Ratio (CAR) through the past five years.

Risk Based Capital Adequacy Ratio (CAR)



The Company's Capital Adequacy Ratio (CAR) declined to 283% during the year under review from 379% in the previous year, mainly due to a deliberate strategic portfolio rebalancing, which resulted in an increase in risk-weighted assets, as well as an increase in Insurance Contract Liabilities driven by a higher Universal Life policyholder dividend rate and improved persistency. Notwithstanding this decline, the Company continues to maintain a capital buffer significantly above the minimum regulatory requirements. Capital adequacy is closely monitored under the Company's risk management framework, with regular assessments conducted by management and oversight provided by the Board to ensure that capital levels remain adequate in relation to the Company's risk profile.

Despite improved retained earnings in 2025, HNBGI's CAR has declined from 219% in 2024 to 190% in 2025. This reduction was mainly driven by higher liability and reinsurance risk capital charges, together with increased TAC deductions arising from higher coinsurance receivables on outstanding Ditwah claims and additions to intangible assets.

Further, the operations of the Company and its subsidiary are in compliance with requirements of other regulators such as Colombo Stock Exchange (CSE), Securities and Exchange Commission of Sri Lanka (SEC), Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD), etc. The Company and its subsidiary are also regulated by the Companies Act No. 07 of 2007.

4.2 Organisation Risk

4.2.1 Introduction and Overview

As a Group providing insurance services, both HNB Assurance PLC and HNB General Insurance Ltd, are exposed to Insurance, Financial and Operational Risks. The following chart graphically presents all types of risks that the Group considers in Risk Management.

Organisation Risk



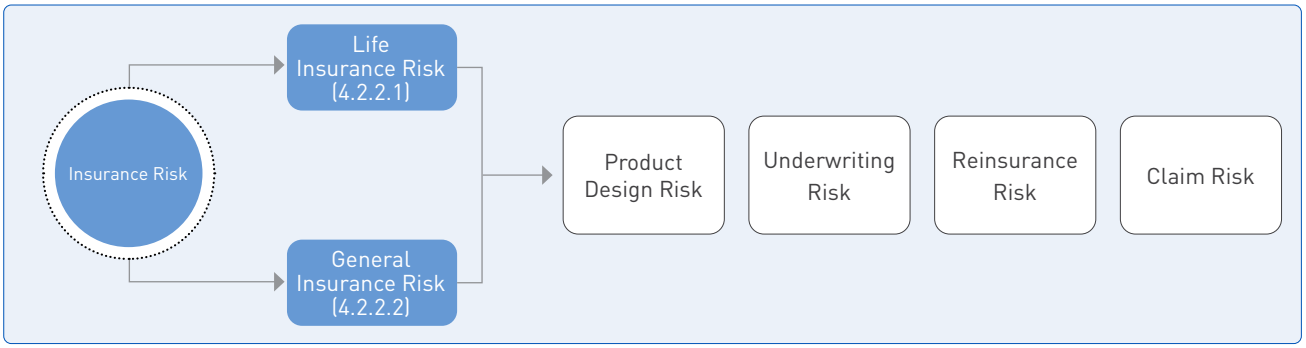
4.2.2 Insurance Risk

The primary risk faced by the Group is insurance risk, which arises due to the insurance contracts undertaken from customers. Insurance risk is the uncertainty relating to the occurrence, magnitude and timing of insurance liabilities. Insurance liabilities are claims and benefit payments.

Possibility that actual experience of claims/benefits differ from expectations gives rise to risk.

The objective of the Group is to ensure that at a given time sufficient reserves are held to cover all reported and expected future liabilities.

The following chart graphically presents all types of insurance risks considered in Risk Management;



Risk Response Strategies

- Diversification across a large portfolio of insurance contracts and geographical areas.
- Risk variability through careful selection and implementation of underwriting guidelines.
- Use of reinsurance arrangements - proportional and non–proportional basis.
- Ensure compliance requirements imposed by the regulator (IRCSL).

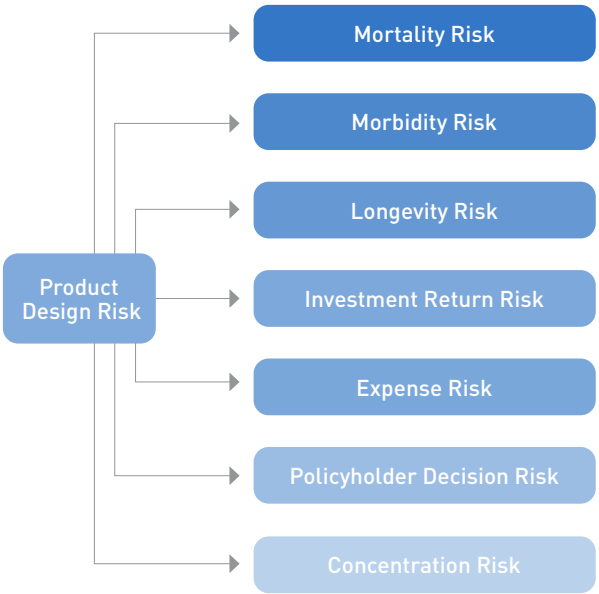
4.2.2.1 Life Insurance Risk

A life insurance contract is an agreement between the policyholder and Company where the Company agrees to compensate the policyholder or his/her beneficiaries in the event of a specified event occurring such the policyholder's policy maturity, death, disability, illness etc., in exchange for a premium.

The Company issues life Insurance contracts, which include term assurance, endowment plans, annuity plans and Group Life plans. Endowment and term assurance are conventional regular or single premium products, where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Regular endowment products acquire a surrender value upon completion of three years.

The Company offers two single premium annuity products. The first product being "myfreedom", offers a pre-determined annuity amount for a specified time period, whilst the second product; namely "mypension", offers a fixed monthly annuity for the entire lifetime of the policyholder. Both these products offer a life cover along with its annuity pay-out as part of its product feature. The Company also issues single premium investment policies with a guaranteed maturity benefit.

4.2.2.1.1 Product Design Risk



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

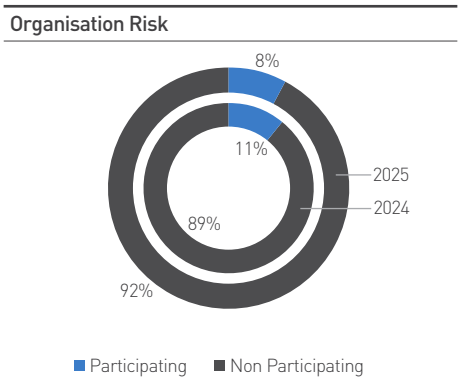
The main risks relating to assumptions used in product design are detailed below;

Risk	Description	Assumptions and Risk Response Strategies
Mortality Risk	Mortality assumption relates to the occurrence of death of policyholder. Mortality risk arises due to policyholder death experience being different than expected resulting in loss to the Company.	• Use of latest mortality tables with adjustments to reflect the Company's mortality experience. • Underwriting limits are in place to enforce appropriate risk selection.
Morbidity Risk	Morbidity assumption relates to the occurrence of accidents and sickness of the insured and the risk arises due to policyholder health experience being different than expected resulting in loss to the Company.	• Reinsurance tables are used with adjustment to reflect Company experience. • Medical screening to ensure pricing takes account of current health conditions and family medical history, regular review of actual claims experience.
Longevity Risk	Longevity assumption relates to lifetime of an annuity policyholder. The risk arises due to the annuitant living longer than expected causing a loss to the Company.	• Terms and conditions in annuity product applications designed to address nonstandard and unpredictable risk.
Investment Return Risk	Investment returns projections are derived from current and projected market rates on current and projected investments held to support liabilities. Risk of loss arising from actual returns being different than expected is the investment return risk.	• The weighted average rate of return is derived based on a model portfolio, consistent with the long term investment strategy of the Company, which is assumed to back liabilities. • Discretion to declare bonus rates for participating policies. • Guaranteed dividend rates for universal life policies decided based on latest projected returns encompassing market interest rate expectations. • Annuity products structured by backing investments which are maintained for the agreed amount of business for the year. • Single premium products with guaranteed maturities are issued only with matching assets with similar or higher returns.
Expense Risk	Expense assumptions are the expected cost of acquisition and maintaining policies. Expense risk is the loss arising from expense experience being different than expected	• Annual expense studies are carried out to align expectation with actuals. • The management expense assumptions are developed as such that all management expenses are fully allocated to the policies.
Policyholder Decision Risk	Policyholders have the discretion to stop payment of premiums resulting in policy lapses or to surrender policies prior to maturity. Policyholder decision risk is the loss arising due to policyholder experiences (lapses and surrenders) being different than expected.	• Lapse and surrender rates are projected based on Company past experience. • Need analysis prior to sale of product to reduce lapse risk and introduction of convenient premium payment methods. • Charging surrender penalties to discourage surrenders.
Claims Management and Provisioning	Once incident occurred, initial claims are managed with requisite degree of experience and competence with assistance of a loss adjuster or another party with specialist knowledge of specific incidents	• Using actuarial valuation models , including risk margin to cover inherent uncertainty in the ultimate cost of the claims, aimed at ensuring adequate capital is allocated to settle claims that have occurred.
Concentration Risk	Concentration risk refers to losses that may arise due to over dependence on a product, product type or geographical area.	• Diversification across industry, sectors, geography. • Maintain a predetermined product mix in line with the corporate strategy and reducing over reliance on one product. • Limiting exposure on any single life by way of retention limits agreed with the reinsurers and by having a catastrophic treaty in place to address risks such as natural disasters.

Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional Participating	**Market risk:** Investment return on underlying items falling below guaranteed minimum rates	Management discretion to determine amount and timing of policyholder bonuses (within limits)
	Policyholder behaviour risk:	Surrender penalties
Non Participating	**Market risk:** Insufficient fees to cover cost of guarantees and expenses Policyholder	Derivative hedging programme surrender
	Behaviour risk	Penalties
Universal Life	**Interest rate risk:** Differences in duration and yield of assets and liabilities	Matching of asset and liability cash flows
	Investment credit risk	Investing in investment grade assets

The following graph shows the concentration of the Participating and Non-Participating funds position of the Company.



Sensitivities

The following analysis provides the sensitivity of the life insurance liability due to possible movements in key assumptions with all other assumptions held constant, and shows the impact on gross liabilities.

Sensitivity of the Value of Insurance Liabilities

As at 31st December,	Change in assumptions	Impact on Gross Liabilities 2025	2024
		%	%
Mortality	+ 10%	0.23	0.23
	- 10%	-0.23	-0.23
Discount rate	+ 50 basis points	-1.06	-1.06
	- 50 basis points	1.03	1.03
Expense	+ 10%	0.71	0.71
	- 10%	-0.67	-0.67

4.2.2.1.2 Underwriting Risk

Premiums received from policyholders being insufficient to cover claims due to inaccurate assessment when issuing the policy. This can give rise to losses for the Company which is underwriting risk.

Risk Response Strategies

- Underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits.
- Maximum input is obtained from the Appointed Actuary and Reinsurers in deciding on the terms and conditions of products. in order to ensure that products are adequately priced.
- An in-house Actuarial Division reviews the Life Insurance business closely and guides the management to take more informed pricing decisions.
- Customers are required to submit medical reports from registered laboratories and strict adherence to auto underwriting limits.
- Focused training programs are organised for Insurance Advisors on proper selling in Sinhala, Tamil and English regularly.
- A customer need analysis form is used to identify customers' requirements and sell the most appropriate policy.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured amount.
- Continuous training and development of staff on underwriting policy and practices.
- Strict adherence to underwriting manual and ISO 9001:2015 certification for new business.
- In addition to the need analysis form, a detailed quotation, which is signed by both client and the salesperson, is obtained to avoid any misunderstanding in terms and conditions.
- Subject to the "Sum at Risk" value, financial stability of the client is verified by obtaining completed financial questionnaires, salary slips or audited accounts.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4.2.2.1.3 Reinsurance Risk

Although reinsurance is used as a risk transfer strategy, it also gives rise to certain risks for the Company. These include legal risk, liquidity risk, counterparty risk, residual insurance risk and operational risk.

Legal Risk arises when the terms of the reinsurance contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.

Liquidity Risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

Counterparty Risk arises due to failure of reinsurers to meet their obligations to company due to insufficient financial strength or potential refusal of the reinsurer to honour its obligations towards the ceding insurer..

Residual Insurance Risk arises when insurer retains a higher risk than expected as a result of discrepancies between reinsurance needs and the actual coverage provided in the contract to policyholder.

Insufficient capacity of insurer to maintain records and collect receivables could lead to Operational Risk.

Risk Response Strategies

- Strict adherence to reinsurer's guidelines and limits which are set in line with the requirements of the regulator and opting for facultative covers for risk beyond treaty levels.
- Restructuring of reinsurance agreements with reinsurance parties regularly.
- Continue and maintain a close and professional relationship with all reinsurers and reinsurance brokers.
- Frequent review of the outstanding Reinsurance Receivables.
- Minimise risk of reinsurer insolvency by selection of reinsurers with ratings of AA- and above and monitor changes to the ratings of reinsurance companies continuously.

The following table shows the credit ratings of the reinsurance companies with whom the Company has reinsurance arrangements at the end of the reporting period.

Reinsurer	Country of Origin	Rating	Rating Agency
Munich-Re	Germany	AA	Fitch Rating
Munich-Re takaful	Malaysia (Retakaful branch)	AA	Fitch Rating
Hannover-Re	Germany	AA	Standard & Poor
RGA	Ireland	A+	Fitch Rating

4.2.2.1.4 Claims Risk

The risk arising due to experiencing higher level of claims cost than expected at product development and pricing resulting in losses to the Company.

Risk Response Strategies

- In-house Actuarial Department reviews reserving in the Life Insurance business more closely and guide the Management to take more informed decisions.
- The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- Financial authority limits are set based on the claim limits where the maximum limit is with the Claims Panel which is involved in taking decisions on significant/problematic claims and appeals made in respect of claims.
- Claims ratio is closely monitored and any significant change in current experience is brought to the Management attention, in order to take corrective actions.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- All suspicious claims are investigated with the support of expert third-party investigators.

4.2.2.2 General Insurance Risk

General Insurance contracts are offered by the fully owned subsidiary of the Company, HNB General Insurance Ltd (HNBGI). A General insurance contract is an agreement between the policyholder and the insurer where the insurer agrees to compensate the policyholder in the event of a specified unforeseen event which adversely affects the policyholder occurs, in exchange for a premium.

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for a one-year period. The exceptions are; Marine insurance contracts where coverage period is less than one year, Title insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

4.2.2.2.1 Product Design Risk

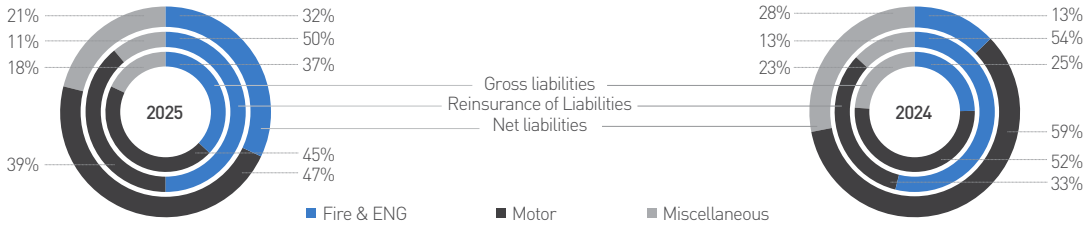
Risk of General Insurance product pricing being inadequate due to outdated/ inaccurate assumptions on effects of climate change, natural disasters, terrorist activities, behavioural trends of people due to changing life styles, epidemics and medical science/ technology improvements in the case of medical insurance, the steady escalation of costs due to currency rate changes and inflation in respect of spare parts in the Motor industry etc. resulting in losses.

Risk Response Strategies

- Diversification across a large portfolio of insurance contracts and geographical areas and increasing the number of policies issued to spread risk.
- Considering adequate reinsurance arrangements in pricing.
- Monitoring external factors such as floods, terrorist activities, political climate and economic factors and updating pricing accordingly.

The graph below depicts the concentration of General Insurance contract liabilities by type of contract:

General Insurance Contract Liabilities



4.2.2.2.2 Underwriting Risk

This risk arises due to insufficiency of premiums received from policyholder to cover claims if the insured event or contingency occurs.

Risk Response Strategies

- Careful selection and implementation of underwriting strategies designed to ensure risks are diversified in terms of type of risk and level of insured benefits.
- Training and development of underwriting staff and distribution network team through " General Insurance Academy", an internal training and development school, set up targeting the improvement of technical knowledge.
- Statistical databases maintained on all customer profiles and loss-making customers strategically reviewed.
- Strict controls are maintained on the issuance of temporary cover notes and limiting such notes to 60 days validity period.
- Daily monitoring of Motor average premium based on risk appetite.
- Centralised underwriting of Motor and Non-Motor policies to ensure control and specialisation.
- Internal flood mapping and alignment with the past catastrophe incidents considered in underwriting.
- Both the underwriters and the distribution managers are assigned Key Performance Indicators on both top-line and profitability, ensuring alignment of HNBGI objectives.
- Motor Insurance pricing determined based on a risk-based pricing grid.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured and risk.

4.2.2.2.3 Reinsurance Risk

Reinsurance risk arises due to retention of risks beyond HNBGI's net retention capacity without having adequate reinsurance and/ or the inability of reinsurers to meet their commitments due to insufficient financial strength, inability to meet obligations on time.

Reinsurance recoveries on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from Policyholders rests with HNBGI. Default of reinsurers does not negate the obligation and in that respect HNBGI carries a credit risk up to the extent ceded to each reinsurer.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

HNBGI reinsurance placement is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. All reinsurance contracts are reviewed annually and renewed based on careful selection of reinsurers. All General Insurance reinsurance contracts are with companies holding credit ratings above the minimum stipulated by the Insurance Regulatory Commission of Sri Lanka.

Risk Response Strategies

- Adequate reinsurance arrangements have been placed within the guidelines of the IRCSL and are continuously reviewed for the adequacy of covers in light of catastrophic/extreme events.
- Majority of proportional reinsurance is quota–share reinsurance to reduce the overall exposure of the subsidiary to most of the classes of business. Non–proportional reinsurance used as primarily excess–of–loss reinsurance designed to mitigate the subsidiary's net exposure to catastrophe losses. Retention limits for these arrangements differ by product line and territory.
- Strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover.
- Limiting reinsurer panel to globally trusted and stable portfolio of reinsurance companies with high ratings by Standard & Poors, AM Best or Fitch with the exception of reinsurance placed with National Insurance Trust Fund (NITF), a reinsurer operating under Government of Sri Lanka.
- Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year.
- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- Clearly defined financial authority for reinsurance arrangements.

Reinsurance Credit Rating

The following table shows the credit ratings of the reinsurance companies with whom the subsidiary has arrangements at end of the reporting period.

Reinsurer	Country of Origin	Rating	Rating Agency
Best Meridian International Insurance Company SPC (CICA Re)	San Juan, Puerto Rico	A-	AM Best
AmFirst Specialty Insurance Company	USA	A-	AM Best
MISR Insurance Company	Egypt	BBB	AM Best
The New India Assurance Co Ltd	India	BBB+	AM Best
Swiss Reinsurance Company Ltd	Singapore	AA	AM Best
The Asian Reinsurance Corporation	Thailand	BBB-	AM Best
Petro Vietnam Insurance (PVI)	Vietnam	A-	AM Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government Entity)	BBB	Fitch Ratings
Himalayan Reinsurance Limited	Nepal	BBB-	AM Best
PT Asuransi Tugu Pratama Indonesia Tbk	Indonesia	A-	AM Best
Lancashire Syndicates Limited (9329 at Lloyds)	UK	AA-	AM Best
Antares Syndicate 1274 (AUL 1274 at Lloyds)	UK	AA-	AM Best
Ocean Underwriting Consortium 4872	UK	AA-	AM Best
Fidelis Underwriting Limited (Navium Marine Limited)	UK	A-	S&P
The AdA Specialty Consortium 4769	UK	AA-	AM Best
Hannover Rück SE	Germany	AA	AM Best

4.2.2.2.4 Claims Risk

This is the risk of actual claim experience differing from expectation resulting in losses for the company.

Risk Response Strategies

- Claim intimation is carried out through a 24-hour fully fledged Customer Relations Management Centre (CRMC) to reduce time lag.
- Assessments are carried out by an independent expert panel of assessors/ loss adjustors working throughout the Island on a 24-hour basis.
- Claims are assessed immediately upon intimation and reserved accordingly.
- Comprehensive estimation of costs and high-quality service to customers granted through garages located island-wide.
- Significant outstanding claims are subjected to monthly reviews by the management.
- Service of a qualified Actuary is obtained quarterly to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims.
- All third-party claim intimations are separately reviewed with the support of the Legal Division.
- Claim payment exceeding the claim reserves by Rs. 1 Mn or three times of the reserves amount is monitored at the Board level.
- Adequate claim reserves are maintained according to the agreed methodology adopted by the Company.
- Claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure.
- Financial authority limits are set for claim limit giving the maximum limit to the Claims Panel which is involved in taking decisions on significant/ problematic claims and appeals made in respect of claims.

Valuation of Liabilities in General Insurance

The principal assumption underlying the liability estimates is that HNBGI's future claims development may follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are also used to assess the extent to which liabilities may arise in the future, but exclude one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and Government legislation affect the estimates.

The following analysis is performed for possible movements in Claims Outstanding with all other assumptions held constant, showing the impact on gross and net liabilities, Profit Before Tax and Equity. It should be noted that movements in these assumptions are non-linear.

Sensitivity of Claims Outstanding

As at,	Change in Assumptions	Reported Claim Outstanding	Impact on Gross Liabilities	Impact on Net Liabilities	Impact on Profit Before Tax	Impact on Equity (After Tax)
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
31st December 2025	+/-10%	2,669,824	+/-266,982	+/-70,441	+/-70,441	-/+49,309
31st December 2024	+/-10%	1,128,373	+/-112,837	+/-64,089	+/-64,089	-/+44,862

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Claims Development Table

The following table shows the estimated gross claims liability for each successive accident year at each reporting date.

Accident Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2008	98,195	11,834	7,136	4,653	4,371	3,795	2,051	1,913	5,892	5,122	3,388	2,200	2,400	2,200	2,200	-	-	-
2009	115,384	7,119	3,013	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166	75	75	
2010	142,511	21,589	9,246	7,407	4,300	3,212	9,714	4,019	9,005	10,591	11,365	12,679	18,669	16,669	10,429	1,119		
2011	204,088	19,098	3,835	2,883	1,709	3,922	2,126	3,771	4,161	2,796	4,705	10,671	17,886	33,847	22,860			
2012	226,266	16,193	9,616	3,064	4,039	3,564	4,305	6,826	6,221	9,703	3,943	3,180	3,000	2,664				
2013	207,137	11,033	3,533	1,695	1,902	2,542	3,395	7,100	3,166	2,877	2,200	4,029	3,645					
2014	257,441	13,728	2,843	4,300	4,304	4,086	4,675	7,163	9,374	11,462	7,702	12,465						
2015	391,429	25,658	8,656	8,472	9,798	9,713	20,350	26,864	29,087	25,187	21,747							
2016	345,718	33,013	18,097	18,497	16,943	15,149	16,857	26,843	46,295	13,231								
2017	497,786	21,311	12,211	9,922	14,261	17,092	23,308	25,767	17,801									
2018	566,509	54,331	34,406	39,445	36,176	30,816	35,975	36,991										
2019	703,681	69,245	49,716	44,063	40,355	34,087	29,880											
2020	917,929	188,648	67,514	34,343	36,819	31,931												
2021	906,381	239,535	51,802	40,558	33,712													
2022	842,234	146,439	73,194	59,902														
2023	1,205,277	215,265	115,679															
2024	1,060,617	260,456																
2025	2,747,055																	

The following table shows the estimated net claims liability (after considering reinsurance) for each successive accident year at each reporting date.

Accident Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2008	76,230	7,956	4,604	2,965	2,895	2,726	1,519	1,650	5,367	4,597	2,863	1,675	1,875	1,825	1,825	-	-	-
2009	78,801	3,636	2,576	1,379	1,021	4,133	2,697	1,385	8,964	6,464	74	869	570	70	166	75	75	
2010	100,283	6,980	4,675	3,219	2,365	1,312	5,964	4,019	9,005	10,591	11,365	12,677	18,641	16,669	10,429	1,119		
2011	170,450	7,258	3,422	2,661	1,494	3,622	1,826	3,408	3,798	2,433	4,335	10,286	14,319	22,397	10,663			
2012	163,480	3,250	2,821	3,064	4,039	3,564	4,305	6,826	6,221	9,686	3,921	3,180	3,000	2,664				
2013	163,203	5,303	3,529	1,695	1,902	2,542	3,395	7,100	3,154	2,862	2,200	4,029	3,645					
2014	188,644	7,055	2,765	4,300	4,304	4,086	4,675	7,137	9,340	11,462	7,702	12,465						
2015	324,314	9,962	8,599	8,472	9,798	9,713	20,315	26,820	29,087	25,187	21,747							
2016	267,060	12,372	10,050	10,497	8,943	11,399	13,096	20,093	27,545	13,231								
2017	351,723	9,785	11,017	8,835	13,404	16,233	21,698	23,744	16,935									
2018	419,251	27,114	23,624	30,284	32,781	27,515	32,624	33,658										
2019	468,169	37,746	38,317	38,629	35,310	29,542	25,337											
2020	518,468	64,775	42,557	18,928	26,242	20,556												
2021	552,850	73,231	38,536	38,182	30,983													
2022	546,754	74,407	52,379	47,281														
2023	745,325	98,049	63,146															
2024	573,699	95,401																
2025	609,362																	

Sensitivities

The following analysis provides a Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse/deviation.

Impact on Claim Liabilities by change in key variables

Variable	Change in Variable	Central Estimate of Claim Liability (CL) after CHE	Change in Central Estimate of Claim Liability (CL) after CHE
	%	Rs. '000	Rs. '000
Original		1,052,775	
Claim Handling Expenses (CHE)	10	1,057,147	4,372
	–10	1,048,402	(4,372)
Development Pattern	Increase in runoff by 6 months	1,058,300	5,525
	Decrease in runoff by 6 months	1,046,651	(6,124)
Initial Expected Loss Ratio (IELR)	10	1,088,740	35,965
	–10	1,016,809	(35,965)

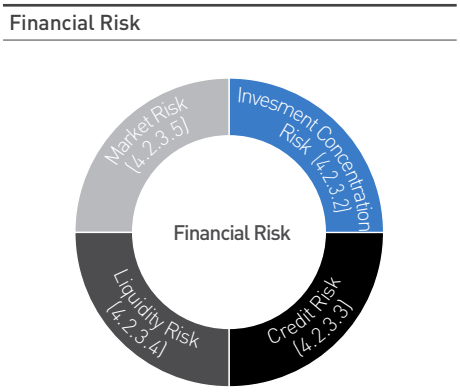
Impact on Premium Liabilities by change in key variables

Variable	Change in Variable	Unexpired Risk Reserve (URR) inc Expense	Premium Liability	Change in Premium Liability
	%	Rs. '000	Rs. '000	Rs. '000
Original		2,400,096	3,322,149	
Claim Handling Expenses (CHE)	+10	2,414,228	3,322,149	-
	–10	2,385,964	3,322,149	-
Unexpired Risk Reserve (URR)	+10	2,636,783	3,322,149	-
	–10	2,163,409	3,322,149	-

4.2.3 Financial Risk

4.2.3.1 Introduction

The Group is exposed to different types of financial risks as a result of investing in financial instruments. The Group's Senior Management has established appropriate policies and procedures to identify financial risks, measure and manage in accordance with the Group's policies and risk objectives. Following are the primary risks the Group is exposed to.



4.2.3.2 Investment Concentration Risk

Investment concentration risk arises by investing heavily in any one industry, one segment, one geographical area or one security. It can also be defined as the lower degree of diversification in an investment portfolio.

Risk Response

- Investment Committee develops and formulates guidelines for the management of the investment portfolios of the Company and its subsidiary.
- Robust monitoring process by Investment Committee to ensure the compliance of investments with available laws and regulations.
- Continuous review of asset allocation limits by Compliance Division and ALM Committee.
- The Company continuously review and limits the maximum amount that can be invested with a single counterparty.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Financial Instrument wise / Sector wise table

The following table shows the diversification of financial investments of the Group/ Company to minimise the investment concentration risk.

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000
Government Securities				
Repo	3,694,422	2,377,544	3,307,378	2,058,751
Treasury Bonds	34,801,545	29,523,289	32,912,429	27,174,522
Treasury Bills	198,482	1,249,953	-	809,842
Total Government Securities	38,694,449	33,150,786	36,219,807	30,043,115
Debentures				
Banks	10,017,022	10,423,269	8,875,665	9,104,989
Diversified Financials	1,862,166	756,717	1,646,443	642,301
Capital Goods	509,407	-	458,466	-
Utilities	35,960	-	-	-
Telecommunications	148,163	148,163	148,163	148,163
Total Debentures	12,572,718	11,328,149	11,128,737	9,895,452
Term Deposits				
Banks	6,897,373	5,764,533	5,749,495	4,911,726
Finance	9,237,549	2,934,188	8,258,640	2,552,980
Total Term Deposits	16,134,922	8,698,721	14,008,135	7,464,706
Equity Shares				
Banks	205,130	433,062	205,130	433,062
Diversified Financials	29,653	108,327	29,653	108,327
Software and Services	15,032	-	15,032	-
Food Beverage and Tobacco	59,473	58,367	59,473	58,367
Capital Goods	200,840	192,272	200,840	192,272
Materials	87,321	30,174	87,321	30,174
Consumer Durables and Apparel	26,525	-	26,525	-
Consumer Services	44,224	-	44,224	-
Transportation	100,896	-	100,896	-
Telecommunication Services	36,509	-	36,509	-
Real Estate Management & Development	-	11,924	-	11,924
Total Equity Shares	805,603	834,126	805,603	834,126
Investments in Units				
JB Vantage Money Market Fund	-	89,662	-	89,662
Capital Alliance Investment Grade Fund	379,377	203,353	331,164	159,264
Capital Alliance Fixed Income Opportunities Fund	129,989	-	-	-
Total Investments in Units	509,366	293,015	331,164	248,926
Total Financial Investments	68,717,058	54,304,797	62,493,446	48,486,326

4.2.3.3 Credit Risk

Credit risk of the Group arises from the possibility of financial loss to the Group by a counter party's failure to discharge its contractual obligations to a financial instrument.

Risk Exposure

The table on the next page shows the maximum risk positions of assets, which are generally subject to credit risk. The maximum risk exposure of financial assets in the table are equal to their carrying amounts.

Concentrations of Credit Risk - Financial Assets

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Government Securities	38,694,449	49.72	33,150,786	55.17	36,219,807	55.39	30,043,115	59.54
Corporate Debt Securities	12,572,718	16.15	11,328,148	18.85	11,128,737	17.02	9,895,452	19.60
Unit Trusts	509,366	0.65	293,015	0.49	331,164	0.51	248,926	0.49
Equity Shares	805,603	1.03	834,128	1.39	805,603	1.23	834,128	1.65
Term Deposits	16,134,922	20.73	8,698,721	14.47	14,008,135	21.42	7,464,706	14.79
Staff and Agent Loans	340,256	0.44	367,358	0.61	187,876	0.29	224,329	0.44
Loans to life policyholders	504,018	0.65	459,395	0.76	504,018	0.77	459,395	0.91
Reinsurance receivables	3,478,110	4.47	1,268,504	2.11	446,736	0.68	238,175	0.47
Amounts due from Subsidiary	-	-	-	-	24,897	0.04	25,874	0.05
Co -Insurance Receivables	70,840	0.09	23,078	0.04	-	-	-	-
Premium receivable	3,135,922	4.03	2,272,135	3.78	767,241	1.17	198,723	0.39
Cash and Cash Equivalents	1,592,686	2.05	1,402,419	2.33	961,692	1.47	841,377	1.67
Total	77,838,890	100.00	60,097,687	100.00	65,385,906	100.00	50,474,200	100.00

Financial Investments

The counter-party failing to fulfil the obligation to repay the principal and interest of a financial instrument expose the Group/Company to credit risk. The credit exposure of financial investments are given in below table with its time horizons.

Concentrations of Credit Risk - Financial Instruments

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Medium & Long Term Financial Instruments								
Government Securities	38,694,449	56.77	33,150,786	62.00	36,219,807	58.57	30,043,115	63.05
Corporate Debt Securities	12,572,718	18.44	11,328,148	21.19	11,128,737	18.00	9,895,452	20.77
Unit Trusts	509,366	0.75	293,015	0.55	331,164	0.54	248,926	0.52
Term Deposit	16,134,922	23.67	8,698,721	16.27	14,008,135	22.65	7,464,706	15.66
Total Credit Risk Exposure - Medium & Long Term Financial Instruments (a)	67,911,455	99.63	53,470,670	100.00	61,687,843	99.75	47,652,199	100.00
Short Term Deposits (b)	254,111	0.37	-	-	152,644	0.25	-	-
Total Credit Risk Exposure (a+b)	68,165,566	100.00	53,470,670	100.00	61,840,487	100.00	47,652,199	100.00
Credit Risk-Free Financial Instruments								
Equity	805,603		834,128		805,603		834,128	
Total Credit Risk-Free Financial Instruments (c)	805,603		834,128		805,603		834,128	
Total Financial Instruments (a+b+c)	68,971,169		54,304,798		62,646,090		48,486,327	

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposits. This rating provides the Group/Company the indication of the financial stability of the investment.

Concentrations of Credit Risk - Financial Instruments & Short Term Deposits

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Held to Maturity								
Treasury Bonds	14,873,650	21.90	13,429,892	25.12	14,873,650	24.11	13,429,892	28.18
Available For Sale								
Treasury Bonds	19,927,895	29.34	16,093,397	30.10	18,038,779	29.24	13,744,630	28.84
Treasury Bills	198,482	0.29	1,249,953	2.34	-	-	809,842	1.70
Fair Value Through Profit or Loss								
Unit Trusts	509,366	0.75	293,015	0.55	331,164	0.54	248,926	0.52
Loans and Receivables								
Repo	3,694,422	5.44	2,377,544	4.45	3,307,378	5.36	2,058,751	4.32
Debentures								
AAA to AAA-	509,407	0.75	-	-	458,466	0.74	-	-
AA+ to AA-	620,437	0.91	-	-	620,437	1.01	-	-
A+ to A-	9,696,774	14.28	2,640,326	4.94	8,629,949	13.99	2,322,795	4.87
BBB+ to BBB-	1,746,100	2.57	8,687,823	16.25	1,419,885	2.30	7,572,657	15.89
Term Deposits								
AAA to AAA-	1,356,923	2.00	1,424,760	2.66	1,356,923	2.20	1,424,760	2.99
AA+ to AA-	1,290,380	1.90	-	-	632,880	1.03	-	-
A+ to A-	13,487,619	19.86	5,606,840	10.49	12,018,332	19.48	4,647,402	9.75
BBB+ to BBB-	-	-	1,667,120	3.12	-	-	1,392,544	2.92
Total	67,911,455	100.00	53,470,670	100.00	61,687,843	100.00	47,652,199	100.00

Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in financial investments are shown below.

During new Placements

- Adoption of a list of counter-parties approved by the Investment Committee, consisting of companies which, in the opinion of the Committee, carry minimal Credit Risk.
- Checking the creditworthiness of potential investees, mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
- Obtaining explicit approval of the Investment Committee for any investments in an entity not included in the Committee approved list.
- Deciding on single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Conducting a detailed analysis of individual counter-parties for each corporate debt investment before taking the investment decision.
- The Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. All our investments in Repos are on DVP/RVP basis (Delivery vs. Payment and Receive vs. Payment).
- Established guidelines regarding the acceptability of collateral and valuation parameters with regards to Repo investments were followed. The management monitors the market value of the collateral, requests for additional collateral when needed and performs an impairment valuation when applicable.
- Adhering to the guidelines on selection of Primary dealers with regard to Government security investments and strict adherence to IRCSL rules and guidelines.
- Preparation of checklist to ensure adherence to the Company investment policy and other regulatory requirements.
- Adhering to approved financial authority limits set by Investment Committee and the Board for all investment related activities.

Investment Operation and Monitoring

- Signing Master Repurchase Agreements (MRA) with all primary dealers the Group works with in order to ensure zero level of default risk for lending under repo transactions, in the event of their bankruptcy. MRA's provide the facility to the investor or investee to recover the money due by selling the collateral securities in the secondary market in the event of a default by either party.
- Maintaining a custodian arrangement with HNB for Listed Equity Investments and Government Securities.
- Obtaining specialist advice from legal experts on any issues related to investment activities.

The Group regularly reviews the policies and procedures in respect of managing the Credit Risk in investments and no significant changes were made during the year.

Loans to Life Policyholders

Life policyholders failing to repay policy loans granted gives rise to credit risk for the Company.

Risk Response Strategies

The value of each loan granted to a Life Policyholder including interest receivable, is limited to the surrender value of the insurance policy and if the loan and interest amount exceeds the surrender value, policy is foreclosed.

The surrender value of policies for which loans were granted amounted to Rs. 832 Mn (2024: Rs. 789 Mn).

Loans to Life Policyholders Ageing Table

For the Year Ended 31st December,	GROUP / COMPANY 2025 Rs.'000	2024 Rs.'000
Neither past due not impaired		
0 - 60 days	12,672	23,923
61 - 90 days	12,738	15,864
91 - 180 days	33,282	39,824
181 days +	445,323	379,784
Total Maximum Exposure to Credit Risk	504,015	459,395

Staff and Advisor Loans

The Group/Company staff and advisor Loans include vehicle and emergency loans. The risk of non-repayment of such loans gives rise to credit risk.

Risk Response Strategies

Group/Company has established an effective Credit Policy which evaluates Staff and Advisor credit worthiness before granting loans.

All loans are fair valued and tested for impairment on a periodic basis. The Group obtains collateral in the form of mortgage over the vehicle for all vehicle loans to staff and advisor. An approved policy is followed when granting loans and valuation certificates of vehicles are obtained from a reputed valuer prior to grant. 91% of loans granted in 2025 includes collateral.

Reinsurance Receivables

Following table provides information regarding the Credit Risk exposure on Reinsurance Receivables of the Group and the Company.

Credit Risk - Reinsurance Receivables

As at 31st December,	GROUP 2025 Rs.'000	%	2024 Rs.'000	%	COMPANY 2025 Rs.'000	%	2024 Rs.'000	%
Reinsurance Receivable on Outstanding Claims	2,482,016	71.36	791,951	62.43	142,548	31.91	127,630	53.59
Reinsurance Receivable on Claims Settled	996,094	28.64	476,553	37.57	304,188	68.09	110,545	46.41
Total Exposure to Credit Risk	3,478,110	100.00	1,268,504	100.00	446,736	100.00	238,175	100.00

Reinsurance Receivable Based on Credit Rating (on Claims Settled)

As at 31st December,	AA+ to AA- Rs.'000	%	A+ to A- Rs.'000	%	B+ to B- Rs.'000	%	Not rated Rs.'000	%	Total Rs.'000	%
GROUP										
2025	304,188	30.54	299,483	30.07	392,422	39.40	-	-	996,093	100.00
2024	110,545	23.00	198,561	42.00	167,447	35.00	-	-	476,588	100.00
COMPANY										
2025	304,188	100.00	-	-	-	-	-	-	304,188	100.00
2024	110,545	100.00	-	-	-	-	-	-	110,545	100.00

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Below table depicts counter-party credit rating relating to Reinsurance Receivables on Claims Outstanding of the Company and does not cover Reinsurance Receivables on Claims Outstanding and on IBNR/ IBNER of the Subsidiary as the latter have not been crystallised yet.

However, the Subsidiary has not contracted any of the counter parties for Claims Outstanding and on IBNR/IBNER other than those used for Reinsurance Receivables on Claim Settled. Accordingly the credit ratings are covered.

Reinsurance Receivable Based on Credit Rating (on Outstanding Claims)

As at 31st December,	AA+ to AA-		A+ to A-		BBB+ to BBB-		BB+ to BB-		B+ to B-		Not rated		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
GROUP														
2025	348,967	14.06	911,404	36.72	1,074,958	43.31	-	-	146,687	5.91	-	-	2,482,016	100.00
2024	127,630	16.00	351,311	44.00	204,904	26.00	21,490	3.00	86,616	11.00	-	-	791,951	100.00
COMPANY														
2025	142,548	100.00	-	-	-	-	-	-	-	-	-	-	142,548	100.00
2024	127,630	100.00	-	-	-	-	-	-	-	-	-	-	127,630	100.00

Age Analysis of Reinsurance Receivable (On Claims Settled)

As at 31st December,	< 30 days		31 to 60 days		61 to 90 days		91 to 180 days		>180 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
GROUP												
2025	443,071	44.48	66,842	6.71	77,178	7.75	236,966	23.79	172,036	17.27	996,093	100.00
2024	70,755	15.00	149,820	31.00	79,026	17.00	78,179	16.00	98,773	21.00	476,553	100.00
COMPANY												
2025	61,208	20.12	50,220	16.51	28,456	9.35	164,304	54.01	-	-	304,188	100.00
2024	35,087	32.00	37,468	34.00	37,990	34.00	-	-	-	-	110,545	100.00

Risk Response Strategies

- All reinsurers of the Company and 65% of reinsurers of the Group, are rated A- and above. However, reinsurance is placed according to the directions given by Board of Directors and IRCSL guidelines.
- Long outstandings are monitored and collected or set off against payables to the same counter party.
- Management assesses the credit worthiness of reinsurers on a regular basis and align the reinsurance strategy accordingly.

Premium Receivable

The Group is exposed to credit risk where policyholder or intermediary does not settle the premium due.

Age Analysis of Premium Receivable

As at 31st December,	< 30 days		31 to 60 days		>61 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
GROUP								
2025	2,385,305	76.06	713,960	22.77	36,663	1.17	3,135,928	100.00
2024	1,658,129	73.00	516,982	23.00	97,024	4.00	2,272,135	100.00
COMPANY								
2025	693,150	90.34	68,996	8.99	5,094	0.66	767,241	100.00
2024	154,104	79.00	16,311	8.00	28,308	13.00	198,723	100.00

Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in premium receivable are shown below.

- Strict implementation of Premium Payment Warranty (PPW), ensuring that all General Insurance policies with payments outstanding for more than 60 days are cancelled.
- 30 days grace period has been offered to Life Policyholders (other than Group Life Policyholders, to whom 90 days grace period has been offered) to settle due premiums.
- Conducting follow-up meetings on debt collection on a monthly basis.
- Using the latest technology (e.g.: mobile text messages) to inform customers on premium reminders and cancellation notices.
- Follow up with the customer by contacting from our Customer Relations Management Centre (CRMC) on long outstanding balances.
- Processing claims only for the premium settled policies.

Group regularly reviews the policies and procedures in respect of managing the premium receivables and no significant changes were made during the year.

The Group has no significant concentration of credit risk during the reporting period.

Cash in Hand and at Bank

Credit risk relating to cash can arise in the event of the bank/ financial institution faces an inability to repay the amounts in credit to the Group.

Given below is the list of banks and financial institutions the Group maintains current/savings accounts with, and their respective credit ratings.

Cash in Hand and at Bank Balances with Respective Credit Ratings

As at 31st December,	Rating (2025)	Rating Agency	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Hatton National Bank PLC	AA-	Fitch Rating	1,462,561	1,358,238	874,062	814,870
Commercial Bank of Ceylon PLC	AA-	Fitch Rating	11,299	15,698	4,076	7,607
Bank of Ceylon	AA-	Fitch Rating	4,224	1,490	4,130	1,198
National Savings Bank	AAA	LRA Rating	19,926	222	19,915	211
DFCC Bank PLC	A	Fitch Rating	20,137	3,085	5,307	513
Pan Asia Banking Corporation PLC	BBB	Fitch Rating	835	785	28	25
Sampath Bank PLC	AA-	Fitch Rating	7,562	1,906	2,893	1,148
HDFC Bank of Sri Lanka	BB+	Fitch Rating	4	5	-	-
LOLC Finance PLC	A+	LRA Rating	22	22	15	15
People's Leasing & Finance PLC	A	Fitch Rating	12	12	-	-
National Development Bank PLC	A	Fitch Rating	1,107	175	1,032	100
Nations Trust Bank PLC	A	Fitch Rating	1,005	1,319	185	100
HNB Finance PLC	A	Fitch Rating	50	50	50	50
Peoples' Bank	AA-	Fitch Rating	1,072	121	1,072	121
Seylan Bank PLC	A+	Fitch Rating	1,996	63	-	-
Regional Development Bank	BBB+	LRA Rating	2,245	143	-	-
State Mortgage & Investment Bank	BB	Fitch Rating	1,022	171	1,022	171
Cargills Bank PLC	A	Fitch Rating	4,919	1,716	2,659	1,716
Sanasa Development Bank	BB+	Fitch Rating	40,883	9,522	40,883	9,522
Union Bank	BBB-	Fitch Rating	1,102	7	203	-
Amana Bank PLC	BBB-	Fitch Rating	5,564	2,726	-	-
Total Exposure to Credit Risk			1,587,547	1,397,477	957,532	837,367
Cash in hand			5,139	4,942	4,160	4,010
Cash in Hand and at Bank			1,592,686	1,402,419	961,692	841,377

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Risk Response Strategies

The Group/Company maintains savings and current accounts with banks and financial institutions with good credit ratings. As at 31st December 2025, 99.7% of cash was maintained with A- and above rated banks. (2024 : 99.7%)

	GROUP				COMPANY			
As at 31st December,	2025		2024		2025		2024	
Rating	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
AAA	19,926	1.26	222	0.02	19,915	2.08	211	0.03
A+	2,018	0.13	-	-	15	0.00	15	0.00
A	27,230	1.72	1,379,362	98.70	9,233	0.96	2,479	0.30
AA-	1,486,718	93.65	-	-	886,233	92.55	824,944	98.52
BBB+	2,245	0.14	-	-	-	-	-	-
BB+	40,887	2.58	4,655	0.33	40,883	4.27	9,522	1.14
BB	1,022	0.06	193	0.01	1,022	0.11	171	0.02
BBB	835	0.05	9,527	0.68	28	0.00	25	0.00
BBB-	6,666	0.42	3,518	0.25	203	0.02	-	-
	1,587,547	100.00	1,397,477	100.00	957,532	100.00	837,367	100.00
Cash In hand	5,139		4,942		4,160		4,010	
Cash in Hand and at Bank	1,592,686		1,402,419		961,692		841,377	

Assessment of Impairment Losses

The Group assesses all financial investments for impairment at each reporting date and adequate provisions are made where relevant. Accounting policy relating to impairment is given on page 345.

The Group has no significant concentration of Credit risk during the reporting period.

4.2.3.4 Liquidity Risk

Liquidity risk refers to the risk of the Group encountering difficulty in meeting obligations associated with financial liabilities due to non-availability of sufficient level of liquid assets or having to incur additional costs to meet obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out–flows and expected reinsurance recoveries.

Risk Response Strategies

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy which is reviewed by Investment Committee regularly.
- Guidelines are set out for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet Group insurance and investment contract obligations.
- Asset and Liability Management positions are monitored by the ALM Committee quarterly and any deviations are noted and corrective action taken.
- Maintaining sufficient cash balances, repurchase agreements and other short tenure investments to accommodate expected obligations and commitments of the Group.
- Determining the maturity profiles of insurance Contract Liabilities and reinsurance assets based on the estimated timing of net cash outflows from recognised insurance liabilities.
- Reviewing the maturity mix of the investment portfolio by the management and the Investment Committee on a regular basis.
- Agreeing with the reinsurers to support by way of cash call, if the need arises.
- Forecasting and planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.
- Guaranteed Life insurance investment policies are fully matched with investments.
- Group forecast and monitors cash flows and liquidity position on a monthly basis. With the on set of the pandemic this was further strengthened with regular reporting to Risk Committee and the Board on the cash flows and liquidity position of the Company and the Group.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group has an effective and efficient daily cash management process to mitigate risk.

The table on next page summarises the maturity profile of the financial assets and liabilities of the Group and the Company based on remaining contractual obligations.

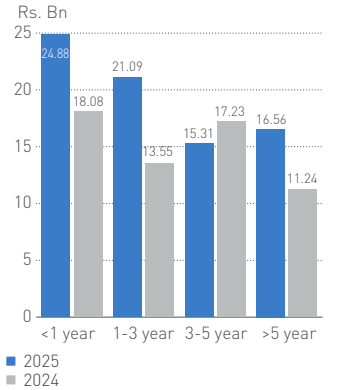
Maturity Profile of Financial Assets and Financial Liabilities – GROUP

As at 31st December 2025,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	68,717,059	16,496,637	20,955,030	15,223,947	16,041,444
Loans to Life Policyholders	504,018	-	-	-	504,018
Reinsurance Receivables	3,478,110	3,478,110	-	-	-
Premium Receivables	3,135,922	3,135,922	-	-	-
Staff and Advisor Loans	339,379	105,907	138,420	81,463	13,588
Co - Insurance Receivables	70,840	70,840	-	-	-
Cash in Hand and at Bank	1,592,686	1,592,686	-	-	-
Total Financial Assets	77,838,013	24,880,102	21,093,450	15,305,410	16,559,051
Liabilities					
Reinsurance Payable	1,847,886	1,847,886	-	-	-
Lease Creditors	749,673	263,145	335,878	142,336	8,314
Other Liabilities	2,420,690	2,069,414	-	-	351,276
Bank Overdrafts	341,836	341,836	-	-	-
Total Financial Liabilities	5,360,085	4,522,281	335,878	142,336	359,590
Total excess liquidity	70,109,247	17,989,140	20,757,572	15,163,074	16,199,460

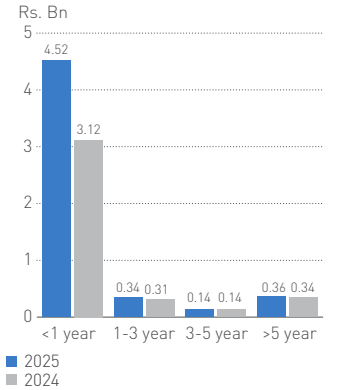
As at 31st December 2024,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	54,304,798	12,991,978	13,406,141	17,149,607	10,757,072
Loans to Life Policyholders	459,395	-	-	-	459,395
Reinsurance Receivables	1,268,504	1,268,504	-	-	-
Premium Receivables	2,272,135	2,272,135	-	-	-
Staff and Advisor Loans	367,358	124,155	140,121	82,692	20,390
Co - Insurance Receivables	23,078	23,078	-	-	-
Cash in Hand and at Bank	1,402,419	1,402,419	-	-	-
Total Financial Assets	60,097,687	18,082,269	13,546,262	17,232,299	11,236,857
Liabilities					
Reinsurance Payable	1,000,350	1,000,350	-	-	-
Lease Creditors	728,151	271,402	306,369	136,901	13,479
Other Liabilities	1,756,914	1,427,721	-	-	329,193
Bank Overdrafts	418,986	418,986	-	-	-
Total Financial Liabilities	3,904,401	3,118,459	306,369	136,901	342,672
Total excess liquidity	56,193,286	14,963,810	13,239,893	17,095,398	10,894,185

The Group has no significant concentration of Liquidity risk during the reporting period.

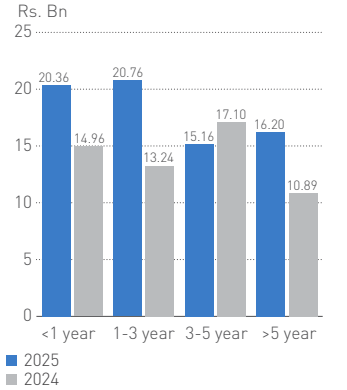
Assets Maturity Profile - Group



Liabilities Maturity Profile - Group



Excess liquidity - Group



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

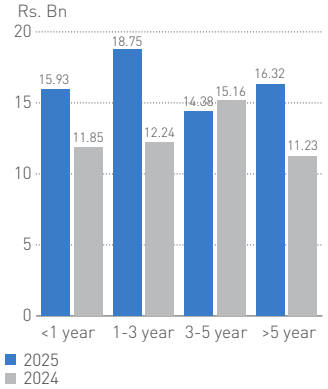
Maturity Profile of Financial Assets and Financial Liabilities – COMPANY

As at 31st December 2025,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	62,493,446	13,667,767	18,679,550	14,337,929	15,808,200
Loans to Life Policyholders	504,018	-	-	-	504,018
Reinsurance Receivables	446,736	446,736	-	-	-
Premium Receivables	767,241	767,241	-	-	-
Staff and Advisor Loans	187,876	65,576	73,658	40,248	8,394
Amounts due from Related Parties- HNB General Insurance Limited	24,897	24,897	-	-	-
Cash in Hand and at Bank	961,692	961,692	-	-	-
Total Financial Assets	65,385,906	15,933,908	18,753,209	14,378,176	16,320,613
Liabilities					
Reinsurance Payable	572,591	572,591	-	-	-
Lease Creditors	553,216	224,745	219,595	100,561	8,314
Other Liabilities	1,624,961	1,306,871	-	-	318,090
Bank Overdrafts	225,210	225,210	-	-	-
Total Financial Liabilities	2,947,978	2,329,417	219,595	100,561	326,404
Total excess liquidity	62,409,928	13,604,491	18,533,613	14,277,615	15,994,208

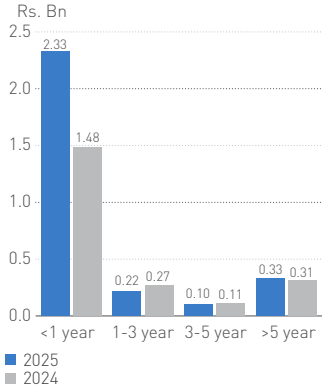
As at 31st December 2024,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	48,486,327	10,460,101	12,158,220	15,110,935	10,757,071
Loans to Life Policyholders	459,395	-	-	-	459,395
Reinsurance Receivables	238,175	238,175	-	-	-
Premium Receivables	198,723	198,723	-	-	-
Staff and Advisor Loans	224,329	86,250	80,662	47,994	9,423
Amounts due from Related Parties- HNB General Insurance Limited	25,874	25,874	-	-	-
Cash in Hand and at Bank	841,377	841,377	-	-	-
Total Financial Assets	50,474,200	11,850,500	12,238,882	15,158,929	11,225,889
Liabilities					
Reinsurance Payable	214,999	214,999	-	-	-
Lease Creditors	642,618	257,055	272,886	105,101	7,576
Other Liabilities	1,110,841	812,471	-	-	298,370
Bank Overdrafts	193,980	193,980	-	-	-
Total Financial Liabilities	2,162,438	1,478,505	272,886	105,101	305,946
Total excess liquidity	48,311,762	10,371,995	11,965,996	15,053,828	10,919,943

The Company has no significant concentration of Liquidity risk during the reporting period.

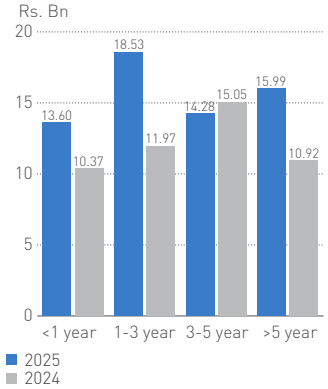
Assets Maturity Profile - Compnay



Liabilities Maturity Profile - Company



Excess liquidity - Company



Maturity Analysis of Undiscounted Financial Liabilities

Undiscounted value of Reinsurance Payable, Bank Overdraft and Other Financial Liabilities are same as the carrying value considered under the maturity analysis as mentioned above.

Undiscounted value of the Lease Creditors and the maturity of such undiscounted Lease Creditors of the Group and Company are as follows;

		Undiscounted Value - Lease Creditor				
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years	Total
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
GROUP						
2025	593,626	263,145	335,878	142,336	8,314	749,673
2024	560,905	271,402	306,369	136,901	13,479	728,151
COMPANY						
2025	456,188	224,745	219,595	100,561	8,314	553,216
2024	503,233	257,055	272,886	105,101	7,576	642,618

4.2.3.5 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk namely interest rate risk, equity price risk and currency risk.

Market Risk



Risk Response Strategies

The following policies and procedures are in place to mitigate the Group's exposure to market risks.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy. The ALM guidelines are reviewed by ALM Committee and Investment Committee regularly.
- Macro-economic indicators and their impact on the Group's Investment Portfolio are monitored closely by the Management, Investment Committee and Risk Management Committee regularly.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is considered to be the most important risk to be managed by the Group, because the magnitude of the impact is considered significant.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Risk Response Strategies

In order to mitigate the interest rate risk faced by the Group, the management follows the guidelines set out in the Investment Policy. Amongst other such guidelines, the policy also requires the management of the maturities of interest bearing financial assets. Compliance with the policy is monitored and the exposure and instances of non-compliance are reported to the Investment Committee. The Policy is reviewed regularly for pertinence and for changes in the risk environment. Macroeconomic variables are closely monitored and their sensitivities are reported to the Investment Committee and the Risk Committee.

Interest on floating rate instruments is re–priced annually whilst Interest on fixed interest rate instruments is priced at the inception of the financial instrument and is fixed until maturity.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit Before Tax and Equity.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The table below depicts the Group's and the Company's sensitivity to Interest Rate Risk.

Sensitivity to Interest Rate Risk

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Impact on PBT	Impact on Equity	Impact on PBT	Impact on Equity	Impact on PBT	Impact on Equity	Impact on PBT	Impact on Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
100 bps parallel increase in yield curve	-	(663,690)	-	(432,127)	-	(618,320)	-	(384,945)
100 bps parallel decrease in yield curve	-	703,733	-	452,188	-	656,500	-	403,382

Following tables presents the exposure to the Interest Rate Risk by the Group and the Company.

Exposure to Interest Rate Risk - GROUP

As at 31st December 2025,	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	14,873,650	-	14,873,650
Financial Investments - Loans & receivables	-	32,402,062	-	32,402,062
Financial Investments - Available for sale	-	20,126,377	-	20,126,377
Financial Investments - Fair value through profit or loss	-	-	1,314,969	1,314,969
Loans to Life Policyholders	-	504,018	-	504,018
Reinsurance Receivables	-	-	3,478,110	3,478,110
Premium Receivables	-	-	3,135,922	3,135,922
Staff and Advisor Loans	-	339,379	-	339,379
Co - Insurance Receivables	-	-	70,840	70,840
Cash in Hand and at Bank	-	254,111	1,338,575	1,592,686
Total Financial Assets	-	68,499,597	9,338,416	77,838,013
Financial Liabilities				
Reinsurance Payable	-	-	1,847,886	1,847,886
Lease Creditors	-	593,622	-	593,622
Other Liabilities	351,276	-	2,069,414	2,420,690
Bank Overdrafts*	-	-	341,836	341,836
Total Financial Liabilities	351,276	593,622	4,259,136	5,204,034

*There is no actual obligation to the Bank and overdraft represents only a book OD.

The Group has no significant concentration of interest rate risk during the reporting period.

As at 31st December 2024,	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	13,429,892	-	13,429,892
Financial Investments - Loans & receivables	-	22,404,413	-	22,404,413
Financial Investments - Available for sale	-	17,343,350	679,584	18,022,934
Financial Investments - Fair value through profit or loss	-	-	447,559	447,559
Loans to Life Policyholders	-	459,395	-	459,395
Reinsurance Receivables	-	-	1,268,504	1,268,504
Premium Receivables	-	-	2,272,135	2,272,135
Staff and Advisor Loans	-	367,358	-	367,358
Co - Insurance Receivables	-	-	23,078	23,078
Cash in Hand and at Bank	-	326,413	1,076,006	1,402,419
Total Financial Assets	-	54,330,821	5,766,866	60,097,687
Financial Liabilities				
Reinsurance Payable	-	-	1,000,350	1,000,350
Lease Creditors	-	560,905	-	560,905
Other Liabilities	329,193	-	1,427,721	1,756,914
Bank Overdrafts*	-	-	418,986	418,986
Total Financial Liabilities	329,193	560,905	2,847,057	3,737,155

*There is no actual obligation to the Bank and overdraft represents only a book OD.

The Group has no significant concentration of interest rate risk during the reporting period.

Exposure to Interest Rate Risk - COMPANY

As at 31st December 2025,	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	14,873,650	-	14,873,650
Financial Investments - Loans & receivables	-	28,444,250	-	28,444,250
Financial Investments - Available for sale	-	18,038,779	-	18,038,779
Financial Investments - Fair value through profit or loss	-	-	1,136,767	1,136,767
Loans to Life Policyholders	-	504,018	-	504,018
Reinsurance Receivables	-	-	446,736	446,736
Premium Receivables	-	-	767,241	767,241
Staff and Advisor Loans	-	187,876	-	187,876
Amounts due from Related Parties- HNB General Insurance Limited	-	-	24,897	24,897
Cash and Cash Equivalents	-	152,644	809,048	961,692
Total Financial Assets	-	62,201,217	3,184,689	65,385,906
Financial Liabilities				
Reinsurance Payable	-	-	572,591	572,591
Lease Creditors	-	456,184	-	456,184
Other Liabilities	318,090	-	1,306,871	1,624,961
Bank Overdrafts*	-	225,210	-	225,210
Total Financial Liabilities	318,090	681,394	1,879,462	2,878,946

*There is no actual obligation to the Bank and overdraft represents only a book OD.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2024,	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	13,429,892	-	13,429,892
Financial Investments - Loans & receivables	-	19,418,909	-	19,418,909
Financial Investments - Available for sale	-	14,554,472	679,584	15,234,056
Financial Investments - Fair value through profit or loss	-	-	403,470	403,470
Loans to Life Policyholders	-	459,395	-	459,395
Reinsurance Receivables	-	-	238,175	238,175
Premium Receivables	-	-	198,723	198,723
Staff and Advisor Loans	-	224,329	-	224,329
Amounts due from Related Parties- HNB General Insurance Limited	-	-	25,874	25,874
Cash in Hand and at Bank	-	-	841,377	841,377
Total Financial Assets	-	48,086,997	2,387,203	50,474,200
Financial Liabilities				
Reinsurance Payable	-	-	302,211	302,211
Lease Creditors	-	395,383	-	395,383
Other Liabilities	275,996	-	796,412	1,072,408
Bank Overdrafts*	-	160,547	-	160,547
Total Financial Liabilities	275,996	555,930	1,098,623	1,930,549

* There is no actual obligation to the Bank and overdraft represents only a book OD.

The Company has no significant concentration of interest rate risk during the reporting period.

b) Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in equity prices other than those arising due to interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Risk Response Strategies

Group's Investment Policy guides the management to set/monitor objectives and constraints on investments, diversification plans as well as limits on equity exposure in order to manage the equity price risk.

- Equity portfolios are reviewed by the Investment Committee on a quarterly basis.
- Impact from the market movement is monitored on a regular basis by the Chief Investment Officer.
- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectoral equity limits.
- Outsource the management of the equity portfolio to a third party to leverage expert knowledge, optimise returns, and enhance risk management.

Following table shows the equity portfolio diversification of the Group and the Company.

Equity Portfolio Diversification

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Industry								
Banks	205,130	25.46	433,062	51.92	205,130	25.46	433,062	51.92
Diversified Financials	29,653	3.68	108,327	12.99	29,653	3.68	108,327	12.99
Software and Services	15,032	1.87	-	-	15,032	1.87	-	-
Food Beverage and Tobacco	59,473	7.38	58,367	7.00	59,473	7.38	58,367	7.00
Capital Goods	200,840	24.93	192,272	23.05	200,840	24.93	192,272	23.05
Materials	87,321	10.84	30,174	3.62	87,321	10.84	30,174	3.62
Consumer Durables and Apparel	26,525	3.29	-	-	26,525	3.29	-	-
Consumer Services	44,224	5.49	-	-	44,224	5.49	-	-
Transportation	100,896	12.52	-	-	100,896	12.52	-	-
Telecommunication Services	36,509	4.53	-	-	36,509	4.53	-	-
Real Estate Management & Development	-	-	11,924	1.43	-	-	11,924	1.43
Total	805,603	100	834,126	100	805,603	100	834,126	100

The sensitivity analysis below is performed for reasonably possible movements in All Share Price Index with all other variables held constant, showing the impact on Profit Before Tax and OCI.

As at 31st December,	GROUP				COMPANY			
	Impact on PBT		Impact on OCI		Impact on PBT		Impact on OCI	
	2025	2024	2025	2024	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
10 per cent increase in equity prices	80,560	15,454	-	67,958	80,560	15,454	-	67,958
10 per cent decrease in equity prices	(80,560)	(15,454)	-	(67,958)	(80,560)	(15,454)	-	(67,958)

The Group has no significant concentration of equity price risk during the reporting period.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at 31 December 2025, the Sri Lankan Rupee remained broadly stable against major currencies, supported by ongoing economic reforms and improving external inflows. However, currency risk continues due to limited reserves, external financing needs, and global market uncertainties, which may affect entities with foreign currency exposures. However, The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios.

Further, the Sri Lankan Rupee has depreciated from Rs.297.02 to Rs.313.83 per USD as of 31st December 2025.

Group's exposure to foreign exchange risk arises primarily with respect to the US Dollar denominated assets maintained in order to honour liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business, payments to IT systems and foreign consultants.

Risk Response Strategies

- The Group's principal transactions are carried out in Sri Lankan Rupees.
- Regular review for timing of foreign currency requirements and collaborating with relevant stakeholders to acquire required foreign exchange.
- Continuous monitoring process of foreign exchange rate effect on financial statements under various stressed scenarios.

However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets.

Sensitivity to Foreign Currency Risk

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Amount in Foreign Currency '000	LKR Amount Rs.'000	Amount in Foreign Currency '000	LKR Amount Rs.'000	Amount in Foreign Currency '000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000
Assets								
USD	2,717	842,320	2,308	675,595	802	248,669	743	217,563
EURO	8	2,761	7	2,243	-	-	-	-
		845,081		677,838		248,669		217,563

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Impact on PBT '000	Impact on Equity (After Tax) Rs.'000	Impact on PBT '000	Impact on Equity (After Tax) Rs.'000	Impact on PBT '000	Impact on Equity (After Tax) Rs.'000	Impact on PBT USD'000	Impact on Equity (After Tax) Rs.'000
5% strengthening of rupee	42,254	29,578	(33,892)	(23,724)	12,433	8,703	(10,878)	(7,529)
5% weakening of rupee	(42,254)	(29,578)	33,892	23,724	(12,433)	(8,703)	10,878	7,529
+/- % impact on Profit	1.25%	1.24%	1.25%	1.25%	0.41%	0.41%	0.46%	0.46%

Year end average rate 1$ = Rs. 310.06 (2024: Rs. 292.67), 1Euro = Rs. 364.11 (2024: Rs.304.68)

The Group has no significant concentration of currency risk during the reporting period.

Risk Sensitivity of Financial Assets

This analysis has been performed for reasonably possible movements in key individual variables, while holding all other variables constant. It shows the impact on Profit Before Tax (due to changes in fair value of financial assets whose fair values movements are recorded in the Statement of Profit or Loss and Other Comprehensive Income) and equity.

An analysis of the sensitivity of financial assets of the Group and the Company to the key impacting variables are set out in the table below.

Sensitivity on Overall Finance Assets

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
		Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000
Exchange rate	5% strengthening of rupee	(42,254)	(29,578)	(33,892)	(23,724)	(12,433)	(8,703)	(10,878)	(7,615)
Yield curve	+100 basis points	-	(663,690)	-	(164,997)	-	(618,320)	-	(131,419)
ASPI	10% increase	80,560	56,392	56,392	8,320	80,560	56,392	15,454	10,818
Exchange rate	5% weakening of rupee	42,254	29,578	33,892	23,724	12,433	8,703	10,878	7,615
Yield curve	-100 basis points	-	703,733	-	170,700	-	656,500	-	136,109
ASPI	10% decrease	(80,560)	(56,392)	(15,454)	(10,818)	(80,560)	(56,392)	(15,454)	(10,818)

Note 1: The correlation of variables will have a significant effect in determining the ultimate impact of exchange rate, interest rate and equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Note 2: It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

4.2.4 Operational Risk

Operational risk is the possibility of incurring losses resulting from human errors, uninformed decisions, inadequate / failed internal processes and systems or from external events that affect business operations.

Main contributors to the Operational Risk are as follows;

Risk	Description
Legal and Regulatory Compliance Risk	Risk of non compliances to the rules and regulations
Model Risk	Risk of financial losses or inappropriate business decisions due to inappropriate use or interpretation of various models, their output, use of deficient models, data or assumptions
Human Resources Risk	Unavailability of qualified human resources to deploy in company operations
Third-Party Risk	Unexpected delays from services providers and failures in outsourced business functions
Technology and Information Security Risk	Risk of operational disruptions due to system failure, information security breaches, privacy breaches, cyberattacks, human errors, criminal activity or loss of certain software licensing agreements
Business Continuity Risk	Risk of operational disruptions due to system failure, information security breaches, privacy breaches, cyberattacks, human errors, criminal activity or loss of certain software licensing agreements

Risk Response Strategies

- The management is responsible for the monitoring and control of operational risk. Compliance is monitored through monthly checklist filled and signed by Heads of Divisions, a summary of which is presented to the Audit Committee.
- Risk and Compliance division monitors compliance with regulations through a monthly checklist a summary of which is tabled at the Board meeting on a monthly basis.
- Each employee is required to adhere to Financial Authority Manual in entering into transactions and discharge of duties.
- Divisional procedure manuals including branch procedure manuals are in place for the employees to follow.
- Human resource planning as part of the corporate plan and staff training on policies and procedures of the Company on a regular basis.
- Risk mitigation, including insurance where this is cost-effective.
- Ethical business standards.
- Policy guidelines for third party service contracting and process outsourcing.
- The Group has a Business Continuity Plan and annual tests are carried out.
- Employee code of business conduct, integrity reporting policy and share trading policy are in place for the guidance of staff and to streamline controls.
- Segregation of duties is incorporated into each operational area to the highest practicable level.
- Internal audit reviews the internal controls of the Group through audits carried out and shares the findings with the Audit Committee. Corrective actions/implementation of recommendations are also monitored.
- IT division ensures the on time software upgrade to ensure information and cyber security of the Company.

4.3 Capital Management Framework

The Group's Capital Management Framework formed to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. The capital requirements are forecasted on a periodic basis by the Management and the Board of Directors.

The Group has made no significant changes, from previous years, to its policies and processes of its capital structure. Thus, there were no changes in the capital structure in the Company during the year.

Capital Management Objectives, Policies and Approach

The Group has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

To maintain solvency levels of the Company and its subsidiary above the levels stipulated by the regulator and thereby providing a degree of security to Policyholders.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

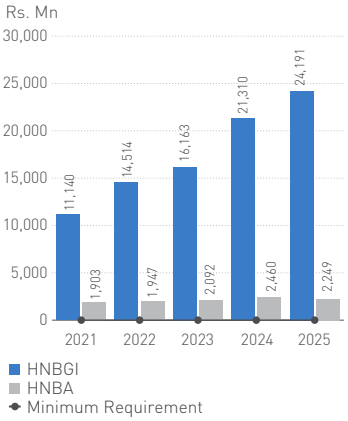
- To allocate capital efficiently and support the development of business by ensuring that return on capital employed meets the requirements of its Shareholders and Policyholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the Policyholders, Shareholders, regulators and other stakeholders.
- To maintain strong credit ratings and healthy capital adequacy ratios in order to support its business objectives and maximise Shareholders' value.

The operations of both companies (HNB Assurance PLC and HNB General Insurance Limited) in the Group are subject to regulatory guidelines and frameworks. Such regulations are there, not only to prescribe approval and monitor activities, but also to impose certain restrictive provisions such as minimum Capital Requirement, Solvency Margin, Approved Assets Requirements, etc. to minimise the risk of default, insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

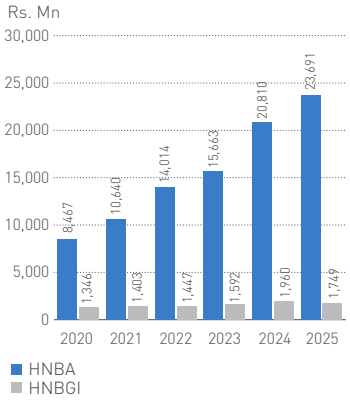
The Group has complied with all these regulatory requirements throughout the financial year.

The chart below shows the development of the Company (HNBA) and subsidiary (HNBGI) Total Available Capital Throughout past five years.

Total Available Capital



Excess Approved Assets



5. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability or;

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are included in Property, Plant and Equipment under revaluation model (Note 8).

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as Land and Buildings.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

(a) quoted prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist (significant unobservable adjustments or assumptions are required to reflect difference between the instruments), option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, Discount rate, risk premiums in estimating discount rates, Bond and Equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed Equity Securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurement

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Following table explains the fair value measurement of the Group according to the fair value Hierarchy.

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds and Treasury Bills	Valued using the market yields obtained from the "Two Way Quotes" report published by the Central Bank of Sri Lanka (CBSL) on www.cbsl.gov.lk	Level 1
Investment in Shares		
Listed Shares	Volume Weighted Average (VWA) prices obtained from the "CSE Daily" report published by the Colombo Stock Exchange (CSE) on www.cse.lk	Level 1
Investment in Units		
Unlisted redeemable Units	Valued using the Published Net Asset Value of each Unit Trust Fund	Level 2
Corporate Debt		
Listed/Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the instrument	Level 2*
Fixed and Term Deposits		
Deposits more than one year	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the institution	Level 2
Other Financial Assets		
Staff and Advisor Loans	The fair value of the Staff and Advisor loans have been computed based on the interest rates prevailed at reporting date	Level 2
Non - Financial Assets		
Land and Building	Market Comparable Method	Level 3

*Listed Corporate Debt have been classified under level two in fair value hierarchy since there is no active market for these instruments even if such instruments are listed. Therefore when calculating the fair value, published market prices are not used.

Valuation Techniques used in Measuring Level 2 and 3 Fair Values

Same valuation techniques mentioned on the above table have been used by the Group in measuring Level 2 and 3 fair values for current and comparative financial period.

Use of Judgement and Estimates

The determination of fair values of financial assets and financial liabilities recognised in the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values. This judgment may include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of the financial instruments. Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

Valuation Framework

The Group has an established control framework for the measurement of fair values. The overall responsibility of the results of trading, investment operations and all significant fair value measurements carried out by the Investment Division rests with the Investment Committee.

Specific controls include;

- Verification of observable pricing.
- Re-performance of model valuations
- Analysis and investigation of significant daily valuation movements.

- Review of significant unobservable inputs, valuations, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

Financial Assets and Liabilities not Measured at Fair Value

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, this is because the carrying amount of these financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-priced to current market rates frequently.

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash in Hand and at Bank	1,592,686	1,402,419	961,692	841,377
Term Deposits less than one year	2,588,105	1,587,189	1,202,647	607,847
Repos	3,694,422	2,377,544	3,307,378	2,058,751
Loans to Life Policyholders	504,018	459,395	504,018	459,395
Reinsurance Receivables	3,478,110	1,268,504	446,736	238,175
Premium Receivables	3,135,922	2,272,135	767,241	198,723
Amounts due from related parties	-	-	24,897	25,874
Co-Insurance Receivables	70,840	23,078	-	-
Liabilities				
Reinsurance Payable	1,847,886	1,000,350	572,591	214,999
Lease Creditors	593,622	560,905	456,184	503,233
Other Liabilities	4,074,665	2,003,333	3,203,581	1,165,234
Bank Overdrafts	341,836	418,986	225,210	193,980

5.1 Accounting Classifications and Fair Value - Group

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

5.1.a Financial Assets

As at 31st December,		2025					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	3,694,422	-	-	3,694,422	3,694,422
Term Deposit	11.2.1	-	16,482,666	-	-	16,482,666	16,134,922
Debentures	11.2.2	-	13,645,450	-	-	13,645,450	12,572,718
Treasury Bonds	11.1 & 11.3	17,763,901	-	19,927,895	-	37,691,796	34,801,545
Equity Shares	11.3.1 & 11.4.1	-	-	-	805,603	805,603	805,603
Treasury Bills	11.3	-	-	198,482	-	198,482	198,482
Investment in Units	11.4.2	-	-	-	509,366	509,366	509,366
Loans to Life Policyholders	13	-	504,018	-	-	504,018	504,018
Reinsurance Receivables	14	-	3,478,110	-	-	3,478,110	3,478,110
Premium Receivables	15	-	3,135,922	-	-	3,135,922	3,135,922
Staff and Advisor Loans	16.2	-	340,256	-	-	340,256	340,256
Co - Insurance Receivable	16	-	70,840	-	-	70,840	70,840
Cash in Hand and at Bank	18.1	-	1,592,686	-	-	1,592,686	1,592,686
Total Financial Assets		17,763,901	42,944,370	20,126,377	1,314,969	82,149,617	77,838,890

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.1.b Financial Liabilities

As at 31st December,		2025		
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Payable	29	1,847,886	1,847,886	1,847,886
Lease Creditors	30	593,622	593,622	593,622
Other Financial Liabilities	31	2,420,690	2,420,690	2,420,690
Bank Overdrafts	18.2	341,836	341,836	341,836
Total Financial Liabilities		5,204,034	5,204,034	5,204,034

5.1.c Financial Assets

As at 31st December,		2024					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	2,377,544	-	-	2,377,544	2,377,544
Term Deposit	11.2.1	-	9,216,845	-	-	9,216,845	8,698,721
Debentures	11.2.2	-	12,414,451	-	-	12,414,451	11,328,148
Treasury Bonds	11.1 & 11.3	16,725,737	-	16,093,397	-	32,819,134	29,523,289
Equity Shares	11.3.1 & 11.4.1	-	-	679,584	154,544	834,128	834,128
Treasury Bills	11.3	-	-	1,249,953	-	1,249,953	1,249,953
Investment in Units	11.4.2	-	-	-	293,015	293,015	293,015
Loans to Life Policyholders	13	-	459,395	-	-	459,395	459,395
Reinsurance Receivables	14	-	1,268,504	-	-	1,268,504	1,268,504
Premium Receivables	15	-	2,272,135	-	-	2,272,135	2,272,135
Staff and Advisor Loans	16.2	-	367,358	-	-	367,358	367,358
Co - Insurance Receivable	16	-	23,078	-	-	23,078	23,078
Cash in Hand and at Bank	18.1	-	1,402,419	-	-	1,402,419	1,402,419
Total Financial Assets		16,725,737	29,801,729	18,022,934	447,559	64,997,959	60,097,687

5.1.d Financial Liabilities

As at 31st December,		2024		
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Payable	29	1,000,350	1,000,350	1,000,350
Lease Creditors	30	560,905	560,905	560,905
Other Financial Liabilities	31	1,756,914	1,756,914	1,756,914
Bank Overdrafts	18.2	418,986	418,986	418,986
Total Financial Liabilities		3,737,155	3,737,155	3,737,155

5.1.e The Group's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.

5.2 Accounting Classifications and Fair Value - Company

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

5.2.a Financial Assets

As at 31st December,		2025					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	3,307,378	-	-	3,307,378	3,307,378
Term Deposit	11.2.1	-	14,321,640	-	-	14,321,640	14,008,135
Debentures	11.2.2	-	12,031,731	-	-	12,031,731	11,128,737
Treasury Bonds	11.1 & 11.3	17,763,901	-	18,038,779	-	35,802,680	32,912,429
Equity Shares	11.3.1 & 11.4.1	-	-	-	805,603	805,603	805,603
Investment in Units	11.4.2	-	-	-	331,164	331,164	331,164
Loans to Life Policyholders	13	-	504,018	-	-	504,018	504,018
Reinsurance Receivables	14	-	446,736	-	-	446,736	446,736
Premium Receivables	15	-	767,241	-	-	767,241	767,241
Staff and Advisor Loans	16.2	-	187,876	-	-	187,876	187,876
Amounts due from Related Parties- HNB General Insurance Limited	16	-	24,897	-	-	24,897	24,897
Cash in Hand and at Bank	18.1	-	961,692	-	-	961,692	961,692
Total Financial Assets		17,763,901	32,553,209	18,038,779	1,136,767	69,492,656	65,385,906

5.2.b Financial Liabilities

As at 31st December,		2025		
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Payable	29	572,591	572,591	572,591
Lease Creditors	30	456,184	456,184	456,184
Other Financial Liabilities	31	1,624,961	1,624,961	1,624,961
Bank Overdrafts	18.2	225,210	225,210	225,210
Total Financial Liabilities		2,878,946	2,878,946	2,878,946

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.2.c Financial Assets

As at 31st December,		2024					
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repos	11.2	-	2,058,751	-	-	2,058,751	2,058,751
Term Deposit	11.2.1	-	7,939,209	-	-	7,939,209	7,464,706
Debentures	11.2.2	-	10,786,596	-	-	10,786,596	9,895,452
Treasury Bonds	11.1 & 11.3	16,725,737	-	13,744,630	-	30,470,367	27,174,522
Equity Shares	11.3.1 & 11.4.1	-	-	679,584	154,544	834,128	834,128
Treasury Bills	11.3	-	-	809,842	-	809,842	809,842
Investment in Units	11.4.2	-	-	-	248,926	248,926	248,926
Loans to Life Policyholders	13	-	459,395	-	-	459,395	459,395
Reinsurance Receivables	14	-	238,175	-	-	238,175	238,175
Premium Receivables	15	-	198,723	-	-	198,723	198,723
Staff and Advisor Loans	16.2	-	224,329	-	-	224,329	224,329
Amounts due from Related Parties- HNB General Insurance Limited	16	-	25,874	-	-	25,874	25,874
Cash in Hand and at Bank	18.1	-	841,377	-	-	841,377	841,377
Total Financial Assets		16,725,737	22,772,429	15,234,056	403,470	55,135,692	50,474,200

5.2.d Financial Liabilities

As at 31st December,		2024		
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Payable	29	214,999	214,999	214,999
Lease Creditors	30	503,233	503,233	503,233
Other Financial Liabilities	31	1,110,841	1,110,841	1,110,841
Bank Overdrafts	18.2	193,980	193,980	193,980
Total Financial Liabilities		2,023,053	2,023,053	2,023,053

5.2.e The Company's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.

5.3 Fair Value Measurement Hierarchy

5.3.1 Fair Value Measurement Hierarchy - GROUP

Assets Measured at Fair Value

The following table analyses the group assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,		2025				2024			
		Fair Value Measurement Disclosed Using				Fair Value Measurement Disclosed Using			
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
NON-FINANCIAL ASSETS									
Property, Plant and Equipment									
Land and Building	8	-	-	80,899	80,899	-	-	82,000	82,000
Total (a)		-	-	80,899	80,899	-	-	82,000	82,000
FINANCIAL ASSETS									
Fair Value Through Profit or Loss									
Equity Shares	11.4.1	805,603	-	-	805,603	154,544	-	-	154,544
Investment in Units	11.4.2	-	509,366	-	509,366	-	293,015	-	293,015
Total (b)		805,603	509,366	-	1,314,969	154,544	293,015	-	447,559
Available for Sale									
Treasury Bonds	11.3	19,927,895	-	-	19,927,895	16,093,397	-	-	16,093,397
Treasury Bills	11.3	198,482	-	-	198,482	1,249,953	-	-	1,249,953
Equity Shares	11.3.1	-	-	-	-	679,584	-	-	679,584
Total (c)		20,126,377	-	-	20,126,377	18,022,934	-	-	18,022,934
Total Assets measured at fair value (a+b+c)		20,931,980	509,366	80,899	21,522,245	18,177,478	293,015	82,000	18,552,493

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost is estimated by comparing the market interest rates at the time of their initial recognition with current market rates for similar financial instruments. The table below analyses the fair value of financial instruments of the group carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,		2025					2024				
		Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held To Maturity											
Treasury Bonds	11.1	14,873,650	17,763,901	-	-	17,763,901	13,429,892	16,725,737	-	-	16,725,737
Total (a)		14,873,650	17,763,901	-	-	17,763,901	13,429,892	16,725,737	-	-	16,725,737
Loans and Receivable											
Term Deposit (More than one year)		13,546,817	-	13,894,559	-	13,894,559	7,111,532	-	7,629,657	-	7,629,657
Debentures	11.2.2	12,572,718	-	13,645,450	-	13,645,450	11,328,148	-	12,414,451	-	12,414,451
Staff and Advisor Loans	16.2	340,256	-	340,256	-	340,256	367,314	-	367,314	-	367,314
Total (b)		26,459,791	-	27,880,265	-	27,880,265	18,806,994	-	20,411,422	-	20,411,422
Total fixed rate financial instruments (a+b)		41,333,441	17,763,901	27,880,265	-	45,644,166	32,236,886	16,725,737	20,411,422	-	37,137,159

Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2025 (2024 – Nil).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.3.2 Fair Value Measurement Hierarchy - COMPANY

Assets Measured at Fair Value

The following table analyses the Company assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,		2025				2024			
		Fair Value Measurement Disclosed Using				Fair Value Measurement Disclosed Using			
		Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
FINANCIAL ASSETS									
Fair Value Through Profit or Loss									
Equity Shares	11.4.1	805,603	-	-	805,603	154,544	-	-	154,544
Investment in Units	11.4.2	-	331,164	-	331,164	-	248,926	-	248,926
Total (a)		805,603	331,164	-	1,136,767	154,544	248,926	-	403,470
Available For Sale									
Treasury Bonds	11.3	18,038,779	-	-	18,038,779	13,744,630	-	-	13,744,630
Treasury Bills	11.3	-	-	-	-	809,842	-	-	809,842
Equity Shares	11.3.1	-	-	-	-	679,584	-	-	679,584
Total (b)		18,038,779	-	-	18,038,779	15,234,056	-	-	15,234,056
Total Assets measured at fair value (a+b)		18,844,382	331,164	-	19,175,546	15,388,600	248,926	-	15,637,526

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. Table below analyses the fair value of financial instruments of the Company carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,		2025					2024				
		Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Amortised Cost	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held To Maturity											
Treasury Bonds	11.1	14,873,650	17,763,901	-	-	17,763,901	13,429,892	16,725,737	-	-	16,725,737
Total (a)		14,873,650	17,763,901	-	-	17,763,901	13,429,892	16,725,737	-	-	16,725,737
Loans and Receivable											
Term Deposit (More than one year)		12,805,488	-	13,118,992	-	13,118,992	6,856,859	-	7,331,363	-	7,331,363
Debentures	11.2.2	11,128,737	-	12,031,731	-	12,031,731	9,895,452	-	10,786,596	-	10,786,596
Staff and Advisor Loans	16.2	187,876	-	187,876	-	187,876	224,329	-	224,329	-	224,329
Total (b)		24,122,101	-	25,338,599	-	25,338,599	16,976,640	-	18,342,288	-	18,342,288
Total fixed rate financial instruments (a+b)		38,995,751	17,763,901	25,338,599	-	43,102,500	30,406,532	16,725,737	18,342,288	-	35,068,025

Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2025 (2024 – Nil)

Reconciliation of Fair Value Measurements of Level 3 - Land and Buildings

Reconciliation on Land and Building and Revaluation Reserve is available at Note 8 on page 401.

Transfer between Levels

There were no transfers between the levels in 2025 (2024: Nil)

Unobservable Inputs used in Measuring Fair Value

The following table provides information about significant unobservable inputs used in measuring assets categorised in Level 3 of the fair value hierarchy.

As at 31st December,	Fair Value*		Valuation Technique	Range of estimates for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2025	2024			
	Rs.'000	Rs.'000			
Land and Buildings	80,899	82,000	Refer note 8.5 on page 404	Refer note 8.5 on page 404	Refer note 8.5 on page 404

*The fair value of an asset is equal to the carrying value.

6. SEGMENTAL REPORTING

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including transactions with other Group entities), and for which discrete financial information is available. The operating results of such segments are regularly reviewed by the Chief Operating Decision Maker (CODM), identified as the Board of Directors, to make decisions regarding resource allocation and to assess segment performance. The Group's primary basis for segmental reporting is business segments, which are identified based on the Group's internal management structure and strategy. These segments are managed separately as they are subject to different operational, risk management, and marketing dynamics.

For management purposes, the Group is organised into the following two reportable operating segments based on products and services:

Reportable Operating Segment	Category of Information	Details
Life Insurance	Nature of Products	Protection and other Long-Term Insurance contracts both with and without discretionary Participating features.
	Classification of Products	Comprises a wide range of term assurance, guaranteed pensions, endowment, investment-linked and annuity products.
	Revenue derived from	Insurance premium income, policyholder fees, reinsurance commission income, investment income, and fair value gains/ losses on investments.
General Insurance	Nature of Products	Comprises short-term insurance contracts issued to individuals and corporates.
	Classification of Products	Mainly categorised into Motor and Non-Motor. Non-Motor includes Fire, Accident & Liability, Marine, Medical and Workmen Compensation.
	Revenue derived from	Insurance Premium Income, Policyholder fees, Reinsurance commission income, Investment Income, and Fair Value gains/ losses on Investments.

Geographic Information

The Group's operations are primarily based in Sri Lanka and are not subject to significantly different risks or returns based on geographical location. Accordingly, geographical segment reporting is not presented.

Major Customers

The Group does not depend on any single customer or group of related customers that account for 10% or more of its revenue. Therefore, disclosure relating to major customers is not applicable.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.1 Statement of Financial Position - Segmental Review - 2025

As at 31st December 2025,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	498,995	288,865	-	787,860
Right of Use Assets	373,134	133,006	-	506,140
Intangible Assets	279,995	242,374	-	522,369
Deferred Tax Assets	-	9,124	-	9,124
Financial Investments	62,493,446	6,223,612	-	68,717,058
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	504,018	-	-	504,018
Reinsurance Receivables	446,736	3,031,374	-	3,478,110
Premium Receivables	767,241	2,368,687	(6)	3,135,922
Other Assets	966,006	445,243	(24,897)	1,386,352
Insurance Contract - Deferred Expenses	-	11,128	-	11,128
Cash in Hand and at Bank	961,692	630,994	-	1,592,686
Total Assets	68,441,263	13,384,407	(1,174,903)	80,650,767
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	10,227,698	1,923,758	-	12,151,456
Available For Sale Reserve	186,065	63,641	-	249,706
Other Reserve	(113,126)	(47,575)	-	(160,701)
Life Policyholders' Available For Sale Reserve Fund	339,844	-	-	339,844
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	12,193,512	3,089,824	(1,150,000)	14,133,336
Non-Controlling Interest	-	-	-	-
Total Equity	12,193,512	3,089,824	(1,150,000)	14,133,336
Liabilities				
Insurance Contract Liabilities - Life Insurance	49,248,002	-	-	49,248,002
Insurance Contract Liabilities - General Insurance	-	6,788,998	-	6,788,998
Employee Benefit Liabilities	355,947	249,315	-	605,262
Current Tax Liabilities	561,275	35,195	-	596,470
Reinsurance Payable	572,591	1,275,295	-	1,847,886
Lease Creditors	456,184	137,438	-	593,622
Other Liabilities	4,828,542	1,691,716	(24,903)	6,495,355
Bank Overdrafts	225,210	116,626	-	341,836
Total Liabilities	56,247,751	10,294,583	(24,903)	66,517,431
Total Equity and Liabilities	68,441,263	13,384,407	(1,174,903)	80,650,767

6.1.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2025,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1 & 8.2	116,082	115,902	231,984
Right of Use Assets Additions	9.1	131,449	90,680	222,129
Intangible Assets Additions	10.1	171,932	239,445	411,377

6.2 Statement of Financial Position - Segmental Review - 2024

As at 31st December 2024,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	541,118	228,520	-	769,638
Right of Use Assets	427,016	55,535	-	482,551
Intangible Assets	155,588	8,431	-	164,019
Deferred Tax Assets	-	14,783	-	14,783
Financial Investments	48,486,327	5,818,471	-	54,304,798
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	459,395	-	-	459,395
Reinsurance Receivables	238,175	1,030,329	-	1,268,504
Premium Receivables	198,723	2,081,953	(8,541)	2,272,135
Other Assets	906,713	396,910	(25,874)	1,277,749
Insurance Contract - Deferred Expenses	-	33,468	-	33,468
Cash in Hand and at Bank	841,377	561,042	-	1,402,419
Total Assets	53,404,432	10,229,442	(1,184,415)	62,449,459
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	8,689,963	1,661,762	-	10,351,725
Available For Sale Reserve	211,076	68,356	-	279,432
Other Reserve	(82,179)	(22,529)	-	(104,708)
Life Policyholders' Available For Sale Reserve Fund	437,695	-	-	437,695
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	10,809,586	2,857,589	(1,150,000)	12,517,175
Non-Controlling Interest	-	-	-	-
Total Equity	10,809,586	2,857,589	(1,150,000)	12,517,175
Liabilities				
Insurance Contract Liabilities - Life Insurance	38,647,547	-	-	38,647,547
Insurance Contract Liabilities - General Insurance	-	4,507,058	-	4,507,058
Employee Benefit Liabilities	279,864	197,451	-	477,315
Current Tax Liabilities	479,148	80,728	-	559,876
Reinsurance Payable	214,999	785,351	-	1,000,350
Lease Creditors	503,233	57,672	-	560,905
Other Liabilities	2,276,075	1,518,587	(34,415)	3,760,247
Bank Overdrafts	193,980	225,006	-	418,986
Total Liabilities	42,594,846	7,371,853	(34,415)	49,932,284
Total Equity and Liabilities	53,404,432	10,229,442	(1,184,415)	62,449,459

6.2.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2024,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1 & 8.2	204,870	45,511	250,381
Right of Use Assets Additions	9.1	299,877	8,373	308,250
Intangible Assets Additions	10.1	127,365	4,308	131,673

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.3 Statement of Profit or Loss - Segmental Review - 2025

For the Year Ended 31st December 2025,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	19,489,970	11,005,157	(44,730)	30,450,397
Premium Ceded to Reinsurers	(1,048,587)	(4,738,220)	-	(5,786,807)
Net Written Premium	18,441,383	6,266,937	(44,730)	24,663,590
Net Change in Reserves for Unearned Premium	-	(523,541)	-	(523,541)
Net Earned Premium	18,441,383	5,743,396	(44,730)	24,140,049
Other Revenue				
Interest and Dividend Income	7,492,902	720,136	-	8,213,038
Net Realised Gains	699,868	22,584	-	722,452
Net Fair Value Gains	45,466	29,016	-	74,482
Fee and Commission Income	101,620	405,566	(27,100)	480,086
Other Income	8,494	19,485	-	27,979
Total Other Revenue	8,348,350	1,196,787	(27,100)	9,518,037
Net Income	26,789,733	6,940,183	(71,830)	33,658,086
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(4,350,496)	(4,017,253)	81	(8,367,668)
Net Change in Insurance Claims Outstanding	(52,753)	(25,393)	-	(78,146)
Change in Contract Liabilities - Life Fund	(10,547,068)	-	-	(10,547,068)
Other Operating and Administration Expenses	(5,100,970)	(2,438,454)	63,483	(7,475,941)
Underwriting and Net Acquisition Costs	(3,464,378)	(119,234)	8,266	(3,575,346)
Finance and Other Insurance Related Costs	(243,832)	15,194	-	(228,638)
Total Benefits, Claims and other Expenses	(23,759,497)	(6,585,140)	71,830	(30,272,807)
Profit Before Taxation	3,030,236	355,043	-	3,385,279
Income Tax Expense	(907,501)	(93,047)	-	(1,000,548)
Profit for the Year	2,122,735	261,996	-	2,384,731

6.3.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the Year Ended 31st December 2025,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	35,949	8,781	44,730
External Customers GWP	32	19,454,021	10,996,376	30,450,397
Interest Income	36.1	7,451,640	720,136	8,171,776
Depreciation on Property, Plant and Equipment	8.1 & 8.2	157,480	55,487	212,967
Amount recognised in P&L relating to Right of Use Assets	9.2	273,683	39,370	313,053
Amortisation on Intangible Assets	10.1	47,525	5,502	53,027

6.4 Statement of Profit or Loss - Segmental Review - 2024

For the Year Ended 31st December 2024,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	13,709,655	9,121,546	(93,207)	22,737,994
Premium Ceded to Reinsurers	(775,049)	(3,810,585)	-	(4,585,634)
Net Written Premium	12,934,606	5,310,961	(93,207)	18,152,360
Net Change in Reserves for Unearned Premium	-	199,390	-	199,390
Net Earned Premium	12,934,606	5,510,351	(93,207)	18,351,750
Other Revenue				
Interest and Dividend Income	6,797,948	763,930	-	7,561,878
Net Realised Gains	40,028	60,414	-	100,442
Net Fair Value Gains/(Losses)	76,025	(11,172)	-	64,853
Fee and Commission Income	93,815	361,854	(33,884)	421,785
Other Income	23,514	18,171	-	41,685
Total Other Revenue	7,031,330	1,193,197	(33,884)	8,190,643
Net Income	19,965,936	6,703,548	(127,091)	26,542,393
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(2,995,104)	(3,788,322)	278	(6,783,148)
Net Change in Insurance Claims Outstanding	(12,121)	84,043	-	71,922
Change in Contract Liabilities - Life Fund	(7,679,932)	-	-	(7,679,932)
Other Operating and Administration Expenses	(4,221,465)	(2,301,836)	110,280	(6,413,021)
Underwriting and Net Acquisition Costs	(2,466,158)	(285,322)	16,533	(2,734,947)
Finance and Other Insurance Related Costs	(232,686)	(57,660)	-	(290,346)
Total Benefits, Claims and other Expenses	(17,607,466)	(6,349,097)	127,091	(23,829,472)
Profit Before Taxation	2,358,470	354,451	-	2,712,921
Income Tax Expense	(701,759)	(114,301)	-	(816,060)
Profit for the Year	1,656,711	240,150	-	1,896,861

6.4.1 Additional Information as per paragraph 23 of SLFRS 08 is as follows,

For the year ended 31st December 2024,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	55,720	37,487	93,207
External Customers GWP	32	13,653,935	9,084,059	22,737,994
Interest Income	36.1	6,774,752	763,898	7,538,650
Depreciation on Property, Plant and Equipment	8.1 & 8.2	138,610	41,593	180,203
Amortisation on Intangible Assets	10.1	29,175	2,166	31,341
Amount recognised in P&L relating to Right of Use Assets	9.2	286,232	24,463	310,695

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.5 Statement of Cash Flows - Segmental Review - 2025

For the Year Ended 31st December 2025,	Note	Life Insurance Rs.'000	General Insurance Rs.'000	Intersegment Adjustment Rs.'000	Total Rs.'000
Cash Flows From Operating Activities					
Profit Before Taxation		3,030,236	355,043	-	3,385,279
Adjustments for:					-
Interest Income		(7,451,640)	(720,136)	-	(8,171,776)
Dividend Income		(41,262)	-	-	(41,262)
Amortisation of Intangible Assets		47,525	5,502	-	53,027
Depreciation of Property, Plant and Equipment		157,480	55,487	-	212,967
Net Depreciation of Right of Use Assets		196,827	23,889	-	220,716
Interest Expense of Lease Creditors		76,856	15,481	-	92,337
Provision for Employee Benefits		64,417	46,610	-	111,027
Net Realised Gains		(699,868)	(22,584)	-	(722,452)
Net Fair Value Gains		(45,466)	(29,016)	-	(74,482)
Gains on Disposal of Property, Plant and Equipment		(233)	(54)	-	(287)
		(4,665,128)	(269,778)	-	(4,934,906)
Net Change in Operating Assets	A	(989,936)	(2,347,387)	(9,512)	(3,346,835)
Net Change in Operating Liabilities	B	13,521,597	2,906,866	9,512	16,437,975
Cash Flows from Operating Activities		7,866,533	289,701	-	8,156,234
Gratuity Paid		(16,080)	(19,402)	-	(35,482)
Current Tax Paid		(730,717)	(98,211)	-	(828,928)
Capital Gain Tax Paid		-	(2,666)	-	(2,666)
Payment of Lease Interest		(76,856)	(15,481)	-	(92,337)
Net Cash Generated From Operating Activities (a)		7,042,880	153,941	-	7,196,821
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(162,699,956)	(44,513,607)	-	(207,213,563)
Proceeds from Maturity of Financial Investments		147,492,031	43,984,772	-	191,476,803
Proceeds from Sale of Financial Investments		2,008,501	214,010	-	2,222,511
Interest Received		7,270,652	674,684	-	7,945,336
Dividend Received		37,028	-	-	37,028
Acquisition of Intangible Assets		(171,932)	(198,097)	-	(370,029)
Acquisition of Property, Plant and Equipment		(116,082)	(115,902)	-	(231,984)
Proceeds from the Disposal of Property, Plant and Equipment		958	124	-	1,082
Advance Paid to Right of Use Assets		(11,496)	(10,680)	-	(22,176)
Net Cash (Used)/Generated in/from Investing Activities (b)		(6,190,296)	35,304	-	(6,154,992)
Cash Flows from Financing Activities					
Dividend Paid		(585,000)	-	-	(585,000)
Payment of Lease Capital		(178,499)	(10,913)	-	(189,412)
Net Cash Used in Financing Activities (c)		(763,499)	(10,913)	-	(774,412)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)		89,085	178,332	-	267,417
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		647,397	336,036	-	983,433
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	736,482	514,368	-	1,250,850
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease in Deferred Expenses		-	22,340	-	22,340
Increase in Loans to Life Policyholders		(44,623)	-	-	(44,623)
Increase in Reinsurance Receivables		(208,561)	(2,001,045)	-	(2,209,606)
Increase in Premium Receivables		(568,518)	(286,734)	(8,535)	(863,787)
Increase in Other Assets		(168,234)	(81,948)	(977)	(251,159)
Net Change in Operating Assets		(989,936)	(2,347,387)	(9,512)	(3,346,835)
B. Change in Operating Liabilities					
Increase in Other Liabilities		2,549,266	134,982	9,512	2,693,760
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		10,614,739	-	-	10,614,739
Increase in Insurance Contract Liabilities - General Insurance		-	2,281,940	-	2,281,940
Increase in Reinsurance Payable		357,592	489,944	-	847,536
Net Change in Operating Liabilities		13,521,597	2,906,866	9,512	16,437,975

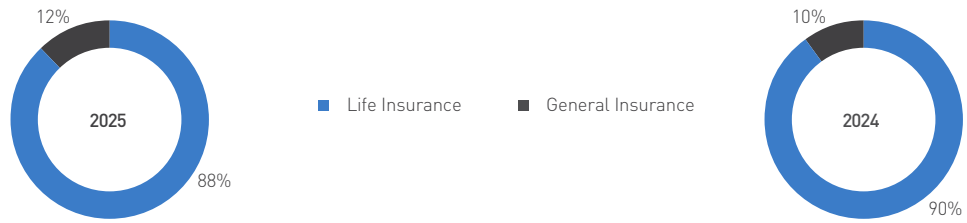
6.6 Statement of Cash Flows - Segmental Review - 2024

For the Year Ended 31st December 2024,	Note	Life Insurance Rs.'000	General Insurance Rs.'000	Intersegment Adjustment Rs.'000	Total Rs.'000
Cash Flows From Operating Activities					
Profit Before Taxation		2,358,470	354,451	-	2,712,921
Adjustments for:					
Interest Income		(6,774,752)	(763,898)	-	(7,538,650)
Dividend Income		(23,196)	(32)	-	(23,228)
Amortisation of Intangible Assets		29,175	2,166	-	31,341
Depreciation of Property, Plant and Equipment		138,610	41,593	-	180,203
Net Depreciation of Right of Use Assets		191,459	15,343	-	206,802
Interest Expense of Lease Creditors		94,773	9,120	-	103,893
Provision for Employee Benefits		47,602	36,325	-	83,927
Net Realised Gains		(40,028)	(60,414)	-	(100,442)
Net Fair Value (Gains)/Losses		(76,025)	11,172	-	(64,853)
Loss on intangible assets		168	69	-	237
(Gains)/Losses on Disposal of Property, Plant and Equipment		(18,867)	30	-	(18,837)
		(4,072,611)	(354,075)	-	(4,426,686)
Net Change in Operating Assets	A	(149,899)	(39,536)	(176,247)	(365,682)
Net Change in Operating Liabilities	B	8,093,485	463,196	176,247	8,732,928
Cash Flows from Operating Activities		3,870,975	69,585	-	3,940,560
Gratuity Paid		(19,163)	(15,739)	-	(34,902)
Current Tax Paid		(559,812)	(85,967)	-	(645,779)
Capital Gain Tax Paid		-	(31,653)	-	(31,653)
Payment of Lease Interest		(94,773)	(9,120)	-	(103,893)
Net Cash Generated/ (Used) from/in Operating Activities (a)		3,197,227	(72,894)	-	3,124,333
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(80,274,019)	(32,598,769)	-	(112,872,788)
Proceeds from Maturity of Financial Investments		70,491,008	30,973,764	-	101,464,772
Proceeds from Sale of Financial Investments		1,321,315	1,093,463	-	2,414,778
Interest Received		6,410,785	852,127	-	7,262,912
Dividend Received		20,464	32	-	20,496
Acquisition of Intangible Assets		(127,365)	(4,308)	-	(131,673)
Acquisition of Property, Plant and Equipment		(204,870)	(45,511)	-	(250,381)
Proceeds from the Disposal of Property, Plant and Equipment		24,805	96	-	24,901
Advance Paid to Right of Use Assets		(6,235)	(2,400)	-	(8,635)
Net Cash (Used) / Generated in/from Investing Activities (b)		(2,344,112)	268,494	-	(2,075,618)
Cash Flows from Financing Activities					
Dividend Paid		(585,000)	-	-	(585,000)
Payment of Lease Capital		(126,393)	(5,622)	-	(132,015)
Net Cash Used in Financing Activities (c)		(711,393)	(5,622)	-	(717,015)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)		141,722	189,978	-	331,700
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		505,675	146,058	-	651,733
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	647,397	336,036	-	983,433
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease in Deferred Expenses		-	175,003	-	175,003
Increase in Loans to Life Policyholders		(17,472)	-	-	(17,472)
Decrease/(Increase) in Reinsurance Receivables		87,108	(26,455)	-	60,653
Increase in Premium Receivables		(152,783)	(158,174)	(102,771)	(413,728)
Increase in Other Assets		(66,752)	(29,910)	(73,476)	(170,138)
Net Change in Operating Assets		(149,899)	(39,536)	(176,247)	(365,682)
B. Change in Operating Liabilities					
Increase in Other Liabilities		460,191	259,794	176,247	896,232
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		7,720,506	-	-	7,720,506
Decrease in Insurance Contract Liabilities - General Insurance		-	(187,245)	-	(187,245)
(Decrease)/Increase in Reinsurance Payable		(87,212)	390,647	-	303,435
Net Change in Operating Liabilities		8,093,485	463,196	176,247	8,732,928

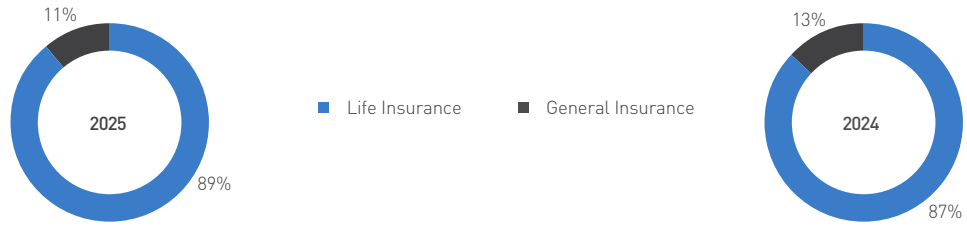
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

SEGMENTAL PERFORMANCE HIGHLIGHT

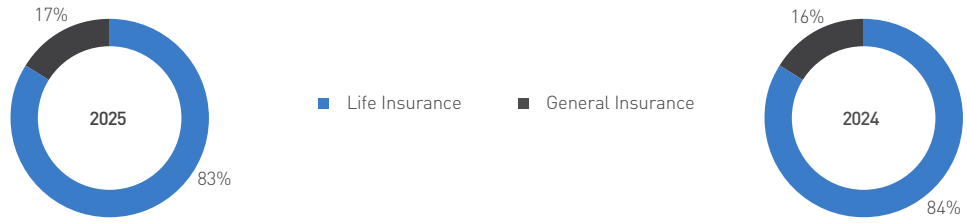
Segment - Insurance Contract Liabilities



Segment - Profitability



Segment - Total Assets



Gross Written Premium



7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

ACCOUNTING POLICY

NON-DERIVATIVE FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises Loans and Receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets not measured at fair value through profit or loss is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the Income Statement.

CLASSIFICATION

The Group determines the classification of its financial assets at initial recognition and classifies them into one of the following categories:

1. Held to Maturity (HTM);
2. Loans and Receivables (L&R);
3. Available For Sale (AFS);
4. Fair Value Through Profit or Loss (FVTPL). ; and within this category as,

- Held for Trading; or
- Designated at Fair Value Through Profit or Loss ;

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on ability to hold until maturity. Financial assets are classified as Fair Value Through Profit or Loss where the Group investment strategy is to manage financial investments on a fair value basis. The Available For Sale and Held to Maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date, i.e., the date that the Group receives/ settles money for the sale/purchase of the financial asset. However, when it comes to investment in Quoted Equities and Corporate Debt, the transaction date (i.e. trade date) is used to recognise/de-recognise the asset.

Financial Assets categories and their classification criteria are shown in the table below;

Classification	Classification Criteria
Held to Maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Group has the intention and ability to hold until maturity.
Loans and Receivables	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Available for Sale	Equity investments classified as Available For Sale are those that are neither classified as held for trading nor designated at Fair Value Through Profit or Loss. Debt securities in this category are those that are intended to be held till maturity and which may be sold in response to need for liquidity or in response to changes in the market conditions.
Fair Value Through Profit or Loss	Financial assets at Fair Value Through Profit or Loss include financial assets held for trading and those designated upon initial recognition at Fair Value Through Profit or Loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as Fair Value Through Profit or Loss, the following criteria must be met: • The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis, or • Assets and liabilities are part of a Group of financial assets, financial liabilities or both, which are managed and their performance is evaluated on a fair value basis, in accordance with the Group investment strategy.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

SUBSEQUENT MEASUREMENT

Held to Maturity

Subsequent to initial measurement, Held to Maturity financial assets are measured at amortised cost, using the Effective Interest Rate (EIR), less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest Income' in Profit or Loss.

Loans and Receivables

Subsequent to initial measurement, Loans and Receivables are measured at amortised cost, using the EIR, less allowance for impairment. The EIR amortisation is included in Profit or Loss as interest income.

Fair Value Through Profit or Loss

Subsequent to initial recognition, fair value through profit or loss financial assets are re-measured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in Profit or Loss.

Available for Sale

Subsequent to initial measurement, Available For Sale financial assets are measured at fair value, with unrealised gains or losses recognised through Other Comprehensive Income (OCI) in the Available For Sale reserve.

Fair value changes of Available For Sale financial assets of Life Insurance related assets are included under Life Policyholders' Available For Sale reserve fund through OCI in equity. Refer Note 23.

Interest earned whilst holding Available For Sale investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available For Sale investments are recognised in Profit or Loss as 'Dividend Income' when the right of the payment has been established.

Group's non derivative financial assets and their classifications are summarised as follows;

		Category			
Financial Asset	Note	HTM	AFS	L & R	FVTPL
Treasury Bonds	11.1 & 11.3	√	√		
Repo	11.2			√	
Term Deposits	11.2.1			√	
Debentures	11.2.2			√	
Treasury Bills	11.3		√		
Equity Shares	11.3.1 & 11.4.1		√		√
Investment in Units	11.4.2				√
Loans to Life Policyholders	13			√	
Reinsurance Receivables	14			√	
Premium Receivables	15			√	
Staff and Advisor Loans	16.2			√	
Co - Insurance Receivable	16			√	
Cash in Hand and at Bank	18.1			√	

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Objective evidence of impairment may include:

(a) significant financial difficulty of the borrower or issuer,

(b) default or delinquency by debtor,

(c) It becomes probable that the issuer or debtor will enter bankruptcy or other financial re-organisation,

(d) adverse changes in the payment status of issuers or debtors in the Group, and

(e) In the case of equity, a significant or prolonged decline in its fair value below its cost.

Impairment of Financial Assets carried at Amortised Cost

The Group consider evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised this causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment of Financial Investments classified as Available For Sale

For Available For Sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments are impaired. If the asset is determined to be impaired, the cumulative loss is recognised in Profit or Loss and removed from the Available For Sale reserve.

In the case of debt instruments classified as Available For Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in Profit or Loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Other Revenue'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed through the Profit or Loss; otherwise, any increase in fair value is recognised through OCI.

In the case equity investments classified as AFS, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. LKAS 39 does not provide any further guidance or quantitative threshold for 'significant' or 'prolonged'. In the absence of further authoritative guidance, applying these criteria is a matter for professional judgement. The term 'prolonged' should be assessed based on the period for which fair value has been less than acquisition cost. A general stock market decline over the period of 12 months may not necessarily be considered as 'prolonged' in the Sri Lankan stock market context. A decline of 20%-30% of the fair value of an investment in an equity instrument below its acquisition cost may be considered as 'significant'.

Where there is evidence of impairment, the cumulative impairment loss on that investment previously recognised in Equity through the OCI is removed from Equity and charged to Profit or Loss. Any subsequent recovery in the fair value of an Available For Sale equity instrument is always recognised in OCI.

DE-RECOGNITION OF FINANCIAL ASSETS

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire or, when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or, in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in Profit or Loss.

In case of AFS financial investments the cumulative gain or loss is recycled to Profit or Loss as 'Realised gains or losses'.

RE-CLASSIFICATION OF FINANCIAL ASSETS

The Group reclassifies non-derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - "Financial Instruments": Recognition and Measurement.

Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity

For a financial asset with a fixed maturity reclassified out of the 'AFS' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'L&R' category, if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Group does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Group does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

Reclassification of each classes of financial assets are disclosed in respective sub notes.

NON-DERIVATIVE FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises debt securities issued on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group classifies non derivative financial liabilities into financial liabilities at Fair Value Through Profit or Loss and other financial liabilities. Other financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease creditors, other liabilities and bank overdrafts.

DE-RECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards or Interpretations. (issued by the IFRS Interpretations Committee and Standing Interpretations Committee).

Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

8 PROPERTY, PLANT AND EQUIPMENT (PPE)

ACCOUNTING POLICY

Property, Plant and Equipment includes tangible assets held for use in operations or administration, expected to be used for more than one year. The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on "Property, Plant and Equipment".

BASIS OF RECOGNITION

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the assets can be measured reliably.

BASIS OF MEASUREMENT

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes,

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring at the site on which they are located;
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of such equipment. When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant, and Equipment.

COST MODEL

The Group applies the cost model to Property, Plant and Equipment except for Freehold Land and Buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

REVALUATION MODEL

The Group applies the revaluation model to the entire class of Freehold Land and Buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Freehold land and buildings of the Group are revalued at least once in every three years on a roll over basis, to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under revaluation reserve, or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the income statement. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the income statement or debited in the other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

SUBSEQUENT COSTS

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in Profit or Loss as incurred.

REPAIRS AND MAINTENANCE

Repairs and maintenance are charged to Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

USEFUL ECONOMIC LIFE AND DEPRECIATION

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Profit or Loss.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The estimated Useful economic lives, depreciation rate and residual values for the current and comparative years are as follows:

Class of Asset	Estimated useful Economic Life	Depreciation percentage per annum (%)	Residual Value
Freehold Buildings	40 years	2.5	Nil
Computer Equipment	6 years	16.67	Nil
Motor Vehicles	4 years	25	Nil
Office Equipment	5 years	20	Nil
Furniture and Fittings	10 years	10	Nil
Fixtures	Based on Lease Agreement period or useful life of asset whichever is lower		

*Depreciation is not provided for freehold Land.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given below on pages 403 to 406. The Group reviews the residual values, useful lives and methods of depreciation at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

DE-RECOGNITION

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de-recognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in Property, Plant and Equipment, waiting for capitalisation.

BORROWING COSTS

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard LKAS 23-"Borrowing Costs". A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the Profit or Loss in the period in which they occur.

8.1 Movement of Property, Plant and Equipment (PPE) - GROUP

	Land and Buildings	Computer Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Fixtures	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Revaluation							
Balance as at 01st January 2024	68,639	620,298	19,910	133,662	117,682	247,104	1,207,295
Additions during the year	-	118,158	57,257	27,103	19,021	28,842	250,381
Disposals during the year	-	(19,371)	(9,339)	(6,544)	(4,580)	(13,371)	(53,205)
Acc. Dep. Adj. on Revaluation Reserve	(2,615)	-	-	-	-	-	(2,615)
Revaluation during the year	15,976	-	-	-	-	-	15,976
Balance as at 31st December 2024 (a)	82,000	719,085	67,828	154,221	132,123	262,575	1,417,832
Balance as at 01st January 2025	82,000	719,085	67,828	154,221	132,123	262,575	1,417,832
Additions during the year	-	118,535	40,397	17,707	22,842	32,503	231,984
Disposals during the year	-	(17,008)	-	(4,871)	(2,425)	(5,798)	(30,102)
Balance as at 31st December 2025 (b)	82,000	820,612	108,225	167,057	152,540	289,280	1,619,714
Accumulated Depreciation							
Balance as at 01st January 2024	1,808	252,020	16,931	64,420	58,393	124,174	517,746
Depreciation for the year	807	94,383	12,118	21,159	9,725	42,011	180,203
Depreciation on Disposals	-	(19,132)	(5,000)	(6,341)	(3,351)	(13,316)	(47,140)
Acc. Dep. Adj. on Revaluation Reserve	(2,615)	-	-	-	-	-	(2,615)
Balance as at 31st December 2024 (c)	-	327,271	24,049	79,238	64,767	152,869	648,194
Balance as at 01st January 2025	-	327,271	24,049	79,238	64,767	152,869	648,194
Depreciation for the year	1,101	108,786	23,404	24,287	11,233	44,156	212,967
Depreciation on disposals	-	(16,926)	-	(4,599)	(2,276)	(5,506)	(29,307)
Balance as at 31st December 2025 (b)	1,101	419,131	47,453	98,926	73,724	191,519	831,854
Carrying Value as at 31st December 2024 (a-c)	82,000	391,814	43,779	74,983	67,356	109,706	769,638
Carrying Value as at 31st December 2025 (b-d)	80,899	401,481	60,772	68,131	78,816	97,761	787,860

8.1.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Group acquired PPE to the aggregate value of Rs. 231.98 Mn (2024 - Rs. 250.38 Mn). Cash payments amounting to Rs. 231.98 Mn (2024 - Rs. 250.38 Mn) were made by the Group during the year to purchase of PPE.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.2 Movement of Property, Plant and Equipment (PPE) - COMPANY

	Computer Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Fixtures	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 01st January 2024	465,899	14,765	103,741	85,377	192,732	862,514
Additions during the year	90,537	57,257	21,720	15,746	19,610	204,870
Disposals during the year	(12,234)	(9,339)	(5,922)	(4,334)	(12,693)	(44,522)
Balance as at 31st December 2024 (a)	544,202	62,683	119,539	96,789	199,649	1,022,862
Balance as at 01st January 2025	544,202	62,683	119,539	96,789	199,649	1,022,862
Additions during the year	54,691	-	15,814	19,021	26,556	116,082
Disposals during the year	(14,302)	-	(3,598)	(1,965)	(5,160)	(25,025)
Balance as at 31st December 2025 (b)	584,591	62,683	131,755	113,845	221,045	1,113,919
Accumulated Depreciation						
Balance as at 01st January 2024	179,293	14,061	52,618	37,544	98,202	381,718
Depreciation for the year	71,023	10,887	16,245	7,628	32,827	138,610
Depreciation on Disposals	(12,097)	(5,000)	(5,720)	(3,129)	(12,638)	(38,584)
Balance as at 31st December 2024 (c)	238,219	19,948	63,143	42,043	118,391	481,744
Balance as at 01st January 2025	238,219	19,948	63,143	42,043	118,391	481,744
Depreciation for the year	81,735	13,174	18,700	8,863	35,008	157,480
Depreciation on Disposals	(14,242)	-	(3,325)	(1,849)	(4,884)	(24,300)
Balance as at 31st December 2025 (d)	305,712	33,122	78,518	49,057	148,515	614,924
Carrying Value as at 31st December 2024 (a-c)	305,983	42,735	56,396	54,746	81,258	541,118
Carrying Value as at 31st December 2025 (b-d)	278,879	29,561	53,237	64,788	72,530	498,995

8.2.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 116.1 Mn (2024 - Rs. 204.87 Mn). Cash payments amounting to Rs. 116.1 Mn (2024 - Rs. 204.87 Mn) were made by Company during the year to purchase of PPE.

8.3 Maturity Analysis

Maturity Analysis of Property, Plant and Equipment is given in Note 49 on page 466.

8.4 Apportionment of Depreciation of shared PPE between Company and the Subsidiary

For the Year Ended 31st December,	Note	Computer Equipment	Motor Vehicles	Office Equipment	Furniture and Fittings	Fixtures	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount Recognised in Company	43	59,309	10,619	15,407	7,380	31,425	124,140
Amount Transferred to HNB General Insurance Limited		11,714	268	838	248	1,402	14,470
Total Depreciation for 2024		71,023	10,887	16,245	7,628	32,827	138,610
Amount Recognised in Company	43	68,294	13,174	17,890	8,604	34,269	142,231
Amount Transferred to HNB General Insurance Limited		13,441	-	810	259	739	15,249
Total Depreciation for 2025		81,735	13,174	18,700	8,863	35,008	157,480

8.5 Information on Freehold Land and Buildings of the Group - Extents and Locations

The fair value of property which consists of Land and Buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Details of Group's land and buildings stated at value are indicated below;

Entity	Property	No. of Buildings	Extent Perches (Land)	square feet (Buildings)	Name of the Chartered Valuation Surveyor	Method of Valuation	Date of Valuation	Estimates for unobservable input		Fair Value Hierarchy
								*Estimated price per perch (Rs.)	*Estimated price per square feet (Rs.)	
HNB General Insurance Limited	No. 44D, Polhena Road, Devalapola, Minuwangoda.	4	160	7,905	W.M Chandrasena FIV (SL) F,141MRICS (UK)	Contractors Method	31st December 2024	260,000	5,111	Level 3

* Estimated prices comprises of purchase price and non-refundable purchase taxes.

Significant Unobservable Inputs Used in Measuring Fair Value

Inter - Relationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Positive correlated Sensitivity	Estimated fair value would increase/(decrease) if price per perch would increase /(decrease)

Carrying Value is equal to the revalued value as Land and Building is initially recognised at fair value.

8.6 Revaluation Surplus

As at 31st December,	Land	Building	Total
	Rs.'000	Rs.'000	Rs.'000
Revalued Amount in 2024	41,600	40,400	82,000
Carrying value (prior to revaluation)	37,439	28,585	66,024
Revaluation Surplus for 2024 Recognised in the OCI	4,161	11,815	15,976

According to the Company's policy on revaluation model as described in note 8.5 above, revaluation was carried out for the year ended 31st December 2024 and resulting gain of Rs. 16 Mn recognised in the financial statements.

8.7 If Land and Buildings were stated at Historical Cost, the amounts would have been as follows;

As at 31st December,	2025			2024		
	Land	Building	Total	Land	Building	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost	37,439	28,585	66,024	37,439	31,200	68,639
Accumulated Depreciation	-	1,101	1,101	-	2,615	2,615
Carrying Value	37,439	27,484	64,923	37,439	28,585	66,024

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

8.8 Fully Depreciated Property, Plant and Equipment in Use

PPE includes fully depreciated assets which are in the use of ordinary course of business activities. The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows:

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Equipment	123,932	112,981	86,915	84,892
Motor Vehicles	14,575	10,575	9,985	9,985
Office Equipment	41,289	42,916	34,102	34,994
Furniture and Fittings	37,201	34,393	21,619	20,576
Fixtures	95,760	78,686	71,851	58,312
Total	312,757	279,551	224,472	208,759

8.9 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of PPE in the Group and Company, pledged as securities for liabilities during the year. (2024 - Nil)

8.10 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the PPE of the Group and Company as at the reporting date. (2024 - No Title Restriction)

8.11 Assessment of Impairment of Property, Plant and Equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31st December 2025. Based on the assessment no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. (2024 - No Impairment of PPE)

8.12 Disposal of Property, Plant and Equipment During the Year

During the financial year, Group disposed of property, plant and equipment to the aggregate value of Rs. 0.8 Mn (2024 - Rs. 6.07 Mn). Cash amounting to Rs.1 Mn (2024 - Rs. 24.9 Mn) was received during the year for disposal of property plant and equipment. Gains and Losses on disposal of Property, Plant and Equipment is disclosed in Note 40 and 43 to the Financial Statements.

8.13 Revaluation Surplus of Land and Building

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The revaluation was carried out on 31 December 2024.

The changes in fair value are recognised in other comprehensive income and in the statement of equity.

8.14 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2024 – Nil).

8.15 Property, Plant and Equipment under construction

There was no property, plant and equipment under construction as at the reporting date. (2024 – Nil).

8.16 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2024 - Nil)

8.17 Temporarily idle Property, Plant and Equipment

There were no temporarily idle properties as at the year ended 31st December 2025. (2024 - Nil)

8.18 Amount of Contingent Commitment for acquisition of Property, Plant and Equipment

Commitments for the acquisition of Property, Plant and Equipment of the Group and Company is Rs. 69.35 Mn as at the reporting date. (2024 - Rs. 117.58 Mn)

8.19 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, loss or given up.

8.20 Investment Property

Group has not invested in investment properties during the year (2024 - Nil).

9. RIGHT OF USE ASSETS

ACCOUNTING POLICY

RECOGNITION

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

AS A LESSEE

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a Right of Use (ROU) Assets and a Lease Liability at the lease commencement date. The Right of Use Asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date, plus any initial direct costs incurred and an estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Right of Use Assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the Group or the Group is reasonably certain to exercise a purchase option. In such case depreciation is charged over the useful life of the underlying asset. Right of Use Asset is also subject to impairment testing in accordance with LKAS 36 and adjusted for any remeasurement of the Lease Liability.

Depreciation on ROU Assets is recognised in the Income Statement under other operating and administrative expenses.

SHORT-TERM LEASES AND LOW-VALUE LEASES

The Group has elected not to recognise Right of Use Assets and lease liabilities for short-term leases and leases of low-value assets. Payments related to such leases are recognised as an expense on a straight-line basis over the lease term.

AS A LESSOR

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

9.1 Leases as lessee

The Group has multiple lease contracts for properties and motor vehicles typically between 2 to 10 years with option for extension. Lease terms are individually negotiated and may vary significantly in terms and conditions.

The Group does not expect any indications of impairment of ROU Assets and does not anticipate discontinuation of any lease assets as at the reporting date.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9.1.a The movement of Right of Use Assets of the Group is as follows;

	2025			2024		
	Property	Motor Vehicles	Total	Property	Motor Vehicles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 01st January	908,668	14,085	922,753	932,850	32,028	964,878
Additions during the Year	222,129	-	222,129	308,058	192	308,250
Day One Loss of Refundable Deposit on Fair Valuation	-	-	-	9,281	(50)	9,231
Advances Paid during the Year	22,176	-	22,176	8,635	-	8,635
Disposals during the Year	(91,123)	-	(91,123)	(350,156)	(18,085)	(368,241)
Balance as at 31st December (a)	1,061,850	14,085	1,075,935	908,668	14,085	922,753
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	426,588	13,614	440,202	512,719	23,288	536,007
Depreciation for the Year	196,143	471	196,614	178,001	4,411	182,412
Day One Loss of Refundable Deposit on Fair Valuation	3,912	-	3,912	4,156	-	4,156
Amortisation of Rent Advance	20,190	-	20,190	20,234	-	20,234
Depreciation on Disposals	(91,123)	-	(91,123)	(288,522)	(14,085)	(302,607)
Balance as at 31st December (b)	555,710	14,085	569,795	426,588	13,614	440,202
Carrying value as at 31st December (a-b)	506,140	-	506,140	482,080	471	482,551

9.1.b The movement of Right of Use Assets of the Company is as follows;

	2025			2024		
	Property	Motor Vehicles	Total	Property	Motor Vehicles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost						
Balance as at 01st January	829,058	-	829,058	863,949	17,957	881,906
Additions during the Year	131,449	-	131,449	299,749	128	299,877
Day One Loss of Refundable Deposit on Fair Valuation	-	-	-	9,281	-	9,281
Advances Paid during the Year	11,496	-	11,496	6,235	-	6,235
Disposals during the Year	(91,123)	-	(91,123)	(350,156)	(18,085)	(368,241)
Balance as at 31st December (a)	880,880	-	880,880	829,058	-	829,058
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	402,042	-	402,042	500,690	12,500	513,190
Depreciation for the Year	177,178	-	177,178	168,737	1,585	170,322
Day One Loss of Refundable Deposit on Fair Valuation	3,912	-	3,912	4,156	-	4,156
Amortisation of Rent Advance	15,737	-	15,737	16,981	-	16,981
Depreciation on Disposals	(91,123)	-	(91,123)	(288,522)	(14,085)	(302,607)
Balance as at 31st December (b)	507,746	-	507,746	402,042	-	402,042
Carrying value as at 31st December (a-b)	373,134	-	373,134	427,016	-	427,016

9.2 Amount recognised in Profit or Loss

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation for the Year	196,614	182,412	177,178	170,322
Day One Loss of Refundable Deposit on Fair Valuation	3,912	4,156	3,912	4,156
Amortisation of Rent Advance	20,190	20,234	15,737	16,981
Interest Expenses during the Year	92,337	103,893	76,856	94,773
Net Depreciation including Interest Expense	313,053	310,695	273,683	286,232

9.3 Amount recognised in Statement of Cash flows

Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advance paid to Right of Use Asset	22,176	8,635	11,496	6,235
Payment of Lease Interest	92,337	103,893	76,856	94,773
Payment of Lease Capital	189,412	132,015	178,499	126,393

9.4 Extension options

Property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

9.5 Maturity Analysis

Maturity Analysis of Right of Use Assets is given in Note 49 on page 466.

9.6 Short-term Leases and Low-Value Leases

Group has recognised following amounts in respect of Short term and Low value leases in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term and Low Value Leases	4,443	16,183	3,440	4,374

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9.7 Apportionment of shared Right of Use Assets Depreciation between the Company and the Subsidiary

For the year ended 31st December,	Note	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Amount Recognised in Company	43	133,905	124,388
Amount Transferred to HNB General Insurance Limited		62,922	67,071
Total Depreciation under Right of Use Assets		196,827	191,459

9.8 Lease Creditors

The Details of Lease Creditors in relation to Right of Use Assets are disclosed in Note 30 on page 447.

9.9 Sale-and-Lease Back Transactions

The Group does not have sale and leased back transactions as at the reporting date.

9.10 Sub Leases

The Group does not have sub leased properties as at the reporting date.

9.11 Restrictions and covenants imposed by the leases

There were no restrictions or covenants imposed under lease agreements which required to be disclosed in these financial statements.

9.12 Impairment of ROU assets

As at the reporting date, no impairment loss has been recognised by the Group/Company in respect of impairment of right of use assets.

10. INTANGIBLE ASSETS

ACCOUNTING POLICY

The Group's Intangible Assets primarily consist of Computer Software.

RECOGNITION AND MEASUREMENT

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - "Intangible Assets".

SOFTWARE

Externally Acquired Software

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Internally Developed Software

Expenditure on internally developed software is capitalised when the Group can demonstrate:

- The intention and ability to complete the development,
- The ability to use or sell the software and generate probable future economic benefits,
- The ability to reliably measure the costs of development.

Capitalised development costs include all directly attributable costs and borrowing costs. Internally developed software is stated at capitalised cost, less accumulated amortisation and impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset. All other expenditure is recognised in profit or loss as incurred.

USEFUL ECONOMIC LIFE AND AMORTISATION

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. The estimated useful life, residual value and the amortisation method of Intangible Assets for the current and comparative periods are as follows;

Intangible Assets	Useful Economic Life	Residual Value	Amortisation Method
Computer Software	6 Years	Nil	* Straight-line basis

* over the estimated useful life of the software, from the date that it is available for use

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method as appropriate and are treated as changes in accounting estimates.

In the event the Company acquires an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash generating unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date. (2024 - Nil)

DE-RECOGNITION

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. Any gain or loss arising from de-recognition is recognised in profit or loss.

RESEARCH AND DEVELOPMENT COST

Expenditure on research activities is recognised in Profit or Loss as incurred. Development expenditure is capitalised only if;

- the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.
- Otherwise, it is recognised in Profit or Loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

10.1 Movement of Intangible Assets

	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software				
Cost				
Balance as at 01st January	399,277	342,842	386,149	331,215
Acquisition/Capitalisation during the Year	411,377	131,673	171,932	127,365
Disposals during the Year	-	(75,238)	-	(72,431)
Balance as at 31st December (a)	810,654	399,277	558,081	386,149
Accumulated Amortisation				
Balance as at 01st January	235,258	278,918	230,561	273,649
Amortisation for the Year	53,027	31,341	47,525	29,175
Disposals during the Year	-	(75,001)	-	(72,263)
Balance as at 31st December (b)	288,285	235,258	278,086	230,561
Carrying Value as at 31st December (a-b)	522,369	164,019	279,995	155,588

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

10.2 Maturity Analysis

Maturity Analysis of Intangible Assets is given in Note 49 on page 466.

10.3 Apportionment of Amortisation of Shared Intangibles between the Company and the Subsidiary

		COMPANY	
For the year ended 31st December,		2025	2024
	Note	Rs.'000	Rs.'000
Amount Recognised in Company	43	43,389	26,163
Amount Transferred to HNB General Insurance Limited		4,136	3,012
Total Depreciation for the year		47,525	29,175

10.4 Acquisition of Intangible Assets during the Year

During the financial year, the Group and Company has acquired/Capitalised Intangible Assets (Computer Software) to the aggregate value of Rs. 411.38 Mn and Rs. 171.93 Mn Respectively (2024 - 131.67 Mn and Rs. 127.37 Mn). Cash payments of the Group and Company amounting to Rs. 370.01 Mn and Rs. 171.93 Mn.(2024 - Rs. 131.67 Mn and Rs. 127.37 Mn) were made during the year for purchase of Intangible Assets.

10.5 Fully Amortised Intangible Assets in Use

The Group's Intangible Assets includes fully amortised Computer software which are in the use of ordinary course of business activities having initial cost of Rs.182.66 Mn. (2024 - Rs. 164.25 Mn)

10.6 Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group as at the reporting date. (2024 - No Title Restriction)

10.7 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at the reporting date. Based on the assessment, no impairment indicators were identified. (2024 - No Impairment of Intangible Assets)

10.8 Amount of Contingent Commitment for acquisition of Intangible Assets

Commitments for the acquisition of Computer Software of the Group is Rs. 227.29 Mn as at the reporting date. (2024 – Rs. 347.93 Mn)

10.9 Intangible Assets pledged as Security

There were no items of Intangible assets in the Group pledged as securities for liabilities during the year. (2024 - Nil)

10.10 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 2025 (2024 - Nil).

11. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Refer Note 7 in page 397 for the accounting policy of investments.

Disclosure of financial risk

The risk management practices adopted by the Company and related risk management disclosures in relation to the investment portfolio are outlined in Note 4 to the financial statements.

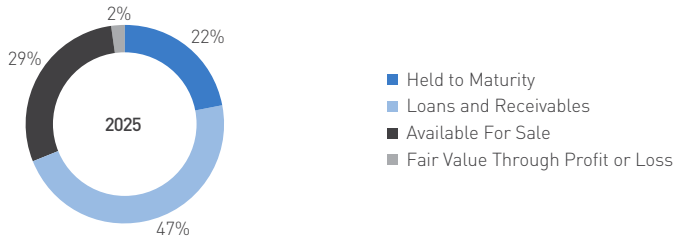
Fair value of financial instruments

Methodologies and assumption used to determine the fair value of the financial investments are disclosed in Note 5 on pages 381 to 389 of these Financial Statements.

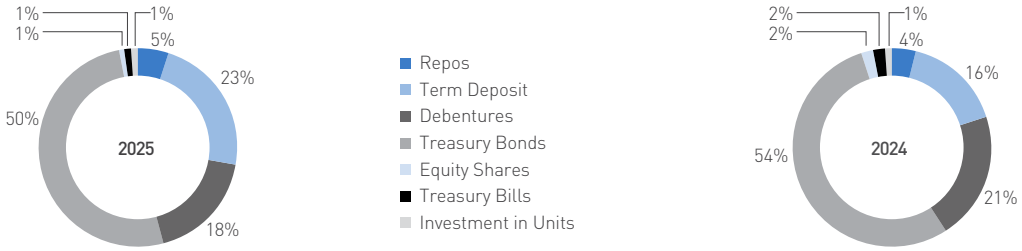
The following table consists of each class of financial investments together with their fair values and carrying values.

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
	Note	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Held to Maturity	11.1	14,873,650	17,763,901	13,429,892	16,725,737	14,873,650	17,763,901	13,429,892	16,725,737
Loans and Receivables	11.2	32,402,062	33,822,538	22,404,413	24,008,840	28,444,250	29,660,749	19,418,909	20,784,556
Available For Sale	11.3	20,126,377	20,126,377	18,022,934	18,022,934	18,038,779	18,038,779	15,234,056	15,234,056
Fair Value Through Profit or Loss	11.4	1,314,969	1,314,969	447,559	447,559	1,136,767	1,136,767	403,470	403,470
Total Financial Investments		68,717,058	73,027,785	54,304,798	59,205,070	62,493,446	66,600,196	48,486,327	53,147,819

Financial Investment Analysis Based on Reporting Category - Group



Financial Investment Analysis Based on Asset Class - Group



11.1 HELD TO MATURITY (HTM)

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Treasury Bonds	14,873,650	17,763,901	13,429,892	16,725,737	14,873,650	17,763,901	13,429,892	16,725,737
Total	14,873,650	17,763,901	13,429,892	16,725,737	14,873,650	17,763,901	13,429,892	16,725,737

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.1.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

The Company reclassified part of its Treasury Bond portfolio from Available For Sale (AFS) financial asset category to Held to Maturity (HTM) category in 2022 due to change in intention to "hold until maturity" after assessing the projected business plans and the need for liquidity. Accordingly, after considering the business requirements and liability maturity mix, the Company has decided to reclassify a portfolio of Treasury Bond investments under Life Fund with specific criteria from AFS to HTM.

As per LKAS 39, reclassification to Held to Maturity is permitted when the entity has the ability and intention to hold financial assets until maturity. At the reclassification date, the market value of the Treasury Bonds become its new cost or amortised cost and subsequently, HTM assets are measured at amortised cost.

Further, for a financial asset with a fixed maturity reclassified out of the 'AFS' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR (Effective Interest Rate). Such amortisation has been recognised under Interest income line in the profit or loss.

The Financial effect on reclassification performed on 01st April 2022 is summarised in the table below;

Description	Available For Sale (AFS) – Life Fund Rs.'000	Held to Maturity (HTM) – Life Fund Rs.'000
Carrying Value of Treasury Bond Portfolio as at 01 April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds need to be reclassified	(2,659,168)	2,659,168
New Carrying Value of TB Portfolio as at 01 April 2022	2,737,862	3,787,140
AFS Reserve to be amortised to P&L over the remaining life of assets as at 01st April 2022		(703,985)
Amortisation recognised during the year 2022		32,893
Amortisation recognised during the year 2023		49,549
Amortisation recognised during the year 2024		57,165
Amortisation recognised during the year 2025		65,787

Had these investments continue to be carried at available for sale, the fair value of the same as at 31st December 2025 would have amounted to Rs. 3,416 Mn and would have resulted in the recognition of a fair value gains of Rs. 76.9 Mn in other comprehensive income statement during the year.

Impairment of HTM Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

Re-Classification of Financial Investments at HTM

During the year the Group has not re-classified any financial investment under this category.

11.2 Loans and Receivables (L&R)

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
	Note	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Repo*		3,694,422	3,694,422	2,377,544	2,377,544	3,307,378	3,307,378	2,058,751	2,058,751
Term Deposit	11.2.1	16,134,922	16,482,666	8,698,721	9,216,845	14,008,135	14,321,640	7,464,706	7,939,209
Debentures**	11.2.2	12,572,718	13,645,450	11,328,148	12,414,451	11,128,737	12,031,731	9,895,452	10,786,596
Total		32,402,062	33,822,538	22,404,413	24,008,840	28,444,250	29,660,749	19,418,909	20,784,556

* The Company and subsidiary, in the normal course of business invest in Repurchase Agreements (Repos) through a number of Bank and Non-Bank Primary Dealers approved by the Central Bank of Sri Lanka (CBSL). During the year, the Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. Investments in Repos are carried out on a DVP/RVP basis. (Delivery versus Payment and Receive versus Payment). The Group has taken appropriate steps to secure these securities received on investments in Repo's through a custodian (Hatton National Bank PLC - Custody & Trustee Services - a related Company) and also by signing Master Repurchase Agreements (MRA) with all Primary Dealer Companies the Group deals with. MRA's provide the investor with the ability to recover the money due by selling the collateral securities in the secondary market in the event of a default.

As of the reporting date the Group hold government securities as Collateral for Repos. The fair Value of such government securities are Rs. 3,773 Mn (2024 : 2,692 Mn).

** Debentures - The Group classifies quoted Corporate Debt under Loans and Receivables category since there is no active market for these instruments even if such instruments are listed.

Impairment of L & R Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

Re-Classification of Financial Investments at L & R

During the year the Group has not re-classified any financial investment under this category.

11.2.1 Term Deposits

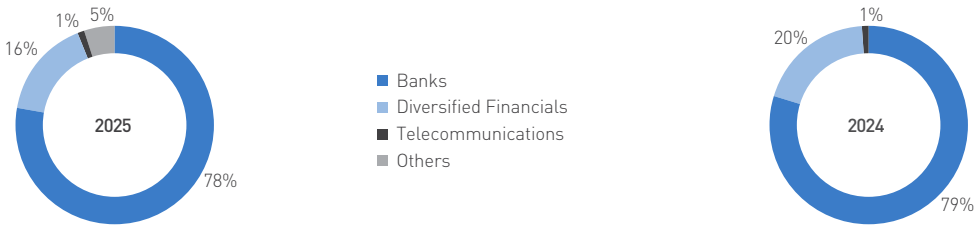
As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Licensed Commercial Banks								
Term Deposits with Related Parties - Hatton National Bank PLC	883,386	881,762	1,513,396	1,539,060	319,436	319,436	1,185,050	1,210,714
Other Banks	4,657,064	4,878,116	2,826,378	3,157,845	4,073,136	4,259,528	2,301,916	2,590,821
Total (a)	5,540,450	5,759,878	4,339,774	4,696,905	4,392,572	4,578,964	3,486,966	3,801,535
Licensed Specialised Banks	1,356,923	1,385,967	1,424,760	1,544,113	1,356,923	1,385,967	1,424,760	1,544,113
Total (b)	1,356,923	1,385,967	1,424,760	1,544,113	1,356,923	1,385,967	1,424,760	1,544,113
Licensed Finance Companies								
Term Deposits with Related Parties - HNB Finance PLC	950,475	982,823	386,345	395,852	872,242	904,677	331,320	340,826
Other Finance Companies	8,287,074	8,353,998	2,547,842	2,579,975	7,386,398	7,452,032	2,221,660	2,252,735
Total (c)	9,237,549	9,336,821	2,934,187	2,975,827	8,258,640	8,356,709	2,552,980	2,593,561
Total Investment In Term Deposit (a+b+c)	16,134,922	16,482,666	8,698,721	9,216,845	14,008,135	14,321,640	7,464,706	7,939,209

11.2.2 Debentures

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Debentures - Quoted	11.2.2.a	11,605,928	12,586,549	9,952,264	10,967,231	10,245,476	11,056,070	8,634,934	9,453,137
Debentures - Unquoted	11.2.2.b	966,790	1,058,901	1,375,884	1,447,220	883,261	975,661	1,260,518	1,333,459
Total Investment In Debentures		12,572,718	13,645,450	11,328,148	12,414,451	11,128,737	12,031,731	9,895,452	10,786,596

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Debenture Composition - Group



11.2.2.a Debentures - Quoted

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Banks								
Commercial Bank of Ceylon PLC	2,643,706	2,937,258	2,413,225	2,702,869	2,385,794	2,637,000	2,158,217	2,395,849
DFCC Bank PLC	1,336,371	1,444,432	1,666,000	1,764,764	1,107,125	1,193,319	1,436,754	1,514,837
Hatton National Bank PLC	858,612	855,652	386,337	379,854	858,612	855,652	386,337	379,854
National Development Bank PLC	862,423	883,308	969,734	984,447	765,453	783,751	837,757	850,859
Nations Trust Bank PLC	81,315	82,420	80,283	82,829	81,315	82,420	80,283	82,829
Sampath Bank PLC	1,534,399	1,832,641	1,125,074	1,494,297	1,346,886	1,597,010	937,562	1,245,248
Seylan Bank PLC	1,733,406	1,941,482	1,264,961	1,493,474	1,447,219	1,604,814	1,028,805	1,197,733
Sector Total (a)	9,050,232	9,977,193	7,905,614	8,902,534	7,992,404	8,753,966	6,865,715	7,667,209
Diversified Financials								
First Capital Holdings PLC	316,329	316,340	316,329	314,905	239,971	239,979	239,971	238,890
LOLC Holdings PLC	440,371	440,443	440,388	439,174	402,314	402,380	402,330	401,221
People's Leasing & Finance PLC	227,415	226,253	218,947	214,058	201,372	200,344	192,907	188,635
Siyapatha Finance PLC	878,051	920,458	645,134	665,263	802,786	840,632	569,868	587,649
LOLC Finance PLC	-	-	277,689	277,937	-	-	215,981	216,173
Sector Total (b)	1,862,166	1,903,494	1,898,487	1,911,337	1,646,443	1,683,335	1,621,057	1,632,568
Capital Goods								
Hayleys PLC	509,407	514,242	-	-	458,466	462,817	-	-
Sector Total (c)	509,407	514,242	-	-	458,466	462,817	-	-
Utilities								
Vidullanka PLC	35,960	35,668	-	-	-	-	-	-
Sector Total (d)	35,960	35,668	-	-	-	-	-	-
Telecommunications								
Sri Lanka Telecom PLC	148,163	155,952	148,163	153,360	148,163	155,952	148,162	153,360
Sector Total (e)	148,163	155,952	148,163	153,360	148,163	155,952	148,162	153,360
Total Investment In Quoted Debentures (a+b+c+d+e)	11,605,928	12,586,549	9,952,264	10,967,231	10,245,476	11,056,070	8,634,934	9,453,137

11.2.2.b Debentures - Unquoted

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Banks								
DFCC Bank PLC	-	-	261,050	261,072	-	-	229,214	229,234
People's Bank	523,039	616,685	671,083	750,935	523,039	616,685	671,083	750,935
Nations Trust Bank PLC	443,751	442,216	443,751	435,213	360,222	358,976	360,221	353,290
Total Investment In Unquoted Debentures	966,790	1,058,901	1,375,884	1,447,220	883,261	975,661	1,260,518	1,333,459

11.3 Available For Sale (AFS)

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury Bonds		19,927,895	19,927,895	16,093,397	16,093,397	18,038,779	18,038,779	13,744,630	13,744,630
Treasury Bills		198,482	198,482	1,249,953	1,249,953	-	-	809,842	809,842
Equity Shares	11.3.1	-	-	679,584	679,584	-	-	679,584	679,584
Total		20,126,377	20,126,377	18,022,934	18,022,934	18,038,779	18,038,779	15,234,056	15,234,056

Impairment of AFS Financial Investments

At the reporting date, there were no available for sale financial investments that were overdue and impaired.

Re-Classification of Financial Investments at AFS

During the year the Group has not re-classified any financial investment under this category. (Refer Note 11.1.1 of page 414 for Reclassification of Treasury Bond Portfolio From AFS to HTM Category in 2022).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.3.1 Equity Shares

As at 31st December,	GROUP/COMPANY					
	2025			2024		
	No. of Shares	Cost	Carrying Value/ Fair Value	No. of Shares	Cost	Carrying Value/ Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Banks						
Seylan Bank PLC (Non-Voting)	-	-	-	1,065,003	44,812	60,705
Sampath Bank PLC	-	-	-	1,032,594	77,836	122,104
Commercial Bank of Ceylon PLC	-	-	-	266,130	24,709	38,522
National Development Bank PLC	-	-	-	518,182	36,730	58,684
Nations Trust Bank PLC	-	-	-	446,409	59,634	83,255
Sector Total (a)			-			363,270
Diversified Finance						
Central Finance Company PLC	-	-	-	142,285	17,090	27,034
LB Finance PLC	-	-	-	785,000	57,120	70,258
Sector Total (b)			-			97,292
Beverage, Food and Tobacco						
Melstacorp PLC	-	-	-	39,532	2,343	4,862
Sunshine Holdings PLC	-	-	-	467,400	29,954	46,740
Sector Total (c)			-			51,602
Material						
Tokyo Cement Company (Lanka) PLC	-	-	-	78,102	886	5,468
Sector Total (d)			-			5,468
Capital Goods						
Royal Ceramics Lanka PLC	-	-	-	400,000	4,854	17,400
Hemas Holding PLC	-	-	-	1,284,537	107,360	132,628
Sector Total (e)			-			150,028
Real Estate Management & Development						
Overseas Realty (Ceylon) PLC	-	-	-	486,679	12,453	11,924
Sector Total (f)			-			11,924
Total Investment In Equity Shares (AFS) (a+b+c+d+e+f)			-			679,584

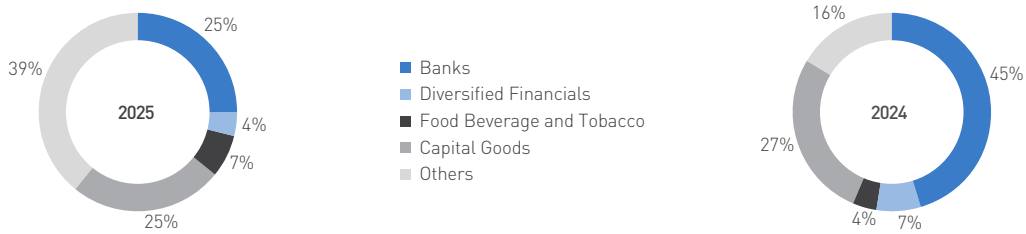
11.4 Fair Value Through Profit or Loss (FVTPL)

As at 31st December,		GROUP				COMPANY			
		2025		2024		2025		2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Shares	11.4.1	805,603	805,603	154,544	154,544	805,603	805,603	154,544	154,544
Investment in Units	11.4.2	509,366	509,366	293,015	293,015	331,164	331,164	248,926	248,926
Total		1,314,969	1,314,969	447,559	447,559	1,136,767	1,136,767	403,470	403,470

Fair Value Measurement

The Group measures the fair value using fair value hierarchy which reflects the significance of the level of inputs used in making the fair value measurement which is described in the Note 5.

Portfolio of Equity Investments - Group



11.4.1 Equity Shares

As at 31st December,	GROUP/COMPANY											
	2025			2024			2025			2024		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks												
Sampath Bank PLC	264,000	38,922	38,676	198,701	12,716	23,496	264,000	38,922	38,676	198,701	12,716	23,496
Nations Trust Bank PLC	295,136	87,707	92,378	105,213	7,128	19,622	295,136	87,707	92,378	105,213	7,128	19,622
Seylan Bank PLC (Non Voting)	-	-	-	467,960	14,980	26,674	-	-	-	467,960	14,980	26,674
Commercial Bank of Ceylon PLC	369,000	75,392	74,077	-	-	-	369,000	75,392	74,077	-	-	-
Sector Total (a)			205,131			69,792			205,131			69,792
Diversified Financials												
People's Leasing & Finance PLC	-	-	-	649,094	10,374	11,035	-	-	-	649,094	10,374	11,035
LB Finance PLC	191,000	30,462	29,653	-	-	-	191,000	30,462	29,653	-	-	-
Sector Total (b)			29,653			11,035			29,653			11,035
Software and Services												
hSenid Business Solutions PLC	859,000	14,454	15,033	-	-	-	859,000	14,454	15,033	-	-	-
Sector Total (c)			15,033			-			15,033			-
Food Beverage and Tobacco												
Ceylon Tobacco Company PLC	16,250	27,300	28,039	-	-	-	16,250	27,300	28,039	-	-	-
Melstacorp PLC	-	-	-	55,000	3,260	6,765	-	-	-	55,000	3,260	6,765
Sunshine Holdings PLC	895,554	30,086	31,434	-	-	-	895,554	30,086	31,434	-	-	-
Sector Total (d)			59,473			6,765			59,473			6,765
Capital Goods												
John Keells Holdings PLC	1,165,000	25,187	25,281	296,700	3,679	6,705	1,165,000	25,187	25,281	296,700	3,679	6,705
Hemas Holdings PLC	1,065,000	37,266	36,956	-	-	-	1,065,000	37,266	36,956	-	-	-
Royal Ceramics Lanka PLC	-	-	-	280,000	4,318	12,180	-	-	-	280,000	4,318	12,180
ACL Cables PLC	430,266	31,114	38,638	197,125	3,601	23,360	430,266	31,114	38,638	197,125	3,601	23,360
Access Engineering PLC	957,500	59,593	70,185	-	-	-	957,500	59,593	70,185	-	-	-
Hayleys PLC	152,141	29,009	29,782	-	-	-	152,141	29,009	29,782	-	-	-
Sector Total (e)			200,842			42,245			200,842			42,245

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.4.1 Equity Shares

As at 31st December,	GROUP/COMPANY											
	2025			2024			2025			2024		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Materials												
Haycarb PLC	367,500	40,724	39,231	-	-	-	367,500	40,724	39,231	-	-	-
PGP Glass Ceylon PLC	389,999	22,511	21,411	-	-	-	389,999	22,511	21,411	-	-	-
JAT Holdings PLC	553,500	26,175	26,679	-	-	-	553,500	26,175	26,679	-	-	-
Tokyo Cement Company (Lanka) PLC	-	-	-	352,955	11,938	24,707	-	-	-	352,955	11,938	24,707
Sector Total (f)			87,321			24,707			87,321			24,707
Consumer Durables and Apparel												
Hayleys Fabric PLC	651,728	27,488	26,525	-	-	-	651,728	27,488	26,525	-	-	-
Sector Total (g)			26,525			-			26,525			-
Consumer Services												
Aitken Spence Hotel Holdings PLC	390,500	46,665	44,224	-	-	-	390,500	46,665	44,224	-	-	-
Sector Total (h)			44,224			-			44,224			-
Transportation												
Digital Mobility Solutions Lanka PLC	676,018	100,540	100,892	-	-	-	676,018	100,540	100,892	-	-	-
Sector Total (i)			100,892			-			100,892			-
Telecommunication Services												
Dialog Axiata PLC	1,225,127	36,869	36,509	-	-	-	1,225,127	36,869	36,509	-	-	-
Sector Total (j)			36,509			-			36,509			-
Total Investment In Equity Shares (FVTPL) (a+b+c+d+e+f+g+h+i+j)			805,603			154,544			805,603			154,544

11.4.2 Investments in Units

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000
Unquoted								
JB Vantage Money Market Fund	-	-	1,855,728	89,662	-	-	1,855,728	89,662
Capital Alliance Investment Grade Fund	9,760,714	379,377	5,721,311	203,353	8,520,265	331,164	4,480,862	159,264
Capital Alliance Fixed Income Opportunities Fund	3,173,944	129,989	-	-	-	-	-	-
Total Investment in Unquoted Units (FVTPL)		509,366		293,015		331,164		248,926

Fair Value Measurement

The Group measures the fair value using fair value hierarchy which reflects the significance of the level of inputs used in making the fair value measurement which is described in the Note 5.

11.5 Movement in the Carrying Values of Financial Investments - GROUP

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2024	11,841,560	18,034,314	13,393,030	586,479	43,855,383
Purchases	1,329,056	97,546,350	13,658,368	341,746	112,875,520
Maturities	-	(93,771,495)	(7,693,277)	-	(101,464,772)
Disposals	-	-	(1,819,885)	(594,893)	(2,414,778)
Fair Value (Losses)/Gains and Foreign Currency Translation Recorded in Profit or Loss	-	(19,116)	-	83,969	64,853
Amortisation Adjustment / Accrued Interest	259,276	676,128	(602,500)	-	332,904
Realised (Losses)/Gains Recorded in Profit or Loss	-	(61,768)	131,952	30,258	100,442
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	955,246	-	955,246
Total as at 31st December 2024	13,429,892	22,404,413	18,022,934	447,559	54,304,798
As at 01st January 2025	13,429,892	22,404,413	18,022,934	447,559	54,304,798
Purchases	2,547,884	196,686,329	6,913,674	1,069,909	207,217,796
Maturities	(1,350,000)	(186,939,118)	(3,187,685)	-	(191,476,803)
Disposals	-	-	(1,913,239)	(309,272)	(2,222,511)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	25,332	-	49,150	74,482
Amortisation Adjustment / Accrued Interest	245,874	203,658	(157,303)	-	292,229
Realised Gains Recorded in Profit or Loss	-	21,448	643,381	57,623	722,452
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(195,385)	-	(195,385)
Total as at 31st December 2025	14,873,650	32,402,062	20,126,377	1,314,969	68,717,058

11.6 Movement in the Carrying Values of Financial Investments - Company

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2024	11,841,560	15,621,404	10,611,510	456,182	38,530,656
Purchases	1,329,056	67,754,207	11,011,742	181,746	80,276,751
Maturities	-	(64,586,360)	(5,904,648)	-	(70,491,008)
Disposals	-	-	(983,987)	(337,328)	(1,321,315)
Fair Value (Losses)/Gains and Foreign Currency Translation Recorded in Profit or Loss	-	(3,855)	-	79,880	76,025
Amortisation Adjustment / Accrued Interest	259,276	650,195	(488,339)	-	421,132
Realised (Losses)/Gains Recorded in Profit or Loss	-	(16,682)	33,720	22,990	40,028
Net Fair Value Gains Recorded in Other Comprehensive Income	-	-	954,058	-	954,058
Total as at 31 December 2024	13,429,892	19,418,909	15,234,056	403,470	48,486,327
As at 01st January 2025	13,429,892	19,418,909	15,234,056	403,470	48,486,327
Purchases	2,547,884	152,839,165	6,372,231	944,910	162,704,190
Maturities	(1,350,000)	(143,943,237)	(2,198,794)	-	(147,492,031)
Disposals	-	-	(1,699,228)	(309,273)	(2,008,501)
Fair Value Gains and Foreign Currency Translation Recorded in Profit or Loss	-	5,429	-	40,037	45,466
Amortisation Adjustment / Accrued Interest	245,874	116,234	(115,332)	-	246,776
Realised Gains Recorded in Profit or Loss	-	7,750	634,495	57,623	699,868
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(188,649)	-	(188,649)
Total as at 31st December 2025	14,873,650	28,444,250	18,038,779	1,136,767	62,493,446

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN SUBSIDIARY - COMPANY

ACCOUNTING POLICY

SUBSIDIARIES

Subsidiary is an entity controlled by the Group. The Group "controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity."

The Financial Statements of Subsidiary are prepared for the same reporting period as followed by the parent company, using consistent accounting policies which conform with the parent company. Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent, even if this results a deficit balance. When necessary, adjustments are made to the Financial Statements of Subsidiary to bring their accounting policies in line with the Group's accounting policies. Financial Statements of Subsidiary are included in the Consolidated Financial Statements from the date on which control commenced until the date on which control ceases.

The Details of the Company's Subsidiary, how they are accounted in the Financial Statements of the Company and their contingencies are set out in below Note and Note 53.1 on page 473 to the financial statements.

BASIS OF CONSOLIDATION

The Group's Financial Statements comprise the consolidation of the Financial Statements of the Company and its subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements".

BUSINESS COMBINATION AND GOODWILL

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

Investments in Subsidiary is recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate Financial Statements of the Company. The net assets of subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

All Intra-group balances, transactions, income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

LOSS OF CONTROL

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non- Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an associate or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

MATERIAL GAINS OR LOSSES, PROVISIONAL VALUES OR ERROR CORRECTIONS IN BUSINESS COMBINATIONS

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

The Company incorporated a fully owned Subsidiary, HNB General Insurance Limited on 30th January 2014 in order to transfer the General Insurance business w.e.f. 01st January 2015 to be in line with the requirement to segregate Life and General Insurance businesses as required by the Regulation of Insurance Industry (Amendment) Act, No. 03 of 2011.

As at 31st December, Unquoted	Principal Activity	2025 No of Shares	2025 Holding %	2025 Cost Rs.'000	2024 No of Shares	2024 Holding %	2024 Cost Rs.'000
HNB General Insurance Limited	General Insurance Business	115,000,000	100%	1,150,000	115,000,000	100%	1,150,000
Total Investment In Subsidiary				1,150,000			1,150,000

12.1 Impairment of Investment in Subsidiary

The Board of Directors has assessed the potential impairment loss of Investment in Subsidiary as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of investment in subsidiary.

13. LOANS TO LIFE POLICYHOLDERS

ACCOUNTING POLICY

Policyholder Loans are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 397 for Accounting Policy of Loans and Receivables.

These loans are granted to policyholders up to a specified percentage of the cash surrender value of eligible life insurance policies. At initial recognition, Policyholder Loans are measured at the fair value of the amount advanced, which typically equals the loan principal granted. Subsequently, they are measured at amortised cost using the effective interest rate (EIR) method, including accrued interest.

If the policyholder demises before the full repayment of the loan, the loan balance is deducted from the death benefit. If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to Policy Loans. Policyholder Loans are reviewed for impairment at each reporting date.

	GROUP / COMPANY 2025 Rs.'000	GROUP / COMPANY 2024 Rs.'000
Balance as at 1st January	323,650	320,546
Loans Granted during the Year	100,800	142,563
Repayments during the year	(107,274)	(139,459)
Balance as at 31st December	317,176	323,650
Interest Receivable	186,842	135,745
Total Loans to Life Policyholders	504,018	459,395

13.1 Maturity Analysis

Maturity Analysis of Loans to Life Policyholders is given in Note 49 on page 466.

13.2 Collateral Details

The surrender value of the policies for which Policyholder Loans have been granted as at 31st December 2025 amounted to Rs. 832.46 Mn (2024 - Rs. 788.82 Mn).

13.3 Number of Policyholder Loans

Number of Policy Loans due as at 31st December 2025 was 2,415 (2024 - 2,613).

13.4 Fair Value Measurement

The Company grants Policyholder Loans at a rate equivalent to the market rate; hence carrying amount is a reasonable approximation of fair value.

13.5 Impairment Losses on Policyholder Loans

Policyholder Loans are reviewed for impairment at each reporting date. The Board of Directors has assessed the potential impairment loss of Loans to Policyholder Loans as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Policyholder Loans.

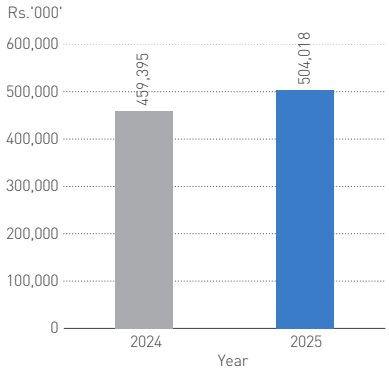
13.6 Financial Risk Disclosure on Policyholder Loans

The Company's exposure to interest rate risk of policyholder loans, risk management initiatives and a sensitivity analysis is disclosed in Note 4 in page 351.

13.7 Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Company has a large number of dispersed receivables.

Loans to Life Policyholders



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

14. REINSURANCE RECEIVABLES

ACCOUNTING POLICY

Reinsurance Receivables are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 397 for Accounting policy of Loans and Receivables.

The Group cedes insurance risk in the normal course of business with recognised reinsurers through formal reinsurance arrangements.

Reinsurance receivables include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Gross Reinsurance is recorded in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to Policyholders.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31st December,		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Receivable on Outstanding Claims	14.3	2,482,016	791,951	142,548	127,630
Reinsurance Receivable on Settled Claims	14.4	996,094	476,553	304,188	110,545
Total Reinsurance Receivables		3,478,110	1,268,504	446,736	238,175

14.1 Maturity Analysis

Maturity Analysis of Reinsurance Receivable is given in Note 49 on page 466.

14.2 Collateral Details

The Group does not hold any collateral as security against potential default by reinsurers.

14.3 Reinsurance Receivables on Outstanding Claims

The reinsurance portion of the outstanding claims has not been materialised, since the insurance claim has not been paid as at the reporting date.

14.4 Reinsurance Receivables on Settled Claims

The age analysis of the reinsurance receivable on settled claims is as follows:

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Up to 30 days	443,071	70,756	61,208	35,088
31 to 60 days	66,842	149,820	50,220	37,468
61 to 90 days	77,178	79,025	28,456	37,989
91 to 180 days	236,966	78,179	164,304	-
Over 181 days	172,037	98,773	-	-
Total	996,094	476,553	304,188	110,545

14.5 Fair Value Measurement

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

14.6 Impairment of Reinsurance Receivables

The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

14.6.1 Reinsurance Receivables Past Due but Not Impaired (On Settled Claims)

As at 31 December 2025, Reinsurance Receivables of the Group amounted to Rs. 67 Mn were past due but not impaired, Company Nil (2024 Group - Rs. 78 Mn, Company Nil). These relate to parties where there was no recent history of default.

For the purpose of this disclosure, amounts are considered past due when outstanding for more than 365 days.

14.7 Financial Risk Disclosure on Reinsurance Receivables

Refer Note 4 (Pages 351) for Group's exposure to credit risk of reinsurance receivables and risk management initiatives.

Reinsurance Receivables - Group



15. PREMIUM RECEIVABLES

ACCOUNTING POLICY

Premium Receivables are recognised as a financial asset and classified under Loans and Receivables. Please refer Note 7 of page 397 for Accounting policy of Loans and Receivables.

Premium receivables are measured on initial recognition at the fair value of the consideration receivable, which represents the amount of premium contractually due from policyholders, intermediaries, or insurance partners.

Subsequent to initial recognition, premium receivables are measured at amortised cost, using the effective interest rate (EIR) method, less any allowance for impairment.

Impairment of Premium Receivables

Premium receivables are assessed for impairment at each reporting date. Impairment is recognised when there is objective evidence that some or all of the amounts due will not be collectible. Impairment losses are measured as the difference between the carrying amount and the present value of the expected future cash flows, and are recognised in Profit or Loss.

Life Insurance Receivables

Life Insurance premiums within the 30-day grace period are considered collectible and are recognised as premium receivables and income, except for group life which is considered up to 90 days. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner. Premiums that remain unpaid beyond the grace period are reversed, and policies are lapsed according to the Company policy.

General Insurance Receivables

Premium receivables from general Insurance are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is continuously reviewed on an ongoing basis.

As per Premium Payment Warranty (PPW) requirements issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), all general insurance policies are subject to PPW conditions and are cancelled automatically if premiums are not settled within the stipulated credit period.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Premium Receivable From ; Life Insurance					
Policyholders		765,578	198,723	765,578	198,723
Related Parties	15.1	1,663	-	1,663	-
Total Premium Receivable - Life Insurance		767,241	198,723	767,241	198,723
General Insurance					
Policyholders		1,067,293	884,105	-	-
Related Parties	15.1	1,626	17,519	-	-
Agents, Brokers and Intermediaries		1,299,768	1,180,329	-	-
Total Premium Receivable - General Insurance		2,368,687	2,081,953	-	-
Adjustment for Intercompany Premium Receivables		(6)	(8,541)	-	-
Total Premium Receivable		3,135,922	2,272,135	767,241	198,723

15.1 Premium Receivable from Related Parties

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Life Insurance				
Hatton National Bank PLC	1,267	-	1,267	-
HNB Investment Bank (Pvt) Ltd	396	-	396	-
Total Premium Receivable from Related Parties - Life Insurance	1,663	-	1,663	-
General Insurance				
Hatton National Bank PLC	481	210	-	-
HNB Finance PLC	63	7,494	-	-
HNB Assurance PLC	6	8,541	-	-
HNB Stockbrokers (Pvt) Ltd	342	381	-	-
HNB Investment Bank (Pvt) Ltd	543	156	-	-
HNB Securities Ltd	191	737	-	-
Total Premium Receivable from Related Parties - General Insurance	1,626	17,519	-	-

15.2 Age Analysis of Premium Receivables

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Life Insurance				
Up to 30 days	693,150	154,104	693,150	154,104
31 to 60 days	68,996	16,311	68,996	16,311
More than 60 days	5,095	28,308	5,095	28,308
Total Premium Receivable - Life Insurance	767,241	198,723	767,241	198,723
General Insurance				
Up to 30 days	1,692,155	1,512,566	-	-
31 to 60 days	644,963	500,670	-	-
61 to 90 days	18,911	25,787	-	-
91 to 181 days	12,658	42,930	-	-
Total Premium Receivable - General Insurance	2,368,687	2,081,953	-	-
Adjustment for Intercompany Premium Receivables	(6)	(8,541)	-	-
Total Premium Receivables	3,135,922	2,272,135	767,241	198,723

15.3 Maturity Analysis

Maturity Analysis of Premium Receivable is given in Note 49 on page 466.

15.4 Collateral Details

The Group does not hold any collateral as security against potential default by Policyholders.

15.5 Fair Value Measurement

Carrying value of premium receivable is approximation of fair value due to short-term nature.

15.6 Provision for Impairment Losses on Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivable as at 31st December 2025. Based on the assessment, no impairment was recognised in the financial statements of the Company as at 31st December 2025 (2024 : Nil) in respect of premium receivables.

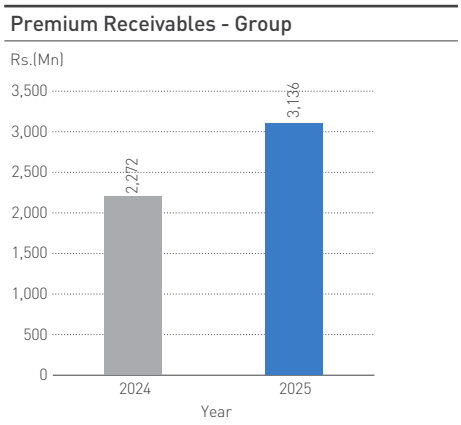
Since the subsidiary company has adopted the Premium Payment Warranty (PPW) ruling issued by Insurance Regulatory Commission of Sri Lanka, no long outstanding balances are left in Premium Receivables. Thus, there is no impairment was recognised in the financial statements as at 31st December 2025.

15.7 Financial Risk Disclosure on Premium Receivables

Refer Note 4 (Pages 351) for Group's exposure to credit risk of Premium Receivables and risk management initiatives.

15.8 Collateral Details

The Group does not hold any collateral as security against potential default by Policyholders.



16. OTHER ASSETS

ACCOUNTING POLICY

STAFF AND ADVISOR LOANS

Staff Loans and Advisor Loans are recognised as financial assets and classified as Loans and Receivables. Please refer Note 7 of page 397 for Accounting policy of Loans and Receivables.

These loans are granted to employees and advisors as part of the Company's benefit and retention schemes, based on approved eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

INVENTORIES

Inventories include all consumable items which are measured at lower of cost or net realisable value. Cost is generally determined on a weighted average basis, while NRV represents the estimated selling price in the ordinary course of business, less applicable selling and distribution expenses. Obsolete and slow-moving items are regularly reviewed and written down to NRV when necessary.

ADVANCES AND OTHER RECEIVABLES

Advances primarily comprise agent-related receivables and advance payments made in the ordinary course of business, including refundable deposits.

Other receivables include operational receivables and amounts due from related parties. These are initially recognised at cost and subsequently measured at amortised cost, net of impairment losses, where applicable.

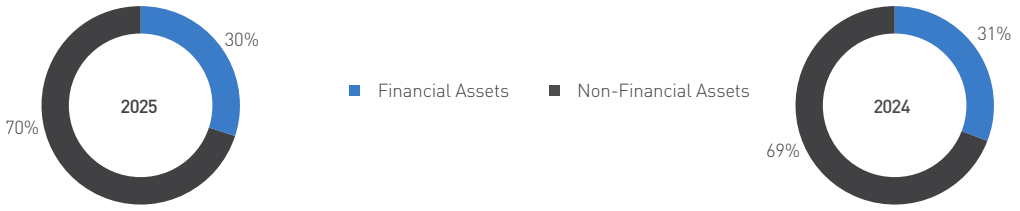
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Financial Assets					
Staff and Advisor Loans	16.2	340,256	367,358	187,876	224,329
Amounts due from Related Parties- HNB General Insurance Limited		-	-	24,897	25,874
Co - Insurance Receivables		70,840	23,078	-	-
Total Financial Assets (a)		411,096	390,436	212,773	250,203
Non-Financial Assets					
Advance Payments		517,956	507,939	322,598	317,553
Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)	16.3	320,391	249,795	304,510	219,036
Inventories		2,993	4,073	1,059	1,110
Other Receivables		133,916	125,506	125,066	118,811
Total Non-Financial Assets (b)		975,256	887,313	753,233	656,510
Total Other Assets (a+b)		1,386,352	1,277,749	966,006	906,713

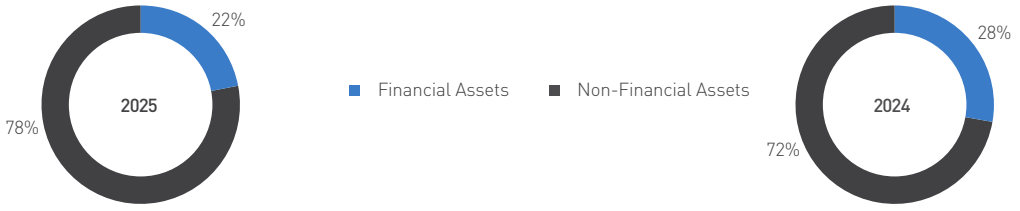
16.1 Maturity Analysis

Maturity Analysis of Other Assets is given in Note 49 on page 466.

Other Assets Composition-Group



Other Assets Composition HNBA



16.2 Staff and Advisor Loans

As at 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Staff Loans	16.2.1	316,350	325,728	165,180	184,091
Advisor Loans	16.2.2	23,906	41,630	22,696	40,238
Total		340,256	367,358	187,876	224,329

16.2.1 Staff Loans

	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Balance as at 01st January		327,909	353,444	185,235	192,450
Loans granted during the year		182,072	151,802	85,519	97,920
Loans Recovered during the year		(191,654)	(177,337)	(104,380)	(105,135)
		318,327	327,909	166,374	185,235
Allowance for Impairment Losses	16.2.1.b	(1,977)	(2,181)	(1,194)	(1,144)
Balance as at 31st December		316,350	325,728	165,180	184,091

16.2.1.a No loans have been granted to the Directors of the Group.

16.2.1.b Allowance for Impairment Movement of Staff Loans

	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Balance as at 1st January	(2,181)	(2,205)	(1,144)	(1,168)
Reversal/(Allowance) for Impairment Losses	204	24	(50)	24
Balance as at 31st December	(1,977)	(2,181)	(1,194)	(1,144)

16.2.2 Advisor Loans

	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Balance as at 01st January		43,178	39,401	41,753	37,146
Loans granted during the year		48,169	73,235	46,051	70,933
Loans Recovered during the year		(66,037)	(69,458)	(63,737)	(66,326)
		25,310	43,178	24,067	41,753
Allowance for Impairment Losses	16.2.2.a	(1,404)	(1,548)	(1,371)	(1,515)
Balance as at 31st December		23,906	41,630	22,696	40,238

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

16.2.2.a Allowance for Impairment Movement of Advisor Loans

	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(1,548)	(689)	(1,515)	(655)
Reversal/(Allowance) for Impairment Losses	144	(859)	144	(860)
Balance as at 31st December	(1,404)	(1,548)	(1,371)	(1,515)

16.2.3 Fair Value Measurement

The carrying value of the Staff and Advisor loans has been computed based on the market interest rates which prevailed at the time of granting such loan, and the fair value of the same has been computed based on the interest rates prevailed as at the reporting date. Other financial receivables are carried at notional amounts, and are generally settled within one year. The notional and fair value amounts do not vary significantly.

16.2.4 Impairment Losses on Staff and Advisor Loans

The Board of Directors has assessed potential impairment loss of Staff and Advisor loans as at 31st December 2025. Based on the assessment, no additional impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Staff and Advisor loans, other than the amounts provided.

16.2.5 Collateral Details

Loans of Staff and Advisor portfolio mainly consists of vehicle loans which are given to selected categories of Staff and Advisors. These loans are secured with guarantors, mortgage or promissory notes.

16.2.6 Financial Risk Disclosure on Staff and Advisor Loans

Refer Note 4 (Pages 351) for Group's exposure to credit risk of Staff and Advisor Loans and risk management initiatives.

16.3 Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Withholding Tax Recoverable	320,391	249,795	304,510	219,036
Balance as at 31st December	320,391	249,795	304,510	219,036

16.4 Security for liabilities

None of the other assets have been pledged as securities for liabilities as at the reporting date (2024 - Nil).

17. INSURANCE CONTRACT - DEFERRED EXPENSES

ACCOUNTING POLICY

DEFERRED ACQUISITION COSTS (DAC)

The direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to General Insurance Contracts. No DAC is calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenue earned.

In accordance with the available regulatory guidelines of the IRCSL, the DAC is calculated based on the 1/24th basis except for the Marine policies which are computed on a 60-40 basis.

The DAC for reinsurers is amortised in the same manner as the underlying asset and amortisation is recorded in the statement of Profit or Loss.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in Profit or Loss.

DAC is de-recognised when the related contracts are either settled or cancelled.

	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Reserve for Net Deferred Acquisition Expenses					
Reserve for Deferred Acquisition Expenses					
Balance as at 01st January		439,538	364,484	-	-
Increase in Deferred Acquisition Expenses	44.1	85,270	75,054	-	-
Balance as at 31st December (a)		524,808	439,538	-	-
Reserve for Deferred Reinsurance Commission					
Balance as at 01st January		(406,070)	(156,013)	-	-
Increase in Deferred Reinsurance commission	44.1	(107,610)	(250,057)	-	-
Balance as at 31st December (b)		(513,680)	(406,070)	-	-
Total Insurance Contract - Deferred Expenses (a+b)		11,128	33,468	-	-

17.1 Maturity Analysis

Maturity Analysis of Deferred Expenses is given in Note 49 on page 466.

17.2 Impairment of Deferred Expenses

The Board of Directors has assessed potential impairment loss of deferred expenses as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date (2024 - Nil).

18. CASH IN HAND AND AT BANK

ACCOUNTING POLICY

Cash in Hand and at Bank comprise cash in hand, cash at bank, demand deposits and Short-Term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts, which form an integral part of cash management, are included as a component of Cash and Cash Equivalents in the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
18.1 Cash and Cash Equivalents				
Cash in Hand	5,139	4,942	4,160	4,010
Cash at Bank with Related Parties - Hatton National Bank PLC	1,208,449	1,358,238	721,417	814,870
Cash at Bank with Related Parties - HNB Finance PLC	50	50	50	50
Cash at Bank with Other Licensed Commercial Banks & Financial institutions	124,937	39,189	83,421	22,447
	1,338,575	1,402,419	809,048	841,377
Short Term Deposits				
Cash at Bank with Related Parties - HNB Finance PLC	254,111	-	152,644	-
Total Cash in Hand and at Bank in Statement of Financial Position (a)	1,592,686	1,402,419	961,692	841,377
18.2 Bank Overdrafts				
Bank Overdraft with Related Parties - Hatton National Bank PLC	(341,836)	(418,986)	(225,210)	(193,980)
Total Bank Overdraft (b)	(341,836)	(418,986)	(225,210)	(193,980)
Total Cash and Cash Equivalents in Statement of Cash flows (a+b)	1,250,850	983,433	736,482	647,397

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

18.3 Fair value measurement

The carrying amounts disclosed above reasonably approximates the fair values as at the reporting date.

18.4 Maturity Analysis

Maturity Analysis of Cash and Cash Equivalents is given in Note 49 on page 466.

18.5 Cash Pledged as Security for Liabilities

Company

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 24 Mn (2024: Rs. 40.68 Mn), being the 25% of sum assessed by the Commissioner General of Inland Revenue for the purpose of tax assessments which are being heard at the Tax Appeals Commission. Refer note 53.1 for more details. This facility was secured against fixed deposits which are available in shareholder's fund.

Other than above company has obtained bid bonds for sum of Rs. 7.88 Mn from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020065047.

Subsidiary

The subsidiary company has obtained bid bonds for sum of Rs. 25.73 Mn (2024: Bid Bonds of Rs. 18.5 Mn) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

18.6 Risk management initiatives relating to cash and cash equivalents

Refer Note 4 on page 351 for risk management initiatives relating to cash and cash equivalents.

19. STATED CAPITAL

ACCOUNTING POLICY

The Company has issued Ordinary shares that are classified as equity instruments. Ordinary shares of the Company are recognised at the amount paid for ordinary share net of directly attributable issue cost.

Balance as at 31st December,		GROUP		COMPANY	
		2025	2024	2025	2024
	No. of Shares	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ordinary voting shares	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875
	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875

19.1 Rights of Ordinary Shareholders

The shares of HNB Assurance PLC are quoted in the Colombo Stock Exchange-Main Board. All issued shares are fully paid. The Ordinary Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the members of the Company.

20. RETAINED EARNINGS

		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		10,351,725	9,039,864	8,689,963	7,618,252
Profit for the Year		2,384,731	1,896,861	2,122,735	1,656,711
Dividend Paid to Equity Holders	48.4	(585,000)	(585,000)	(585,000)	(585,000)
Balance as at 31st December		12,151,456	10,351,725	10,227,698	8,689,963

21. AVAILABLE FOR SALE RESERVE

21.1 Nature and Purpose of Reserve

Available For Sale Reserve comprise of the impact arising from the changes in market values of financial assets classified under the category of Available For Sale.

		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		279,432	174,358	211,076	106,834
Other Comprehensive Income for the Year		(127,577)	1,012,055	(122,862)	1,011,223
Transferred to Life Policyholders Reserve Fund	23.1	97,851	(906,981)	97,851	(906,981)
Balance as at 31st December		249,706	279,432	186,065	211,076

22. OTHER RESERVE

22.1 Nature and Purpose of Reserve

Other Reserves comprises of the actuarial gains/losses arising from valuation of gratuity liability after related taxes as required by LKAS 19 - "Employee Benefits".

	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	(104,708)	(21,290)	(82,179)	(21,175)
Actuarial Losses on Defined Benefit Plans	(55,993)	(95,849)	(30,947)	(61,004)
Gains on Revaluation of Land and Building	-	12,431	-	-
Balance as at 31st December	(160,701)	(104,708)	(113,126)	(82,179)

23. LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

23.1 Nature and Purpose of Reserve

The Life Policyholders' Available For Sale Reserve Fund includes the fair value gains/(losses) recorded under Other Comprehensive Income arising from life insurance related financial assets categorised under Available For Sale.

	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	437,695	(469,286)	437,695	(469,286)
Other Comprehensive Income for the Year	(97,851)	906,981	(97,851)	906,981
Balance as at 31st December	339,844	437,695	339,844	437,695

24. RESTRICTED REGULATORY RESERVE

	GROUP		COMPANY	
As at 31st December,	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

24.1 Surplus Created due to Change in Valuation Method

As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

The IRCSL had directed insurance Companies to maintain this One-Off Surplus arising from change in the policy liability valuation within the Long Term Insurance Fund/Insurance Contract Liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer/ distribute any part of the surplus until specific instructions are issued in this regard.

Description	Participating Fund	Non - Participating Fund	Total
	Rs.'000	Rs.'000	Rs.'000
Value of Insurance contract liability based on NPV as at 31st December 2015 (a)	2,988,500	3,856,964	6,845,464
Value of Insurance contract liability based on GPV 31st December 2015 (b)	3,015,001	3,475,808	6,490,809
Zeroisation of Negative Surplus as per Direction No.16 (c)	26,501	-	26,501
Surplus Created due to Change in Valuation Method - One-Off Surplus as at 1st January 2016 (a-b+c)	-	381,156	381,156

Subsequently the IRCSL, through the Direction No. 16 issued on 20th March 2018 on "Directions for identification and treatment of One-Off Surplus" Life Insurance Companies were directed to transfer One-Off Surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund in the relevant period. The transfer was presented as a separate line item in the Profit or Loss as "Change in contract Liability due to transfer of One-Off Surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-Off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released as dividends upon receiving approval from the IRCSL. The One-Off surplus in the Shareholders' Fund will remain invested in Term deposits as disclosed in Note No. 24.2 as per the directions of IRCSL.

As per the Direction One-Off Surplus in respect of participating business is to be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the Shareholders' Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act, No. 43 of 2000".

24.2 Composition of Investments Supporting the Restricted Regulatory Reserve

As per the Direction 16 following the transfer of one off surplus to shareholders fund, the shareholders fund is required to maintain investment in government debt securities and deposits to fully support the amount of one off surplus at any given time. Accordingly the company has allocated adequate assets to support restricted reserve as at 31 December 2025 as follows.

As at 31st December,	GROUP / COMPANY	
	2025	2024
	Rs.'000	Rs.'000
Term Deposits	381,434	382,469

24.3 Distribution of One-Off Surplus

The IRCSL will consider the distribution of One-Off Surplus when the RBC rules are revised. The distribution of one-off surplus to shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. Further these policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by the IRCSL from time to time.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly Participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

24.4 Disclosure as required by Direction 16 issued by IRCSL

Disclosure in Financial Statements	Compliance with the Requirement	Page Reference
1. Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to One-Off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied	433
2. Disclosure stating 'distribution of One-Off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied (Note 24.3)	435
3. The basis of computation of One-Off surplus. Any deviation from the direction in respect of determining the 'minimum One-Off surplus'.	Complied (Note 24.1)	434
4. One-Off surplus relating to participating and other than participating should be disclosed separately.	Complied (Note 24.1)	434
5. Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied (Note 24.2)	434

25. INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

ACCOUNTING POLICY

INSURANCE PROVISION - LIFE INSURANCE

BASIS OF RECOGNITION AND MEASUREMENT

Life Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future benefits, the expected future management and distribution expense, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rate as specified by the Insurance Regulatory Commission of Sri Lanka. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation.

DISCRETIONARY PARTICIPATION FEATURES (DPF)

The liability for Life Insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used are mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Estimates are also made as to future investment income arising from the assets backing the Life Insurance Contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates for the non-participating products, whereas it is the expected fund yield of participating fund for the policies with Discretionary Participating Benefits.

PRODUCT CLASSIFICATION

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

INSURANCE CONTRACTS

Insurance contracts are those contracts under which one party (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Contracts which transfer significant insurance risk are classified as insurance contracts and others are classified as investment contracts.

INVESTMENT CONTRACTS

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified variable interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

SUBSEQUENT CLASSIFICATION AND RECLASSIFICATION

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

PRODUCT PORTFOLIO OF THE GROUP

The Group checks all its new insurance products for compliance with SLFRS 4 at the product modelling stage and ensures that no insurance products are launched if it does not meet the above criterion. As such, all products sold by the Group are insurance contracts and therefore classified as insurance contracts under the SLFRS 4 – "Insurance Contracts".

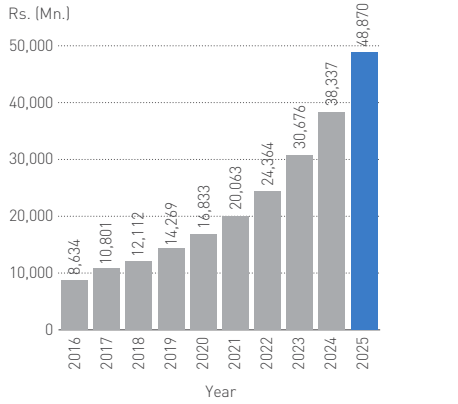
DE-RECOGNITION

The liability is de-recognised when the contract expires, discharged or cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a Liability Adequacy Test.

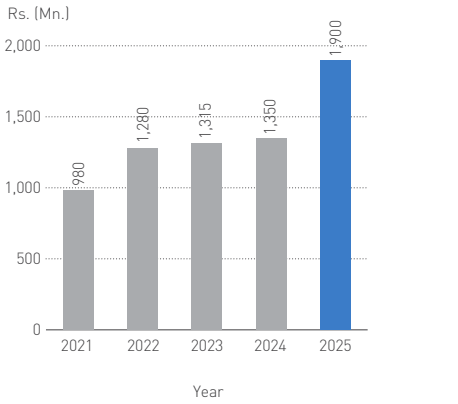
LIABILITY ADEQUACY TEST (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. The Company performs a Liability Adequacy Test (LAT) in respect of Life Insurance Contract Liabilities with the assistance of an External Actuary. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. Number of valuation techniques are applied including discounting cash flows, interest rate applied is based on the management's expectation of current market interest rates. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

Insurance Contract Liabilities - Life Fund



Surplus Distribution to Shareholders



As at 31st December,	Note	GROUP / COMPANY 2025 Participating Rs.'000	2025 Non - Participating Rs.'000	2025 Total Rs.'000	2024 Participating Rs.'000	2024 Non - Participating Rs.'000	2024 Total Rs.'000
Insurance Contract Liabilities							
Life Insurance Fund	25.1	4,307,509	44,562,573	48,870,082	4,307,509	34,029,789	38,337,298
Claims Outstanding		7,300	302,949	377,920	7,300	302,949	310,249
Total Insurance Contract Liabilities - Life Insurance		4,314,809	44,865,522	49,248,002	4,314,809	34,332,738	38,647,547

25.1 Life Insurance Fund - Composition and Movement

	Note	2025 Gross Insurance Contract Liabilities Rs.'000	2025 Reinsurance Rs.'000	2025 Net Insurance Contract Liabilities Rs.'000	2024 Gross Insurance Contract Liabilities Rs.'000	2024 Reinsurance Rs.'000	2024 Net Insurance Contract Liabilities Rs.'000
Balance as at 1st January		39,431,438	(1,094,140)	38,337,298	31,479,529	(803,489)	30,676,040
Gross Written Premium / Reinsurance expenses		19,489,970	(1,048,587)	18,441,383	13,709,655	(775,049)	12,934,606
Liabilities released for payments on Death, Surrender and Other terminations in the year		(4,926,545)	523,296	(4,403,249)	(3,431,787)	424,561	(3,007,226)
Other Revenue		7,120,853	54,510	7,175,363	5,941,945	47,500	5,989,445
Expenses		(8,766,745)	316	(8,766,429)	(6,899,230)	12,337	(6,886,893)
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		12,917,533	(470,465)	12,447,068	9,320,583	(290,651)	9,029,932
Surplus Distributed to Shareholders*		(1,900,000)	-	(1,900,000)	(1,350,000)	-	(1,350,000)
Increase in Life Insurance Fund		11,017,533	(470,465)	10,547,068	7,970,583	(290,651)	7,679,932
Effect of Taxation on surplus/Bonus transferred to Policyholders	25.4	(14,284)	-	(14,284)	(18,674)	-	(18,674)
Balance as at 31st December		50,434,687	(1,564,605)	48,870,082	39,431,438	(1,094,140)	38,337,298

*Company transferred Rs. 1,900 Mn in December 2025 (2024 : Rs. 1,350Mn) as surplus for the year from policyholder to shareholders fund.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Increase in Life Insurance Fund

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

25.2 Maturity Analysis

Maturity Analysis of Life Insurance Fund is given in Note 49 on page 466.

25.3 Valuation of Life Insurance Fund

The valuation of the Life Insurance fund as at 31st December 2025 was carried out by the Appointed Actuary, Mr. Abhishek Chadha, FIA, FIAI for and on behalf of Willis Towers Watson India Private Limited and have ensured adequate provisions have been made in these Financial Statements in line with the Actuarial Valuation. According to the appointed Actuary's report, the reserve for the year amounted to Rs. 44,414 Mn (2024 - Rs. 34,983 Mn). In opinion of the appointed Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance fund.

As recommended by the Appointed Actuary a sum of Rs. 1,900 Mn (2024 - Rs. 1,350 Mn) has been transferred from the Life Insurance Fund to the Shareholders' Fund for the year 2025. Refer paragraph 6 of the Actuarial report provided in page 326.

25.4 Effects of Taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of Inland Revenue Act, No. 24 of 2017 which is effective from 01st April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. However, due to the completion of stipulated concessionary period, Company will be liable to tax at the standard income tax rate on bonus/surplus transferred to policyholders from the year 2021 onwards. Therefore, Company will be liable to tax at the rate of 30% on bonus/surplus transferred to policyholders for the year 2025 (2024 - 30%). As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 47.61 Mn (2024 - Rs. 62.25 Mn) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 14.28 Mn (2024 - Rs. 18.67 Mn) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date. Refer paragraph 7 of the Actuarial report issued on 6th February 2026 provided in page 326.

25.5 Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Abhishek Chadha, FIA, FIAI on behalf of Willis Towers Watson India Private Limited, as at 31st December 2025 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods. According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2025. No additional provision was required against the LAT as at 31st December 2025. Refer paragraph 8 of Actuarial Report provided by the Appointed Actuary for LAT in page 326.

25.6 Methodology used in determination of Market Value of Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2025. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a policy level for Privileged Life, riders attaching to Privileged Life product, Supreme Health Max rider and Super CI rider attaching to all base products.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

25.6.1 Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Discounting "Net Cash Flows" using a discount rate	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products	Policy liability has been set equal to UPR	Not Applicable

25.7 Key Assumptions Used in determinations of Best Estimate Liability (BEL)

Details of key assumptions used and basis of arriving for the same are summarised in following table;

Assumption	Basis of Estimation
Economic Assumption	
Discount rate	Top down approach has been used and discount rate assumptions are disclosed in Note 25.8.
Operating Assumptions	
Mortality Rate	Experience calibrated for the best estimate assumptions of mortality and morbidity is based on mortality rates and reinsurance morbidity rates.
Morbidity Rates	
Expenses	Best estimate expense assumption is based on the Company specific expenses. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been identified. These have been further identified as either fixed or variable based on the nature of expenses to determine a unit cost loading for use in the valuation as per the Activity Based Costing study carried out.
Expense Inflation	This is derived based on the weighted salary increment experience and the NCPI inflation for non-salary expense items.
Bonus Rates	Bonus rate scale assumption has been arrived based on bonus declared for the latest year, based on the Company management's views on policyholder reasonable expectations. This assumes that Company is at least expecting to maintain the current bonus levels into the future.
Lapse Ratio	Lapse assumption of the Company is based on the experience analysis and historical trends during intervals of the policy tenure.

25.8 Accounting judgements, estimates and assumptions

Discount rate

Insurance contract liabilities shall be measured in term of SLFRS 4 by applying current market interest rates where any changes to be recognised in income statement. In arriving at such rates, CA Sri Lanka has issued a guidance note allowing insurers to apply professional judgment in applying the current market interest rates by way of considering timing and liquidity nature of the insurance liability.

Methodology

Noting the potential difficulties in establishing an appropriate 'liquid risk free yield curve' from the observable Sri Lankan market data, a 'top-down approach' is adopted for the determining the appropriate discount rates. Under such approach, the yield curve is constructed to represent yields implicit in a fair value measurement of a reference portfolio of assets whilst attempting to eliminate any factors that are not relevant to the insurance contracts.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Assumption	Basis of Estimation
Choice of reference portfolio	The current assets backing the Life Fund are taken as the initial reference portfolio. Assets within the Life Fund are split between participating, universal life and non-participating funds.
Rates of return implicit in a fair value measurement of the reference portfolio	Fair value of existing assets for the purpose of discount rate construction is assessed on a consistent basis as the fair value assessed for these assets in the Statement of Financial Position. Implied returns for existing assets are taken as the yields that would be required that would result in the discounted present value of asset flows to be equal to the reported fair value in the Statement of Financial Position.
Adjustment for credit risk	Fair value of corporate bonds include an allowance for potential credit risk of the issuer. Allowance for risk of default within the corporate bond spreads has been removed from the implied yields as it is not relevant for valuation of the insurance contracts. Total spread is assumed to comprise a spread for default risk and illiquidity. The spread in respect of default risk is estimated by isolating the illiquidity premium.
Assets representing future (re) investments	The initial reference portfolio of existing assets is then extended to include future (re)investments of net positive future cash-flows that would be required to meet any subsequent shortfalls. These (re)investments are assumed to yield a risk-adjusted return determined by having regard to historic mean reversions of the published government bond yields over the short to medium term and to a long term 'ultimate forward rate' over the long term assuming a convergence period of 40 years for the historic average yields in the short/medium term to converge to ultimate forward rate in the long term.
Yield curve	A complete term structure is derived based on the effective overall 'time-weighted rate of return' for the reference portfolio assets.

25.9 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Contract Liability is provided in Note 4.

25.10 Solvency Margin

As per the Report of the Life Actuary, the Company's Capital Adequacy Ratio (CAR) is 283% (2024 - 379%), well above the minimum requirement of 120% as per the Solvency Margin (Risk Based Capital) Rules 2015 requirement prescribed under section 26 (1) of the Regulation of Insurance Industry Act No. 43 of 2000. Please refer paragraph 5 of the Actuarial report provided in page 326.

26. INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

ACCOUNTING POLICY

BASIS OF RECOGNITION AND MEASUREMENT

General Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities.

CLAIMS LIABILITIES

Claims Liabilities are recognised in respect of both with reinsurance and without reinsurance. Claims liabilities refer to the obligation of the insurance company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. This include provision for claims reported, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) together with related claims handling costs.

PREMIUM LIABILITIES

Premium Liabilities are the higher of the aggregate of the Unearned Premium Reserve (UPR) and the best estimate value of the insurer's Unexpired Risk Reserves (URR) at the valuation date and the Provision of Risk Margins for Adverse Deviation (PRAD) calculated at line of business level.

The provision for unearned premium represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

USE OF JUDGEMENTS AND ESTIMATES

The estimates of General Insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported and claims incurred, but not enough reported (IBNR/IBNER) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying in estimating the amount of outstanding claims is the past claims development experience.

Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

LIABILITY ADEQUACY TEST (LAT)

As required by SLFRS 4 - "Insurance Contracts", the Group performs a Liability Adequacy Test (LAT) in respect of General Insurance Contract Liabilities with the assistance of the External Actuary.

TITLE INSURANCE RESERVE

Title Insurance reserve is maintained by the Group to pay potential claims arising from the Title Insurance policies. Title Insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised in the first year of the policy given the higher probability of claims occurring in the first year. From the 2nd year onwards, profit is recognised by amortising the premium received over a five-year period using the straight-line method. Profit in the first year will be recognised in the 2nd year and thereafter it will be periodically recognised.

The General Insurance reserves as shown in the Statement of Financial Position represents the following:

		GROUP		COMPANY	
As at 31st December,		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reserves for Net Unearned Premium	26.1	3,233,588	2,734,648	-	-
Reserves for Title Insurance	26.2	99,689	75,088	-	-
Reserves for Gross Outstanding Claims	26.3	3,455,721	1,697,322	-	-
Total Insurance Contract Liabilities - General Insurance		6,788,998	4,507,058	-	-

26.1 Reserves for Net Unearned Premium

	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reserves for Unearned Premium				
Balance as at 01st January	4,576,570	3,952,973	-	-
Increase in Reserve for Unearned Premium	917,264	623,597	-	-
Balance as at 31st December (a)	5,493,834	4,576,570	-	-
Reserves for Unearned Reinsurance Premium				
Balance as at 01st January	(1,841,922)	(992,827)	-	-
Increase in Reserve for Unearned Reinsurance Premium	(418,324)	(849,095)	-	-
Balance as at 31st December (b)	(2,260,246)	(1,841,922)	-	-
Total Reserves for Net Unearned Premium (a+b)	3,233,588	2,734,648	-	-

26.2 Reserves for Title Insurance

		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January (a)		75,088	48,979	-	-
Transfer to Title Insurance Reserve (b)		53,274	46,505	-	-
Recognition of Title Insurance Profit (c)	26.5	(28,673)	(20,396)	-	-
Transfer from Title Insurance Reserves (d=b+c)		24,601	26,109	-	-
Total Reserves for Title Insurance as at 31st December (a+d)		99,689	75,088	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

26.3 Reserves for Gross Outstanding Claims

		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January		1,128,373	1,158,910	-	-
Claims Incurred during the Year		6,301,926	4,214,600	-	-
Claims Paid during the Year		(4,760,475)	(4,245,137)	-	-
Balance as at 31st December (a)		2,669,824	1,128,373	-	-
IBNR / IBNER balance as at 01st January		568,949	526,268	-	-
Increase in IBNR / IBNER		216,948	42,681	-	-
IBNR / IBNER balance as at 31st December (b)	26.7	785,897	568,949	-	-
Total Reserves for Gross Outstanding Claims (a+b)		3,455,721	1,697,322	-	-

26.4 Reconciliation between Insurance Contract Liabilities and Technical Reserves

		GROUP		COMPANY	
As at 31st December,		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liabilities - General Insurance		6,788,998	4,507,058	-	-
Reserve for Net Deferred Acquisition Expenses	17	(11,128)	(33,468)	-	-
Reinsurance on Claims Reserves		(1,965,409)	(487,484)	-	-
Reinsurance on Claims Reserves IBNR / IBNER		(374,059)	(176,837)	-	-
Technical Reserves		4,438,402	3,809,269	-	-

26.5 Recognition of Title Insurance Profit

Net Written Premium on Title Insurance after deducting acquisition cost has been transferred to the Title Reserves account to pay potential claims arising from the Title Insurance policies. During the year, the Group recognised Rs. 28.67 Mn (2024 - Rs. 20.4 Mn) as profit from Title Insurance.

26.6 Assessment of Liabilities

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The Reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

26.7 Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER)

IBNR and IBNER claims Reserves as at 31st December 2025 has been actuarially computed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary has ensured that adequate reserves are maintained by HNB General Insurance Ltd as at 31st December 2025. Refer page 327 for Actuarial Report provided by the Appointed Actuary.

26.8 Liability Adequacy Testing (LAT)

A Liability Adequacy Test (LAT) for General Insurance Contract Liability was carried out by Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2025 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. According to the Appointed Actuary's report, HNB General Insurance Limited adequately satisfies the LAT as at 31st December 2025. No additional provision was required against the LAT as at 31st December 2025. Refer page 327 for Actuarial Report issued on 9th February 2026 by the Appointed Actuary for LAT.

26.9 Sensitivity Analysis

Sensitivity Analysis of General Insurance Contract Liability is provided in Note 4 on page 351.

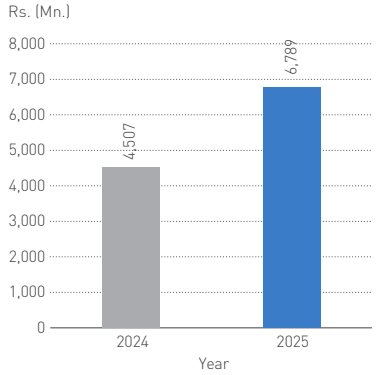
26.10 Solvency Margin

As per the Report of the General Actuary, the subsidiary's Capital Adequacy Ratio (CAR) is 190% (2024 - 219%), well above the minimum requirement of 120%.

26.11 Key Assumptions

Details of key assumptions used are provided in Note 4 on page 351.

Insurance Contract Liabilities - General Insurance



26.12 Maturity Analysis

Maturity Analysis of General Insurance Fund is given in Note 49 on page 466.

27. EMPLOYEE BENEFIT LIABILITIES

ACCOUNTING POLICY

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statement of Profit or Loss in the periods during which related services are rendered by employees.

DEFINED BENEFIT PLANS - GRATUITY

MEASUREMENT

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of the defined benefit plan represents the present value of the defined benefit obligation as at the reporting date. Under the Payment of Gratuity Act, No. 12 of 1983, the liability to pay the gratuity to an employee arises only upon completion of 5 years of continuous service. The liability is not externally funded.

RECOGNITION

The re-measurement of the net defined benefit liability, which comprises actuarial gains and losses, is recognised immediately in Other Comprehensive Income and is not reclassified to profit or loss in subsequent periods. Interest cost, past service cost and current service cost are recognised in Profit or Loss.

When the benefits of a plan are changed or when plan is curtailed the resulting change in benefits that relates to the past service or the gain or loss on curtailment is recognised immediately in the profit or loss. The Company recognises gain or loss on the settlement of a defined benefit plan when the settlement occurs.

VALUATION OF EMPLOYEE DEFINED BENEFIT LIABILITY

The defined benefit obligation is calculated by a qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 -"Employee Benefits". The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty and those are reviewed annually. In determining the discount rate, management considers the interest rates of the Government of Sri Lanka Treasury bond with maturities corresponding to the expected duration of defined benefit obligation. Future expected inflation rates and salary increment rates of the Group are considered in determining the salary increases.

As at 31st December,		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present Value of Unfunded Obligation	27.1	605,262	477,315	355,947	279,864

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

27.1 Movement in the Present Value of the Employee Defined Benefit Liability

As at 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Balance as at 01st January		477,315	333,860	279,864	192,127
Expenses Recognised in Profit or Loss during the year	27.1.1	111,027	83,927	64,417	47,602
Actuarial Losses recognised in Other Comprehensive Income during the Plan Year	27.1.2	52,402	94,430	30,947	61,004
		640,744	512,217	375,228	300,733
Payments during the Year		(35,482)	(34,902)	(16,080)	(19,163)
Adjustment due to employees transferred from the Company		-	-	(3,201)	(1,706)
Balance as at 31st December		605,262	477,315	355,947	279,864

27.1.1 Expenses Recognised in Profit or Loss

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Current Service Cost	63,296	41,233	36,751	22,625
Interest on Obligation	47,731	42,694	27,666	24,977
Total	111,027	83,927	64,417	47,602

27.1.2 Actuarial Gains Recognised in Other Comprehensive Income

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Actuarial Losses due to Changes in Demographic Assumptions	1,329	13,914	1,078	13,926
Actuarial Losses due to Changes in Financial Assumptions	35,705	62,487	19,206	34,229
Actuarial Losses due to Changes in Experience	15,368	18,029	10,663	12,849
Actuarial Losses during the Plan Year	52,402	94,430	30,947	61,004

As at 31 December 2025, Gratuity Liability was actuarially valued using the Projected Unit Credit (PUC) method by Consultant Actuary Mr. K. Arumugam, Fellow member, Institute of Actuaries of India, in Actuarial & Management Consultant (Pvt) Ltd. The valuation is performed annually, and management has ensured that adequate reserves are maintained based on the actuarial assessments.

27.2 Maturity Analysis of the Liability

As at 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Within next 12 Months	79,574	57,503	46,179	36,885
Between 1 to 2 Years	130,635	105,757	86,503	64,432
Between 3 to 5 Years	143,821	115,878	96,391	76,356
Between 6 to 10 Years	148,295	85,721	78,160	48,252
Beyond 10 years	102,937	112,456	48,714	53,939
Total	605,262	477,315	355,947	279,864

27.3 Principal Assumptions Used

The actuarial valuation involves making assumptions. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assumptions				
(a) Discount Rate	10%	10%	10%	10%
(b) Future Salary Increase Rate	10%	9%	10%	9%
Demographic Assumptions				
(c) Staff Turnover Rate				
Age 20 - 24	27% / 38%	29% / 40%	38%	40%
Age 25 - 29	22% / 24%	20% / 27%	24%	27%
Age 30 - 34	17% / 18%	13% / 17%	18%	17%
Age 35 - 39	12% / 18%	13% / 17%	18%	17%
Age 40 - 44	12% / 14%	12% / 15%	14%	15%
Age 45 - 49	9% / 14%	8% / 11%	14%	11%
Age 50 - 54	9% / 14%	8% / 11%	14%	11%
Age 55 - 59	0%	0%	0%	0%
(d) Expected future working life time	5.14 - 6.63 years	5.39 - 7.11 years	5.14 years	5.39 years
(e) Normal Retirement Age	60 years	60 years	60 years	60 years
(f) Mortality - In service	A1967/70 Ultimate Mortality table has used			

*A long-term treasury bond rate has been used to discount future liabilities taking into consideration remaining working life of eligible employees.

27.4 The Defined Benefit Plans Typically Expose the Group to Following Risks.

Interest risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, an increase in the long-term interest rate will decrease the plan liability.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

27.5 Sensitivity Effect on Statement of Financial Position

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount Rate				
1% Increase in Discount Rate	(32,880)	(26,688)	(17,522)	(14,407)
1% Decrease in Discount Rate	36,622	29,831	19,338	15,991
Salary Increment Rate				
1% Increase in Salary	39,000	32,011	20,754	17,263
1% Decrease in Salary	(35,616)	(29,106)	(19,126)	(15,808)

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

27.6 Method and Assumptions Used in Preparing the Sensitivity Analysis

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method "Projected Unit Credit method (PUC) has been applied as when calculating the defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity did not change compared to the prior period. However, future salary increment rate has changed from 9% to 10% to be in line with the economic variables where there is no change in the discount rate.

27.7 Apportionment of Provision for Employee Benefit Liabilities between the Company and the Subsidiary

As at 31st December,	Note	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Amount Recognised in Company	43.1	61,878	44,749
Amount Transferred to HNB General Insurance Limited		2,539	2,853
Total Provision for Employee Benefit Liabilities		64,417	47,602

28. CURRENT TAX LIABILITIES

ACCOUNTING POLICY

Current tax liabilities consist of amounts expected to be paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date. Refer to Note 46.3 for applicable Tax rates.

	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Balance as at 01st January		559,876	530,009	479,148	453,230
Current Tax for the Year	46.1.a	996,263	830,996	907,501	701,378
Under Provision Pertaining to Previous Year	46.1.a	197	3,639	-	381
Effect of Taxation on Surplus/Bonus Transferred to Policyholders	25.4	14,284	18,674	14,284	18,674
		1,570,620	1,383,318	1,400,933	1,173,663
Tax Set Off/Paid during the Year					
Withholding Tax Credits		(142,556)	(146,010)	(108,941)	(134,703)
Tax paid during the year		(831,594)	(677,432)	(730,717)	(559,812)
Balance as at 31st December		596,470	559,876	561,275	479,148

28.1 Maturity Analysis

Maturity Analysis of Current Tax liability is given in Note 49 on page 466.

29. REINSURANCE PAYABLE

ACCOUNTING POLICY

Reinsurance Payable are classified as financial liabilities and categorised under other financial liabilities. Please refer Note 7 of page 397 for Accounting policy of other financial liabilities.

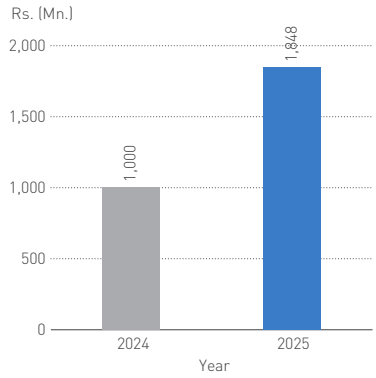
Reinsurance Payable comprise amounts due to reinsurers, including reinsurance premiums and other payables, which are recognised when they become due under the terms of the related reinsurance contract. At initial recognition, these liabilities are measured at fair value, net of directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Reinsurance liabilities are derecognised when the contractual rights are extinguished or expire, or when the contract is legally transferred to another party.

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	774,680	509,634	-	-
Foreign Reinsurers	1,073,206	490,716	572,591	214,999
Total Reinsurance Payable	1,847,886	1,000,350	572,591	214,999

29.1 Maturity Analysis

Maturity Analysis of Reinsurance Payable is given in Note 49 on page 466.

Reinsurance Payable - Group



30. LEASE CREDITORS

ACCOUNTING POLICY

Lease liabilities are initially measured at the present value of lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease Payments included in the measurement lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the Right of Use Asset, or is recorded in profit or loss if the carrying amount of the Right of Use Asset has been reduced to zero.

	GROUP					
	2025			2024		
	Property	Motor Vehicles	Total	Property	Motor Vehicles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	560,245	660	560,905	439,993	10,311	450,304
Additions during the Year	222,130	-	222,130	308,059	191	308,250
Interest Expenses during the Year	92,327	10	92,337	102,847	1,046	103,893
Disposal of Lease Creditor upon termination of Contract	-	-	-	(61,636)	(3,998)	(65,634)
Rentals Paid during the Year	(281,080)	(670)	(281,750)	(229,018)	(6,890)	(235,908)
Balance as at 31st December	593,622	-	593,622	560,245	660	560,905

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	COMPANY					
	2025			2024		
	Property	Motor Vehicles	Total	Property	Motor Vehicles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st January	503,233	-	503,233	389,320	6,063	395,383
Additions during the Year	131,450	-	131,450	299,749	128	299,877
Interest Expenses during the Year	76,856	-	76,856	94,098	675	94,773
Disposal of Lease Creditor upon termination of Contract	-	-	-	(61,636)	(3,998)	(65,634)
Rentals Paid during the Year	(255,355)	-	(255,355)	(218,298)	(2,868)	(221,166)
Balance as at 31st December	456,184	-	456,184	503,233	-	503,233

30.1 Maturity Analysis

Maturity Analysis of Lease Creditors is given in Note 49 on page 466.

31. OTHER LIABILITIES

ACCOUNTING POLICY

Please refer Note 7 of page 397 for Accounting policy of financial liabilities.

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

OTHER LIABILITIES

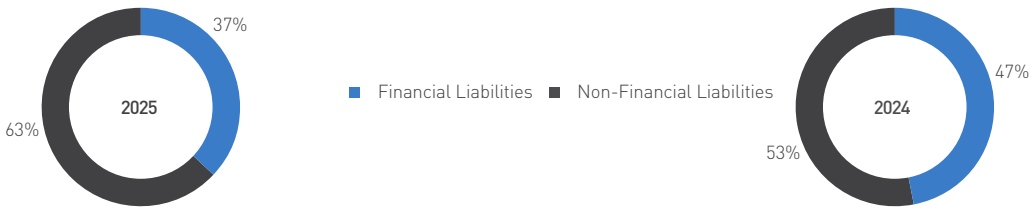
Other liabilities comprise accruals, policyholder advances, amounts due to related parties, government taxes payable, and other operational liabilities, including claims payable. These liabilities are recognised at the amounts expected to be settled.

As at 31st December,	Note	GROUP		COMPANY	
		2025	2024	2025	2024
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Liabilities					
Payable to Policyholders		458,199	245,692	184,931	83,438
Acquisition Cost Payable		742,418	531,459	498,210	326,811
Advisor Terminal Benefit Payable	31.2	351,276	329,193	318,090	298,370
Amounts due to Related Parties	31.3	156,227	139,579	120,271	120,439
Co - Insurance Payable		66,242	87,236	-	-
Claims payable		75,088	82,681	-	-
Staff Related Payables		571,240	341,074	503,459	281,783
Total Financial Liabilities (a)		2,420,690	1,756,914	1,624,961	1,110,841
Non-Financial Liabilities					
Accrued Expenses		196,731	178,394	24,459	23,883
Policyholders Advance Payments		2,045,324	458,474	2,045,324	458,474
Government Levies	31.4	345,391	286,261	102,448	69,945
Advance for Future Utilisation and Other Liabilities		1,487,219	1,080,204	1,031,350	612,932
Total Non-Financial Liabilities (b)		4,074,665	2,003,333	3,203,581	1,165,234
Total Other Liabilities (a+b)		6,495,355	3,760,247	4,828,542	2,276,075

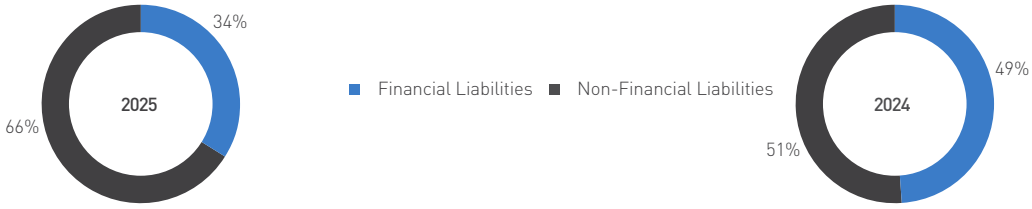
31.1 Maturity Analysis

Maturity Analysis of Other Liabilities is given in Note 49 on page 466.

Other Liabilities Composition - Group



Other Liabilities Composition - HNBA



31.2 Advisor Terminal Benefit Payable

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance	318,090	298,370	318,090	298,370
General Insurance	33,186	30,823	-	-
Total	351,276	329,193	318,090	298,370

31.3 Amounts due to Related Parties

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	152,438	135,501	120,265	111,892
HNB General Insurance Limited	-	-	6	8,541
HNB Finance PLC	3,789	4,078	-	6
Total	156,227	139,579	120,271	120,439

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

31.4 Government Levies

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stamp Duty Payable	3,951	3,138	745	591
Value Added Tax (VAT) Payable	173,715	157,213	2,803	3,770
Cess Payable	17,720	13,029	10,956	7,059
Crop Insurance	18,650	14,579	16,941	13,273
Pay As You Earn (PAYE)	38,570	22,523	32,586	16,458
Employee Provident Fund Payable	36,220	31,513	21,978	19,097
Employee Trust Fund Payable	5,433	4,727	3,297	2,865
Withholding Tax Payable	13,422	6,740	12,448	6,058
Contribution to Road Safety Fund Payable	199	192	-	-
SSCL payable	37,464	32,416	694	774
Luxury tax Payable to Department of Motor Traffic	47	191	-	-
Total	345,391	286,261	102,448	69,945

32. GROSS WRITTEN PREMIUM (GWP)

ACCOUNTING POLICY

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured.

LIFE INSURANCE BUSINESS

Gross Written Premiums (GWP) from Life Insurance contracts are recognised as revenue when a premium is due from a Policyholder within the 30-day grace period are considered as due premium, except for group life which is considered up to 90 days. Premiums received in advance are not recorded as revenue but recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as revenue. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For single premium policies, revenue is recognised on the date the policy becomes effective.

GENERAL INSURANCE BUSINESS

Gross Written Premium on General Insurance comprises of the total premium received or receivable for the entire period of cover provided by contracts entered into during the accounting period. Premium is generally recognised upon the inception of the policy as written and is earned primarily on a pro-rata basis over the term of the related policy coverage.

Gross Written Premium-Life Insurance



The premium Income for the year by major classes of business is as follows:

For the Year Ended 31st December,	GROUP					
	2025			2024		
	Individual business	Corporate business	Total	Individual business	Corporate business	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance						
First Year Premium	5,129,791	-	5,129,791	3,726,628	-	3,726,628
Renewal Premium	9,571,565	-	9,571,565	7,007,287	-	7,007,287
Single Premium	4,007,730	-	4,007,730	2,453,122	-	2,453,122
Group Life Premium	-	780,884	780,884	-	522,618	522,618
Adjustment for Intercompany Premiums	-	(35,949)	(35,949)	-	(55,720)	(55,720)
Gross Written Premium - Life Insurance (a)			19,454,021			13,653,935

	Basic/ SRCC/TC	*Co - Insurance Local	Total	Basic/ SRCC/TC	*Co - Insurance Local	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
General Insurance						
Fire	2,479,801	(81,777)	2,398,024	1,981,120	(95,188)	1,885,932
Motor	6,019,645	(37,178)	5,982,467	4,794,306	(18,932)	4,775,374
Marine	378,444	(107)	378,337	327,504	(369)	327,135
Miscellaneous	2,251,428	(5,099)	2,246,329	2,141,946	(8,841)	2,133,105
Adjustment for Intercompany Premiums	(8,781)	-	(8,781)	(37,487)	-	(37,487)
Gross Written Premium - General Insurance (b)			10,996,376			9,084,059
Total Gross Written Premium (a+b)			30,450,397			22,737,994

* Co-Insurance is an arrangement to share risks with domestic insurer under a special contract and the portion shared with the coinsurance partner is not considered as a part of Gross Written Premium.

For the Year Ended 31st December,	COMPANY					
	2025			2024		
	Individual business	Corporate business	Total	Individual business	Corporate business	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance						
First Year Premium	5,129,791	-	5,129,791	3,726,628	-	3,726,628
Renewal Premium	9,571,565	-	9,571,565	7,007,287	-	7,007,287
Single Premium	4,007,730	-	4,007,730	2,453,122	-	2,453,122
Group Life Premium	-	780,884	780,884	-	522,618	522,618
Total Gross Written Premium			19,489,970			13,709,655

All products sold by the Company are insurance contracts and therefore classified as insurance contracts. Thus, the Company does not have any investment contracts within its portfolio as at the reporting date.

Gross Written Premium - General Insurance



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

33. PREMIUM CEDED TO REINSURERS

ACCOUNTING POLICY

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Value of the reinsurance premiums are decided based on rates agreed with reinsurers. Reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with reinsurer and accounted on an accrual basis.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance				
Individual Policies	652,247	479,268	652,247	479,268
Single Premium	252,075	213,210	252,075	213,210
Corporate Policies	144,265	82,571	144,265	82,571
Total Life Insurance (a)	1,048,587	775,049	1,048,587	775,049
General Insurance				
Fire	2,218,627	1,755,130	-	-
Motor	1,698,935	1,254,145	-	-
Marine	320,386	290,630	-	-
Miscellaneous	500,272	510,680	-	-
Total General Insurance (b)	4,738,220	3,810,585	-	-
Total Premium Ceded to Reinsurers (a+b)	5,786,807	4,585,634	1,048,587	775,049

34. NET CHANGE IN RESERVES FOR UNEARNED PREMIUM

ACCOUNTING POLICY

Gross Written Premium of General business is deferred over the term of the underlying policies' risk attached period according to the Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments there to, unearned premiums are the proportion of premiums that relate to the period of risk after the respective reporting period. Group uses 1/24th basis to defer the GWP of all policies except for the Marine Insurance policies and Title Insurance policies, where Marine Insurance premiums are deferred based on 60 : 40 basis and total premiums on Title Insurance are transferred to Reserve for Title Insurance for the reporting period.

Similarly Reinsurance Premiums attached to those policies are also deferred over the policies risk attached period using the same basis as mentioned above. Further, Title Insurance Reserve is maintained based on the net transfer of Net Written Premium after deducting acquisition cost and profit recognised during that period.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2025	2024	2025	2024
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
General Insurance					
Change in Reserve for Unearned Premium	26.1	(917,264)	(623,597)	-	-
Change in Reserve for Unearned Reinsurers Premium	26.1	418,324	849,096	-	-
Transfer to Reserve for Title Insurance	26.2	(24,601)	(26,109)	-	-
Total Net Change in Reserves for Unearned Premium		(523,541)	199,390	-	-

35. NET EARNED PREMIUM

For the Year Ended 31st December,	GROUP					
	2025			2024		
	Life Insurance	General Insurance	Total	Life Insurance	General Insurance	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	19,489,970	11,005,157	30,495,127	13,709,655	9,121,546	22,831,201
Adjustment for Intercompany Premium	(35,949)	(8,781)	(44,730)	(55,720)	(37,487)	(93,207)
	19,454,021	10,996,376	30,450,397	13,653,935	9,084,059	22,737,994
Change in Reserve for Unearned Premium	-	(917,264)	(917,264)	-	(623,597)	(623,597)
Gross Earned Premium (a)	19,454,021	10,079,112	29,533,133	13,653,935	8,460,462	22,114,397
Premium Ceded to Reinsurance	(1,048,587)	(4,738,220)	(5,786,807)	(775,049)	(3,810,585)	(4,585,634)
Change in Reserve for Unearned Reinsurance Premium	-	418,324	418,324	-	849,096	849,096
Gross Reinsurance Premium (b)	(1,048,587)	(4,319,896)	(5,368,483)	(775,049)	(2,961,489)	(3,736,538)
Transfer to Title Insurance Reserve (c)	-	(24,601)	(24,601)	-	(26,109)	(26,109)
Total Net Earned Premium (a+b+c)	18,405,434	5,734,615	24,140,049	12,878,886	5,472,864	18,351,750

For the Year Ended 31st December,	COMPANY	
	2025	2024
	Rs.'000	Rs.'000
Gross Written Premium	19,489,970	13,709,655
Premium Ceded to Reinsurance	(1,048,587)	(775,049)
Total Net Earned Premium	18,441,383	12,934,606

36. INTEREST AND DIVIDEND INCOME

ACCOUNTING POLICY

INTEREST INCOME

Interest income is recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction cost include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

DIVIDEND INCOME

Dividend income is recognised when the right to receive income is established which is usually the ex-dividend date of equity securities.

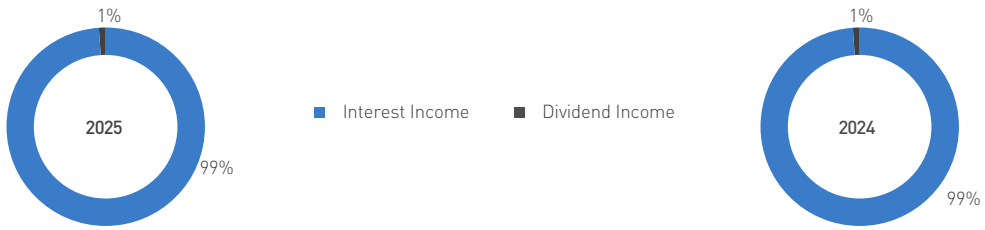
For the Year Ended 31st December,		GROUP		COMPANY	
		2025	2024	2025	2024
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	36.1	8,171,776	7,538,650	7,451,640	6,774,752
Dividend Income	36.2	41,262	23,228	41,262	23,196
Total Interest and Dividend Income		8,213,038	7,561,878	7,492,902	6,797,948

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

TEMPORARY EXEMPTION FROM SLFRS 9

As explained in page 344, the Group has decided to take temporary exemption from SLFRS 9 as the Group's activities are predominantly connected with insurance activities and do not engage in a significant activity unconnected with insurance. Group had not previously applied any version of SLFRS 9. This is further explained in Note 3.2. Therefore, interest and dividend income is presented in accordance with LKAS 39.

Finance Income Composition - Group



36.1 Interest Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity				
Treasury Bonds	2,508,377	2,323,455	2,508,377	2,323,455
Total (a)	2,508,377	2,323,455	2,508,377	2,323,455
Loans and Receivables				
Repurchase Agreements on Government Securities	288,632	90,486	231,942	68,148
Fixed Deposits	1,531,183	1,472,599	1,379,471	1,360,101
Debentures	1,686,037	1,519,802	1,460,098	1,304,116
Policy Loans	78,027	81,004	78,027	81,004
Staff and Advisor Loans	45,217	52,550	26,579	31,519
Total (b)	3,629,096	3,216,441	3,176,117	2,844,888
Available For Sale				
Treasury Bonds	1,910,151	1,447,911	1,685,637	1,181,549
Treasury Bills	68,001	506,310	46,019	399,618
Total (c)	1,978,152	1,954,221	1,731,656	1,581,167
Cash at Bank				
Short Term Deposits	4,779	16	2,645	-
Savings Accounts	51,372	44,517	32,845	25,242
Total (d)	56,151	44,533	35,490	25,242
Total Interest Income (a+b+c+d)	8,171,776	7,538,650	7,451,640	6,774,752

36.2 Dividend Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Shares	41,262	23,228	41,262	23,196
Total Dividend Income	41,262	23,228	41,262	23,196

37. NET REALISED GAINS

ACCOUNTING POLICY

Net Realised Gains comprises gains and losses related to Financial Investments. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original/fair value of prior year or amortised cost which are recorded on occurrence of the sale. On derecognition of investments classified as AFS, the cumulative gain or loss previously recognised in OCI is recycled to Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Investments - Available For Sale				
Realised Gains				
Treasury Bills	-	5,702	-	5,459
Treasury Bonds	84,606	121,472	75,720	23,483
Equity Shares	558,775	4,778	558,775	4,778
Total (a)	643,381	131,952	634,495	33,720
Financial Investments - Fair Value Through Profit or Loss				
Realised Gains				
Investment in Units	5,914	25,346	5,914	18,020
Equity Shares	51,709	4,912	51,709	4,970
Total (b)	57,623	30,258	57,623	22,990
Financial Investments - Loans and Receivables				
Realised Gains/(Losses)				
Foreign Exchange - Medium Term Deposits	21,448	(61,768)	7,750	(16,682)
Total (c)	21,448	(61,768)	7,750	(16,682)
Total Net Realised Gains (a+b+c)	722,452	100,442	699,868	40,028

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

38. NET FAIR VALUE GAINS

ACCOUNTING POLICY

Net fair value gains and losses comprises fair value gains and Losses on financial assets at Fair Value Through Profit or Loss and any impairment loss of Available For Sales financial assets.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair Value Through Profit or Loss				
Unrealised Gains				
Investment in Units	31,013	25,900	21,900	21,811
Equity Securities	18,137	58,069	18,137	58,069
Total (a)	49,150	83,969	40,037	79,880
Loans & Receivables				
Unrealised Gains/(Losses)				
Foreign Exchange - Medium Term Deposits	25,332	(19,116)	5,429	(3,855)
Total (b)	25,332	(19,116)	5,429	(3,855)
Total Net Fair Value Gains (a+b)	74,482	64,853	45,466	76,025

38.1 Impairment of Equity Shares - Available For Sale

There is no impairment on equity shares for the year 2025 (2024 - Nil).

39. FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as income as become due.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Commission from Reinsurers	101,636	52,818	54,510	47,500
Fund Management Fee	-	-	18,834	17,351
Policy and Related Fee	378,450	368,967	28,276	28,964
Total Fee and Commission Income	480,086	421,785	101,620	93,815

40. OTHER INCOME

ACCOUNTING POLICY

Income earned on other sources, which are not directly related to the normal operations of the Group/Company are recognised as sundry Income upon receipt or become due. Gain on disposal of Property, Plant and Equipment and Right of Use Assets are calculated as the excess over the net proceeds from disposal and carrying amount at the time of disposal and recognised under other income in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain on Disposal of Property, Plant and Equipment	287	18,867	233	18,867
RI Commission Co Insurance	15,581	16,962	-	-
Sundry Income	12,111	5,856	8,261	4,647
Total Other Income	27,979	41,685	8,494	23,514

41. NET INSURANCE BENEFITS AND CLAIMS PAID

ACCOUNTING POLICY

Benefits and claims for insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and are recorded net of recoveries from Reinsurance on Claims.

BENEFITS AND CLAIMS PAID - LIFE INSURANCE

Claims on accident, hospitalisation, death and maturity are charged on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

BENEFITS AND CLAIMS PAID - GENERAL INSURANCE

General Insurance claims include all claims occurred during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, reductions for the value of salvage and other recoveries.

REINSURANCE ON CLAIMS

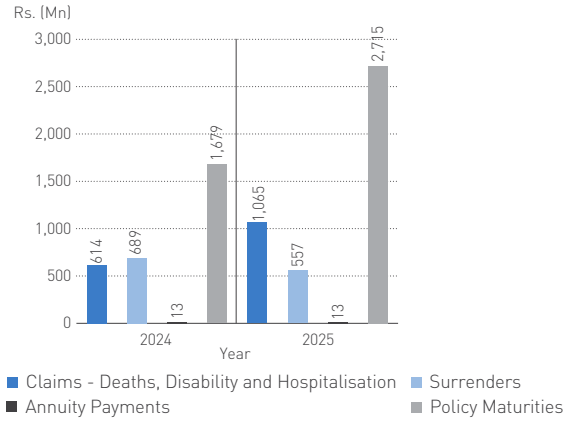
Reinsurance on Claims are recognised when the related gross insurance claims are recognised according to the terms of the relevant contract.

For the Year Ended 31st December,	GROUP					
	2025			2024		
	Gross Claims Paid	Recovery from Reinsurers	Net Claims Paid	Gross Claims Paid	Recovery from Reinsurers	Net Claims Paid
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance						
Claims - Deaths, Disability and Hospitalisation	1,573,464	(508,378)	1,065,086	1,009,666	(396,109)	613,557
Surrenders	557,070	-	557,070	689,062	-	689,062
Annuity Payments	12,982	-	12,982	13,019	-	13,019
Policy Maturities	2,715,358	-	2,715,358	1,679,466	-	1,679,466
Net Life Insurance Claims (a)			4,350,496			2,995,104
General Insurance						
Fire	350,892	(331,308)	19,584	358,009	(318,286)	39,723
Motor	2,417,469	(39,468)	2,378,001	2,428,293	(4,272)	2,424,021
Marine	278,342	(269,462)	8,880	82,742	(63,031)	19,711
Miscellaneous	1,713,771	(102,983)	1,610,788	1,376,093	(71,226)	1,304,867
Net General Insurance Claims (b)			4,017,253			3,788,322
Adjustments for Intercompany Claims (c)			(81)			(278)
Total Net Insurance Benefits and Claims Paid (a+b+c)			8,367,668			6,783,148

For the Year Ended 31st December,	COMPANY					
	2025			2024		
	Gross Claims Paid	Recovery from Reinsurers	Net Claims Paid	Gross Claims Paid	Recovery from Reinsurers	Net Claims Paid
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance						
Claims - Deaths, Disability and Hospitalisation	1,573,464	(508,378)	1,065,086	1,009,666	(396,109)	613,557
Surrenders	557,070	-	557,070	689,062	-	689,062
Annuity Payments	12,982	-	12,982	13,019	-	13,019
Policy Maturities	2,715,358	-	2,715,358	1,679,466	-	1,679,466
Total Net Insurance Benefits and Claims Paid			4,350,496			2,995,104

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Net Claims Paid - Life Insurance



Net Claims Paid - General Insurance



42. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

ACCOUNTING POLICY

Reinsurance claim recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Difference between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claim outstanding is recognised in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Change in Insurance Claims Outstanding				
Life Insurance (a)	67,671	40,575	67,671	40,575
General Insurance				
Fire	1,550,468	27,121	-	-
Motor	5,707	11,796	-	-
Marine	72,991	(27,395)	-	-
Miscellaneous	129,234	622	-	-
Total General Insurance (b)	1,758,400	12,144	-	-
Total Gross Change in Insurance Claims Outstanding (c = a+b)	1,826,071	52,719	67,671	40,575
Gross Change in Reinsurance Recoverable on Claims Outstanding				
Life Insurance (d)	(14,918)	(28,454)	(14,918)	(28,454)
General Insurance				
Fire	(1,512,749)	(9,964)	-	-
Motor	(116,452)	2,807	-	-
Marine	(54,300)	23,387	-	-
Miscellaneous	(49,506)	(112,417)	-	-
Total General Insurance (e)	(1,733,007)	(96,187)	-	-
Total Gross Change in Reinsurance Recoverable on Claims Outstanding (f = d+e)	(1,747,925)	(124,641)	(14,918)	(28,454)
Total Net Change in Insurance Claims Outstanding (c+f)	78,146	(71,922)	52,753	12,121

43. OTHER OPERATING AND ADMINISTRATION EXPENSES

ACCOUNTING POLICY

Expenses are recognised in Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Profit or Loss.

For the Year Ended 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Directors' Fees		37,035	31,420	25,265	20,140
Staff Expenses	43.1	3,493,785	2,905,544	2,174,629	1,729,116
Administration and Establishment Expenses		1,673,648	1,585,451	1,171,390	1,066,903
Selling Expenses		1,749,773	1,451,367	1,385,146	1,116,225
Amortisation of Intangible Assets		53,027	31,341	43,389	26,163
Depreciation of Property, Plant and Equipment		212,967	180,203	142,231	124,140
Net Depreciation of Right of Use Assets		220,716	206,802	133,905	124,388
Loss on disposal of Property, Plant and Equipment		-	30	-	-
Loss on disposal of Intangibles		-	237	-	168
Auditor's Fees and Expenses	43.2	14,753	12,841	9,233	8,147
Legal Fees		19,487	7,103	15,032	5,393
Donations		750	682	750	682
Total Other Operating and Administration Expenses		7,475,941	6,413,021	5,100,970	4,221,465

43.1 Staff Expenses

ACCOUNTING POLICY

SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under Short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

EMPLOYEE DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in Profit and Loss when incurred.

EMPLOYEE PROVIDENT FUND (EPF)

All employees of the Group are members of the Employees' Provident Fund (EPF). The Group and employees contribute 12% and 8% respectively of the salary to EPF.

EMPLOYEES TRUST FUND (ETF)

All employees of the Group are members of the Employees' Trust Fund (ETF). The Group contributes 3% of the salary of each employee to ETF.

For the Year Ended 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Staff Salaries	2,134,155	1,844,786	1,251,153	1,058,791
Defined Contribution Plan Costs - EPF 12%	256,098	221,374	150,138	127,055
Defined Contribution Plan Costs - ETF 3%	64,025	55,344	37,535	31,764
Defined Benefit Plan Costs - Employee Benefits	111,027	83,926	61,878	44,749
Other Staff Costs	928,480	700,114	673,925	466,757
Total	3,493,785	2,905,544	2,174,629	1,729,116

Executive Director's emoluments are included under staff expenses.

43.2 Auditor's Fees and Expenses

For the Year Ended 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Audit Fees and Expenses	6,895	5,853	4,085	3,503
Audit Related Fees	1,363	1,238	757	688
Non Audit Fees	6,495	5,750	4,391	3,956
Total	14,753	12,841	9,233	8,147

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

43.3 Write-downs

There were no write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversal of such write-downs.

44. UNDERWRITING AND NET ACQUISITION COSTS

ACCOUNTING POLICY

Expenses for acquisition and maintenance of Life and General Insurance business are accounted for net of reinsurance commission on accrual basis. Reinsurance Commission Income is accrued according to the agreed terms with the reinsurers.

For the Year Ended 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Underwriting and Acquisition Costs		4,623,283	3,467,659	3,464,694	2,478,495
Reinsurance Commission		(1,070,277)	(907,715)	(316)	(12,337)
Increase in Net Deferred Acquisition Expenses	44.1	22,340	175,003	-	-
Total Underwriting and Net Acquisition Costs		3,575,346	2,734,947	3,464,378	2,466,158

44.1 Increase in Net Deferred Acquisition Expenses

For the Year Ended 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Decrease in Deferred Reinsurance Commission	107,610	250,057	-	-
Increase in Acquisition Cost	(85,270)	(75,054)	-	-
Total Decrease in Net Deferred Acquisition Expenses	22,340	175,003	-	-

45. PROFIT BEFORE TAX

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities.

Profit before tax is stated after charging all expenses including the following;

For the Year Ended 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Directors' Fees	43	37,035	31,420	25,265	20,140
Auditors Fees					
Audit Fees and Expenses	43.2	6,895	5,853	4,085	3,503
Audit Related Fees	43.2	1,363	1,238	757	688
Non Audit Fees	43.2	6,495	5,750	4,391	3,956
Legal Fees	43	19,487	7,103	15,032	5,393
Amortisation of Intangible Assets	10	53,027	31,341	43,389	26,163
Depreciation of Property, Plant and Equipment	8	212,967	180,203	142,231	124,140
Net Depreciation of Right of Use Assets	9	220,716	206,802	133,905	124,388
Defined Contribution Plan					
EPF	43.1	256,098	221,374	150,138	127,055
ETF	43.1	64,025	55,344	37,535	31,764
Defined Benefit Plan Costs - Employee Benefits	27 & 43	111,027	83,926	61,878	44,749
Staff Expenses	43.1	3,062,635	2,544,900	1,925,078	1,525,548

46. INCOME TAX EXPENSE

ACCOUNTING POLICY

Income Tax Expense comprises Current Tax and Deferred Tax. Current and Deferred taxes are recognised in Profit or Loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37- "Provisions, Contingent Liabilities and Contingent Assets".

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

From 01st April 2018 onwards the gains and the profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of following;

- Surplus distributed to shareholders from the Life Insurance Policyholders Fund as certified by the actuary
- Investment income of the shareholder fund less any expenses incurred in the production of such income
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in Equity or Other Comprehensive Income is recognised in Equity or Other Comprehensive Income and not in Profit or Loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

DEFERRED TAXATION

The Group uses judgement in recognising a deferred tax asset in its Financial Statements.

Deferred Taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount substantively enacted by the reporting date.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is not recognised for;

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary difference arising on the initial recognition of goodwill.

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Group has deferred tax liabilities arising from Property Plant and Equipment, Right of use assets and Available For Sale financial assets.

Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at the date of Statement of Financial Position, the Group has deferred tax asset arising from Employee Benefit Liabilities and Lease Liabilities.

Deferred tax relating to items recognised outside Profit or Loss, if any is recognised outside Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

CROP INSURANCE LEVY

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act, No. 12 of 2013, and came in to effect from 01st April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit After Tax.

WITHHOLDING TAX ON DIVIDENDS DISTRIBUTED

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time the liability to pay the related dividend is recognised. Withholding tax on intercompany dividend are charged to Profit or Loss as it resulted in net outflow of cash from the Group. WHT rate is 15%.

WITHHOLDING TAX ON SERVICES

In terms of section 84, 84A and 85 of Inland Revenue Act, No. 24 of 2017 and the amendments there of, with effect from 01st January 2023, Company deduct WHT on respective payments at the relevant WHT rates.

SOCIAL SECURITY CONTRIBUTION LEVY

As per the Social Security Contribution Act No 25 of 2022 Company and Subsidiary will be liable to pay 2.5% on its turnover other than life insurance business.

The major components of income tax expense for the year ended 31st December are as follows;

46.1.a Tax Recognised in Profit or Loss

For the Year Ended 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Current Tax					
Current Tax on Current Year's Profits		996,263	830,996	907,501	701,378
Under Provision of Current Taxes in Respect of Prior Years		197	3,639	-	381
Total Current Tax (a)		996,460	834,635	907,501	701,759
Deferred Tax					
Reversal Deferred Tax Asset	46.2.a	(43,280)	(20,036)	-	-
Origination of Deferred Tax Liability	46.2.b	47,368	1,461	-	-
Deferred Taxation (b)		4,088	(18,575)	-	-
Total Tax Expense (a+b)		1,000,548	816,060	907,501	701,759

46.1.b Tax Recognised in Other Comprehensive Income

For the Year Ended 31st December,	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Deferred Tax				
Deferred tax on Available For Sale Financial Assets	2,021	(356)	-	-
Deferred tax on Actuarial Losses on Employee Benefit Liabilities	(3,591)	(1,419)	-	-
Deferred tax on Revaluation Gains on Land and Buildings	-	(3,545)	-	-
Origination of Deferred Tax Assets	(1,570)	(5,320)	-	-

46.2 Deferred Taxation

As at 31st December,	Note	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Deferred Tax Asset	46.2.a	116,026	76,338	-	-
Deferred Tax Liability	46.2.b	(106,902)	(61,555)	-	-
Net Deferred Tax Asset		9,124	14,783	-	-

As explained in Note 46.3, Deferred Taxation has been computed at the rate of 30%.(2024 : 30%)

Unrecognised deferred tax Assets/liabilities

As at the reporting date, there is no unrecognised deferred tax assets or liabilities (2024 - Nil).

Unrecognised tax losses and unused tax credits

As at the reporting date, there was no unrecognised tax losses as the Company has fully recognised all available tax losses by the end of 2022. Further, there were no unused tax credits for the Company to recognise a differed tax asset as at the reporting date.

46.2.a Deferred tax assets

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax asset as of 01st January	76,338	57,722	-	-
Amount originated during the year in profit or loss	43,280	20,036	-	-
Amount reversed during the year - recognised in other comprehensive income	(3,591)	(1,420)	-	-
Deferred tax Asset as of 31st December	116,026	76,338	-	-

46.2.b Deferred tax liabilities

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax liability as of 01st January	61,555	56,194	-	-
Amount originated during the year in profit or loss	47,368	1,461	-	-
Amount originated during the year - recognised in other comprehensive income	(2,021)	3,900	-	-
Deferred tax Liability as of 31st December	106,902	61,555	-	-

46.2.c Deferred Tax Movement in Statement of Financial Position

As at 31st December,	GROUP				COMPANY			
	2025		2024		2025		2024	
	Temporary Difference	Tax Effect Assets/ Liability	Temporary Difference	Tax Effect Assets/ Liability	Temporary Difference	Tax Effect Assets/ Liability	Temporary Difference	Tax Effect Assets/ Liability
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax Assets								
Employee Benefits Liabilities	249,315	74,795	197,451	59,235	-	-	-	-
Lease Liability	137,438	41,231	57,010	17,103	-	-	-	-
Total Deferred Tax Assets	386,753	116,026	254,461	76,338	-	-	-	-
Deferred Tax Liability								
Property, Plant & Equipment	132,420	39,725	52,025	15,607	-	-	-	-
AFS Assets	90,916	27,275	97,651	29,295	-	-	-	-
Right of Use Asset	133,006	39,902	55,510	16,653	-	-	-	-
Total Deferred Tax Liability	356,342	106,902	205,186	61,555	-	-	-	-
Net Deferred Tax Asset		9,124		14,783	-	-	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Subsidiary Company, HNB General Insurance Limited recorded a Net Deferred Tax Asset amounted to Rs. 9.12 Mn (2024 - Rs. 14.78 Mn). The Group does not have unrecognised Deferred Tax Asset/Liability as at the reporting date.

46.3 As per the Inland Revenue (Amendment) Act, No. 45 of 2022 (certified on 19th December 2022) income tax rates applicable to Company and Subsidiary is 30% for the year ended 31st December 2025.

46.4 Reconciliation of Effective Tax rate

A reconciliation between tax expense and the product of accounting profit is given as below,

For the Year Ended 31st December,	Effective Tax Rate %	GROUP 2025 Rs.'000	GROUP 2024 Rs.'000	COMPANY 2025 Rs.'000	COMPANY 2024 Rs.'000
Profit for the year		2,384,731	1,896,861	2,122,735	1,656,711
Income Tax Expenses		996,460	834,635	907,501	701,759
Deferred Taxation		4,088	(18,575)	-	-
Profit Before Tax		3,385,279	2,712,921	3,030,236	2,358,470
At the Statutory Income Tax Rate of 30%	30%	1,015,584	813,876	909,071	707,541
Under Provision of Current Taxes in Respect of Prior Years	0%	197	3,639	-	381
Income Exempt from Tax	0%	(9,366)	(1,509)	-	-
Aggregate Allowable Expenses	-2%	(66,837)	(28,800)	-	(6,163)
Aggregate Disallowed Expenses	2%	56,882	47,429	(1,570)	-
Reversal of Deferred Tax Assets	0%	4,088	(18,575)	-	-
Income Tax Expenses	30%	1,000,548	816,060	907,501	701,759

47. BASIC AND DILUTED EARNINGS PER SHARE

ACCOUNTING POLICY

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the Net Profit or Loss After Tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting Net Profit or Loss After Tax for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

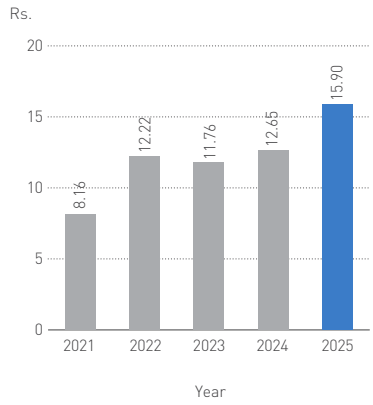
47.1 Basic Earnings Per Share (EPS)

For the Year Ended 31st December,	GROUP 2025	GROUP 2024	COMPANY 2025	COMPANY 2024
Amounts Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders (Rs.'000)	2,384,731	1,896,861	2,122,735	1,656,711
Number of Ordinary Shares used as the Denominator:				
Weighted Average No of Ordinary Shares as at 31st December ('000)	150,000	150,000	150,000	150,000
Basic Earnings Per Share (Rs.)	15.90	12.65	14.15	11.04

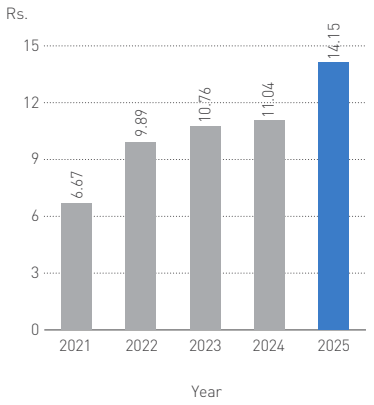
47.2 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

EPS Group



EPS Company



48. DIVIDEND PER SHARE (DPS)

ACCOUNTING POLICY

Dividend on Ordinary Shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors/ Shareholders in accordance with the Articles of Association.

	GROUP / COMPANY	
For the Year Ended 31st December,	2025	2024
Proposed Dividend per Share - First and Final (Rs.)	5.00	3.90
Total	5.00	3.90

48.1 Proposed Dividend

	GROUP / COMPANY	
For the Year Ended 31st December,	2025	2024
	Rs.'000	Rs.'000
Dividends to Shareholders	750,000	585,000
Total	750,000	585,000

48.2 Approval on Dividend Payment

The Board of Directors has recommended a payment of Rs.5.00 per share as a first and final dividend on 24th February 2026 for the year ended 31st December 2025 (2024 - first and final dividend Rs. 3.90 per share) which is subject to the approval of the shareholders at the Annual General Meeting to be held on 30th March 2026.

In accordance with Sri Lanka Accounting Standards LKAS 10 - "Events after the Reporting Period" this proposed dividend has not been recognised as a liability as at 31st December 2025.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

48.3 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with the Section 57, prior to the recommendation of the final dividend for the year ended 31st December 2025. A Statement of Solvency completed and duly signed by the Directors on 24th February 2026 has been audited by M/S KPMG Sri Lanka.

48.4 Dividend Paid during the Year

For the Year Ended 31st December,	GROUP / COMPANY	
	2025	2024
	Rs.'000	Rs.'000
First and Final Dividend for 2024: Rs. 3.90 per share (2023: Rs. 3.90 per Share)	585,000	585,000
	585,000	585,000

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at 31st December,	GROUP					
	2025			2024		
	Carrying Amount	Less Than 12 months	More Than 12 months	Carrying Amount	Less Than 12 months	More Than 12 months
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Property, Plant and Equipment	787,860	-	787,860	769,638	-	769,638
Right of Use Assets	506,140	196,353	309,787	482,551	191,295	291,256
Intangible Assets	522,369	-	522,369	164,019	-	164,019
Deferred Tax Assets	9,124	9,124	-	14,783	14,783	-
Financial Investments	68,717,058	16,496,637	52,220,421	54,304,798	12,991,978	41,312,820
Loans to Life Policyholders	504,018	-	504,018	459,395	-	459,395
Reinsurance Receivables	3,478,110	3,478,110	-	1,268,504	1,268,504	-
Premium Receivables	3,135,922	3,135,922	-	2,272,135	2,272,135	-
Other Assets	1,386,352	818,947	567,405	1,277,749	506,493	771,256
Insurance Contract - Deferred Expenses	11,128	11,128	-	33,468	33,468	-
Cash in Hand and at Bank	1,592,686	1,592,686	-	1,402,419	1,402,419	-
Total assets	80,650,767	25,738,907	54,911,860	62,449,459	18,681,075	43,768,384
Liabilities						
Insurance Contract Liabilities - Life Insurance	49,248,002	377,920	48,870,082	38,647,547	310,249	38,337,298
Insurance Contract Liabilities - General Insurance	6,788,998	6,689,309	99,689	4,507,058	4,431,970	75,088
Employee Defined Benefit Liabilities	605,262	79,574	525,688	477,315	57,503	419,812
Current Tax Liabilities	596,470	596,470	-	559,876	559,876	-
Reinsurance Payable	1,847,886	1,847,886	-	1,000,350	1,000,350	-
Lease Creditors	593,622	215,207	378,415	560,905	200,066	360,839
Other Liabilities	6,495,355	6,495,355	-	3,760,247	3,760,247	-
Bank Overdrafts	341,836	341,836	-	418,986	418,986	-
Total Liabilities	66,517,431	16,643,557	49,873,874	49,932,284	10,739,247	39,193,037

As at 31st December,	COMPANY					
	2025			2024		
	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000	Carrying Amount Rs.'000	Less Than 12 months Rs.'000	More Than 12 months Rs.'000
Assets						
Property, Plant and Equipment	498,995	-	498,995	541,118	-	541,118
Right of Use Assets	373,134	164,882	208,252	427,016	177,171	249,845
Intangible Assets	279,995	-	279,995	155,588	-	155,588
Financial Investments	62,493,446	13,667,767	48,825,679	48,486,327	10,460,101	38,026,226
Investment in Subsidiary	1,150,000	-	1,150,000	1,150,000	-	1,150,000
Loans to Life Policyholders	504,018	-	504,018	459,395	-	459,395
Reinsurance Receivables	446,736	446,736	-	238,175	238,175	-
Premium Receivables	767,241	767,241	-	198,723	198,723	-
Other Assets	966,006	509,700	456,306	906,713	520,379	386,334
Cash in Hand and at Bank	961,692	961,692	-	841,377	841,377	-
Total assets	68,441,263	16,518,018	51,923,245	53,404,432	12,435,926	40,968,506
Liabilities						
Insurance Contract Liabilities - Life Insurance	49,248,002	377,920	48,870,082	38,647,547	310,249	38,337,298
Employee Defined Benefit Liabilities	355,947	46,179	309,768	279,864	36,885	242,979
Current Tax Liabilities	561,275	561,275	-	479,148	479,148	-
Reinsurance Payable	572,591	572,591	-	214,999	214,999	-
Lease Creditors	456,184	196,034	260,150	503,233	192,314	310,919
Other Liabilities	4,828,542	4,828,542	-	2,276,075	2,276,075	-
Bank Overdrafts	225,210	225,210	-	193,980	193,980	-
Total Liabilities	56,247,751	6,807,751	49,440,000	42,594,846	3,703,650	38,891,196

50. RELATED PARTY DISCLOSURES

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties according to the Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures".

Transactions with related parties were made on the basis of the price in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities together with balances arising from transactions with non-related parties.

50.1 Recurrent or Non-Recurrent Related Party Transactions

There were no recurrent related party transactions which exceeds 10% of the gross revenue or non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets which requires additional disclosures under Colombo Stock Exchange listing Rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under the Securities and Exchange Commission Act.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Details of related party transactions and outstanding balances are reported below;

50.1.1 Transactions and Outstanding Balances with Immediate and Ultimate Controlling Party - Hatton National Bank PLC

For the Year Ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	257,417	230,828	13,980	-
Claims Incurred	95,910	80,172	47,689	49,354
Investment Income	205,820	526,380	159,621	486,205
Referral fees	1,197,689	791,087	1,017,914	634,177
Rent	11,024	12,812	7,848	8,188
Other Operational Expenses	15,212	13,082	9,844	8,403
Dividends Paid	350,918	350,918	350,918	350,918

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Investments (Includes Deposits and Debentures)	1,996,109	1,899,734	1,330,692	1,571,387
Cash at Bank Balances	866,613	939,252	496,207	620,890
Insurance Premium Receivable	1,748	210	1,267	-
Referral fees Payable	151,659	133,934	119,598	111,091
Rent and Other Operational Expenses Payable	778	1,567	666	801

Cash Pledged as Security for Liabilities

Company

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 24 Mn (2024:Rs. 40.68 Mn), being the 25% of sum assessed by the Commissioner General of Inland Revenue for the purpose of tax assessments which are being heard at the Tax Appeals Commission. This facility was secured against fixed deposits which are available in shareholder's fund.

Other than above company has obtained bid bonds for sum of Rs. 7.88 Mn from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No.701020065047.

Subsidiary

The subsidiary company has obtained bid bonds for sum of Rs. 25.73 Mn (2024: Bid Bonds of Rs. 18.5 Mn) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

50.1.2 Transaction and Outstanding Balances with the Subsidiary Company - HNB General Insurance Limited

For the Year Ended 31st December,	2025	2024
	Rs.'000	Rs.'000
Transactions		
Insurance Premium	35,949	55,720
Insurance Expenses	8,781	37,487
Claims Received	81	278
Claims Paid	5,579	4,200
Management Cost Reimbursement		
- Reimbursement expenses relating to employees	88,792	93,097
- Other reimbursement expenses	231,778	272,396
Fund Management Fee Income	18,834	17,351
Profit Commission Expenses	8,266	16,533
Outstanding Balances		
Receivable from HNB General Insurance Ltd	24,897	25,874
Premium payable to HNB General Insurance Ltd	6	8,541

50.1.3 Transactions and Outstanding Balances with / between Subsidiary Companies of the Ultimate Controlling Party

For the Year ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	112,142	163,138	(1,467)	44,312
Claims Incurred	40,853	51,927	8,673	30,673
Investment Income	240,549	106,076	199,656	85,126
Administration Expenses	24,286	22,845	2,974	4,100

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Investments (Includes Deposits, Debentures and Repo)	4,644,898	1,008,529	4,179,620	808,711
Cash at Bank Balances	50	50	50	50
Insurance Premium Receivable	1,535	8,768	396	-
Referral Fees Payable	3,789	4,078	-	6

50.2 Transactions with Key Management Personnel of the Group or its Parent

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors), Chief Executive Officers (CEO's), and CFO of the Group have been classified as Key Management Personnel of the Group. Further immediate family members of Management Personnel are also considered as related parties of the Group.

Immediate Family Members (IFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. IFM are related parties to the Company.

Hatton National Bank PLC (Bank) is the ultimate parent of the Group, and the Board of Directors of the Bank has the authority and responsibility of planning, directing and controlling the activities of the Group. The Directors of the Bank and their immediate family members have also been identified as Key Management Personnel of the Group.

Fees and transactions carried out with the related parties are given below,

50.2.1 Key Management Personnel Compensation

As at 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors Fee	37,035	31,420	25,265	20,140
Short -Term Employee Benefits	109,902	99,341	66,387	61,254
Post - Employment Benefits	12,075	10,379	7,070	6,083
Terminal Benefits Paid	8,400	-	8,400	-
Outstanding Loan Balance Granted to KMPs (Other than Directors)	-	583	-	583

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

In addition to salaries, the Group also provides non-cash benefits to Key Management Personnel and contributes to a defined benefit plan (Gratuity) on behalf of them.

No ex - gratia payments were made to Directors during the year. No loans have been granted to the Directors of the Group.

50.2.2 Other Transactions with Key Management Personnel

For the Year Ended 31st December,	2025	2024
	Rs.'000	Rs.'000
Insurance Premium - Life Insurance	946	1,089
Insurance Premium - General Insurance	1,024	2,035
Claims Paid - General Insurance	105	1,025

50.2.3 Changes to the Board Composition

Appointment of the Board of Directors

The Chief Executive Officer of HNB Assurance PLC, Mr. Pawla Hewage Lasitha Niroshan Wimalaratne was appointed as an Executive Director of HNB Assurance PLC w.e.f. 3rd July 2025.

The Chief Executive Officer of HNB General Insurance Limited, Mr. Sithumina Jayasundara was appointed as an Executive Director of HNB General Insurance Limited w.e.f.2nd July 2025.

Ms. Wijesingha Arachchige Poornima Anuradhi Ranawaka was appointed as Non-Executive /Non-Independent Director of HNB Assurance PLC w.e.f. 1st October 2025.

50.2.4 Transactions with Entities which are Controlled by the KMP or their Close Family Members (CFM)

Other related entities are those which are controlled or significantly influenced, directly or indirectly by Key Management Personnel of the Group. Significant influence is presumed to be established if a Key Management Person of the Group has more than 20% shareholding in an entity, unless otherwise reported by the Key Management Personnel. Further significant influence is also established if in the view of the respective Key Management Person, he/she has the ability to influence the operating and financial policies of an entity even in the absence of a 20% shareholding.

For the Year ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nature of Transactions				
Insurance Premium	59,342	38,428	5,761	-
Claims Incurred	28,078	33,591	-	-
Administration Expenses	1,941	352	1,364	-

Transactions with KMP Recorded in statement of financial position

As at the reporting date, there were no receivable/payable amount relating to KMP. Other than disclosed in Note 50.2.1, no Impairment losses have been recorded against balances outstanding from KMP.

There are no transactions with IFM of KMP of the Company during the year (2024 - Nil).

Purchase of its own shares

The Company has not purchased its own shares from related parties during the period ended 31 December 2025 (2024 - Nil).

50.2.5 Directors Interest In Contracts With The Group/ Company

Group/Company carries out transactions in the ordinary course of business on an arm's length basis with entities in which a Key Management Person (KMP) is a Chairperson or a Director of such entities where no significant influence is exercised.

For the Year ended 31st December,	GROUP		COMPANY	
	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nature of Transactions				
Insurance Premium	107,438	31,491	15,237	296
Claims Incurred	41,063	6,001	19,643	1,000
Administration Expenses	15,690	7,929	1,929	-

50.3 Transactions with the Government of Sri Lanka/Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

The Government of Sri Lanka indirectly holds more than 25% of the voting rights of the Ultimate Parent Company Hatton National Bank PLC as at 31st December 2025 and thus has significant influence over its operation and thereby holds an indirect influence over the Group. Accordingly, the Group has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - "Related Party Disclosures".

During the year ended 31st December 2025, the Group has carried out transactions with the Government of Sri Lanka and other Government related entities in the ordinary course of its business where the aggregate amount of transactions has exceeded 10% of the Gross Written Premium. Details of transactions with the Government of Sri Lanka and its related entities are given below as per the Section 9.14.8(2) of the listing rules - "Related Party Transactions". All the transactions are carried out under the normal course of business at prevailing market prices.

Name of the Company / Entity	Government and Government Related Financial Institutes	Nature of Transactions	GROUP		COMPANY	
			2025	2024	2025	2024
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government of Sri Lanka		Investment balances as at 31st December	38,694,450	33,150,785	36,219,807	30,043,114
		Investment Income	4,775,160	4,368,162	4,471,975	3,972,770
National Development Bank PLC	Government Related Entity	Investment balances as at 31st December	1,554,683	2,003,339	1,397,575	1,689,191
		Investment Income	219,117	205,100	196,118	182,969
People's Bank	Government Related Entity	Investment balances as at 31st December	523,039	671,083	523,039	671,083
		Investment Income	89,371	95,762	89,371	95,762
National Savings Bank	Government Related Entity	Investment balances as at 31st December	1,356,923	1,424,760	1,356,923	1,424,760
		Investment Income	222,286	224,794	222,286	224,794
Sri Lanka Telecom PLC	Government Related Entity	Investment balances as at 31st December	148,163	148,163	148,163	148,163
		Investment Income	18,408	18,459	18,408	18,459

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Apart from the transactions listed above the Group has carried out transactions with other Government related entities in the form of premium income, reinsurance premium, claims, taxes, utility bills, regulatory charges etc. The total of such payments made during the year ended 31st December 2025 and 2024 are as follows:

For the year ended 31st December,	GROUP/COMPANY	
	2025	2024
	Rs.'000	Rs.'000
Transactions		
Premium Income from Government Related Entities	20,868	10,033
Claims Paid to Government Related Entities	2,068	8,694
Reinsurance Premium Net of Commission to Government Related Entities	1,419,211	1,632,693
Taxes Paid	2,496,232	1,781,288
Regulatory Charges	537,786	220,091
Utility Expenses	122,437	118,602
Media Expenses	261	1,611

51. EVENTS OCCURRING AFTER THE REPORTING DATE

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. Two types of events can be identified as events occurring after the balance sheet date:

- those that provide evidence of conditions that existed at the end of the reporting period.
- those that are indicative of conditions that arose after the reporting period.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

51.1 Ceased to be a Board of Director

Mr. Prawira Rimoe Saldin, who served as a Non Independent / Non Executive Director of HNB Assurance PLC ceased to be a Director w.e.f. 16th January 2026.

51.2 Change of Board Secretary

Ms. Jansenidevi Sundararajan Kuhanesan has appointed as the new Board Secretary of HNB Assurance PLC w.e.f. 23rd January 2026.

Ms. Abhayalankara Herath Mudiyanselage Nirosha Madhubhashini Bakmedeniya ceased to be the Board Secretary of HNB Assurance PLC w.e.f. 23rd January 2026.

51.3 Proposed Dividend

The Board of Directors has recommended a payment of Rs. 5.00 per share as first and final dividend on 24th February 2026 for the year ended 31st December 2025. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting and to be paid on 23rd April 2026.

Other than mentioned above there have been no material events occurred after the reporting date that require adjustments or disclosure in these Financial Statements.

52. COMMITMENTS

The Group and Company have committed an expense of Rs. 296.64 Mn and 245.89 Mn for the purchase of computer hardware, software and other equipment (2024, Group - Rs. 465.51 Mn, Company Rs. 293.2 Mn). As at end of the financial year, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the annual Financial Statements.

53. PROVISIONS FOR LIABILITIES AND CONTINGENCIES

ACCOUNTING POLICY

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. Timing of concluding legal claims is uncertain; as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Provisions

Provisions are recognised when the Group/Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities

Contingent liabilities are disclosed if material and if there is a possible obligation whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured.

Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised and a contingent asset is disclosed where an inflow of economic benefits is probable.

53.1 Contingencies

53.1.a Income Tax

The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessment 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21 and 2021/22.

The Tax Appeals Commission has issued determinations in favour of IRD for the years of assessments 2011/12, 2012/13, 2014/15 and 2017/18 totalling to Rs. 1,158 Mn including interest and penalties of Rs. 144 Mn. This includes loss adjustment of Rs. 588 Mn relating to the years of assessments 2011/12 and 2012/13. The Company dissatisfied with these determinations of the Tax Appeals Commission and filed appeals against those determinations in the Court of Appeal. The Court of Appeal delivered a favourable judgment on 19th February 2026 in respect of the Years of Assessment 2011/12, 2012/13, and 2014/15, permitting the Company to deduct all management expenses against the investment income of the life insurance business.

Income tax assessments in relation to the year of assessment 2018/19, 2019/20 and 2020/21 totalling to Rs. 1,735 Mn including interest and penalties of Rs. 907 Mn are in the process of hearing with the Tax Appeals Commission.

Income tax assessment for the year of assessment 2015/16 and 2021/22 totalling to Rs. 748 Mn including interest and penalties of Rs. 256 Mn is awaiting for CGIR determination.

Assessments raised on the Company for 2013/14 and 2016/17 totalling to Rs. 422 Mn were determined by Tax Appeals Commission in favour of the Company by allowing the appeals, annulling the assessments, and setting aside the determinations of CGIR. The CGIR has lodged cases with the Court of Appeal for these assessments.

In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry.

Subsidiary Company HNB General Insurance Limited also received income tax assessments for the years of assessment 2018/19 and 2019/20.

Income tax assessment for the year of assessment 2018/2019 and 2019/20 totalling to Rs. 142 Mn including interest and penalty of Rs. 75 Mn are in the process of hearing with the Tax Appeals Commission.

53.1.b VAT & NBT On Financial Services

The Company received Eight Notices of Assessments on VAT and NBT on Financial Services (FS) for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017, 01.01.2018 to 31.12.2018, 01.01.2019 to 31.12.2019, 01.01.2021 to 31.12.2021 and 01.01.2022 to 31.12.2022.

The assessment issued relating to VAT on Financial Services (VAT on FS) for the taxable periods 01.01.2014 to 31.12.2014 and 01.01.2018 to 31.12.2018 amounting to Rs. 130.45 Mn, including penalties of Rs. 43.48 Mn are in the process of hearing with the Tax Appeals Commission.

The assessments for the taxable period 01.01.2019 to 31.12.2019, 01.01.2021 to 31.12.2021 and 01.01.2022 to 31.12.2022 totalling to Rs. 434.1 Mn including penalties of Rs. 144.7 Mn is still with CGIR and awaiting the CGIR determination.

The VAT/NBT on FS assessments raised on the Company for 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016 and 01.01.2017 to 31.12.2017 with tax in dispute and penalties totalling to Rs. 141.91 Mn including penalty of Rs. 50.1 Mn were determined by Tax Appeals Commission in favour of the Company by allowing the appeals, annulling the assessments and setting aside the determinations of CGIR.

Further, subsidiary Company HNB General Insurance Limited also received VAT on FS Assessments for taxable periods 01.01.2018 to 31.12.2018, 01.01.2019 to 31.12.2019, 01.01.2021 to 31.12.2021, 01.01.2022 to 31.12.2022 and 01.01.2023 to 31.12.2023.

The assessment issued relating to VAT on Financial Services (VAT on FS) for the taxable period 01.01.2019 to 31.12.2019 amounting to Rs. 17.07 Mn, including penalty of Rs. 5.7 Mn is in the process of hearing with the Tax Appeals Commission.

The assessments for the taxable period 01.01.2021 to 31.12.2021, 01.01.2022 to 31.12.2022 and 01.01.2023 to 31.12.2023 totalling to Rs. 82.68 Mn including penalties of Rs. 27.63 Mn is still with CGIR and awaiting the CGIR determination.

The VAT on FS assessment raised on the subsidiary company for 01.01.2018 to 31.12.2018 with tax in dispute and penalties amounting to Rs. 15.61 Mn, including penalty of Rs. 5.20 Mn

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

were determined by Tax Appeals Commission in favour of HNB General Insurance Limited by allowing the appeal, annulling the assessment and setting aside the determination of CGIR. The CGIR has lodged cases with the Court of Appeal for these assessments. The Subsidiary Company has taken the relevant legal steps in this matter.

The Company and its Subsidiary have duly appealed for all assessments as the Group's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. As an outflow of resources is not expected, no provision is made in the Financial Statements.

53.1.c Value Added Tax (VAT) On Reinsurance

The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims during 2013 from the IRD for the year of Assessment 2010/2011 amounting to Rs. 21.99 Mn for which company has filed responses in IRD and subsequently with TAC. The TAC has granted their final determination during 2018 in favour of IRD. The Company has filed a case in the Court of Appeal and the case is yet to be determined by the Court of Appeal.

53.1.d Other Taxes

The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 15.14 Mn. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 481.81 Mn on VAT returns filed and the subsidiary has duly appealed against the assessments.

HNB General Insurance Limited received an Assessment on Social Security Contribution Levy (SSCL) from the IRD for the year of Assessment 2023/2024 amounting to Rs. 6.12 Mn including penalty of Rs. 3.28 Mn for which Subsidiary Company has Appealed against IRD.

The Company has received two demanding payments on Withholding Tax (WHT) from the IRD for the year of Assessments 2022/2023 and 2023/2024 amounting to Rs. 9.07 Mn and Subsidiary has received a demanding payment for WHT from IRD for the year of Assessment 2023/2024 amounting to Rs. 0.13 Mn for which Company and Subsidiary has appealed against these assessments in consultation with Company's Tax Consultant to IRD.

Management and the Company's/Subsidiary's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company's/ Subsidiary's having to settle any of above tax assessments detailed under Note 53.1 is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

54. LITIGATIONS AND CLAIMS

In the opinion of the Directors and in consultation with the Company lawyers, litigations currently pending against the Group and Company will not have a material impact on the reported financial results or future operations. All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

55. COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The table below sets out the reclassifications made in the Group's consolidated financial statements in respect of the comparative year 2024. These reclassifications have no impact on the previously reported profit, total comprehensive income, or equity of the Group.

As Presented in the Statement of Profit or loss and other comprehensive income For the year ended 31st December,	Group 2024 After Rearrangement Rs.'000	 Amount Rearranged Rs.'000	 Prior to Rearrangement Rs.'000
Other Income	27,979	3,256	24,723
Other Operating and Administration Expenses	(7,475,941)	(1,046,259)	(6,429,682)
Underwriting and Net Acquisition Costs	(3,575,346)	(825,913)	(2,749,433)
Finance and Other Insurance Related Costs	(228,638)	13,599	(242,237)

56. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for these Financial Statements. Please refer to pages 322 to 323 of the Statement of Directors' Responsibility for Financial Reporting.

SUPPLEMENTARY INFORMATION



RELENTLESS ASCENT

Bouldering is a test of endurance, strategy, and continuous problem-solving. Each route requires careful assessment, incremental progress, and the determination to overcome obstacles through repeated effort. Advancement in this sport is achieved through persistence, adaptability, and relentless pursuit of the next hold.

HNB Assurance approaches disclosure and reporting with the same commitment to completeness and clarity. Our supplementary information provides deeper insight, supporting transparency and strengthening stakeholder understanding. Through detailed disclosure and continuous improvement, we ensure a comprehensive view of our performance and practices.

STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND - SUPPLEMENTAL

As at 31st December,	Note	Page. No	2025 Rs.'000	2024 Rs.'000
Assets				
Financial Investments	A	477	51,246,463	39,395,093
Loans to Life Policyholders	13	423	504,018	459,395
Reinsurance Receivables	14	424	446,736	238,175
Premium Receivables	15	425	767,241	198,723
Other Assets	B	481	206,222	150,969
Cash in Hand and At Bank	C	481	919,598	630,828
Total Assets			54,090,278	41,073,183
Equity and Liabilities				
Life Policyholders' Available For Sale Reserve Fund	23	433	339,844	437,695
Total Equity			339,844	437,695
Liabilities				
Insurance Contract Liabilities - Life Insurance	25	435	49,248,002	38,647,547
Reinsurance Payable	29	446	572,591	214,999
Other Liabilities	D	481	3,389,054	1,204,468
Bank Overdrafts	C	481	221,251	192,255
Payable to Life Shareholders		-	319,536	376,219
Total Liabilities			53,750,434	40,635,488
Total Equity and Liabilities			54,090,278	41,073,183

The Notes to the Supplemental Statement of Financial Position as set out on pages 477 to 481 form an integral part of these Financial Statements.

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A. FINANCIAL INVESTMENTS

The table below shows the carrying values of these Financial Instruments together with their fair values.

As at 31st December,		2025		2024	
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity	A.1	14,005,598	16,842,630	13,026,523	16,262,171
Loans and Receivable	A.2	21,013,263	22,018,681	13,433,773	14,542,559
Available For Sale	A.3	15,372,203	15,372,203	12,531,327	12,531,327
Fair Value Through Profit or Loss	A.4	855,399	855,399	403,470	403,470
Total Financial Investments		51,246,463	55,088,913	39,395,093	43,739,527

As at 31st December,		2025		2024	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.1 Held to Maturity					
Treasury Bonds		14,005,598	16,842,630	13,026,523	16,262,171
Total		14,005,598	16,842,630	13,026,523	16,262,171
A.2 Loans and Receivables					
Repos		2,243,403	2,243,403	443,862	443,862
Term Deposit	A.5	9,129,775	9,348,167	4,580,283	4,909,844
Corporate Debt	A.6	9,640,085	10,427,111	8,409,628	9,188,853
Total		21,013,263	22,018,681	13,433,773	14,542,559
A.3 Available For Sale					
Treasury Bonds		15,372,203	15,372,203	11,252,489	11,252,489
Treasury Bills		-	-	599,254	599,254
Equity Shares	A.7	-	-	679,584	679,584
Total		15,372,203	15,372,203	12,531,327	12,531,327
A.4 Fair Value Through Profit or Loss					
Investment in Units	A.8	252,663	252,663	248,926	248,926
Equity Shares	A.9	602,736	602,736	154,544	154,544
Total		855,399	855,399	403,470	403,470

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A.5 Term Deposits

As at 31st December,		2025		2024	
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-Term and Medium-Term Deposits with,					
Licensed Commercial Banks	A.5.1	3,092,727	3,211,146	1,919,304	2,118,258
Licensed Specialised Banks		1,186,610	1,211,795	1,002,536	1,101,196
Licensed Finance Companies	A.5.2	4,850,438	4,925,226	1,658,443	1,690,390
Total		9,129,775	9,348,167	4,580,283	4,909,844

A.5.1. Licensed Commercial Banks

Term Deposits with Related Parties - Hatton National Bank PLC	266,730	266,730	534,593	553,140
Other Banks	2,825,997	2,944,416	1,384,711	1,565,118
Total	3,092,727	3,211,146	1,919,304	2,118,258

A.5.2 Licensed Finance Companies

Term Deposits with Related Parties - HNB Finance PLC	771,981	799,683	331,320	340,826
Other Finance Companies	4,078,457	4,125,543	1,327,123	1,349,564
Total	4,850,438	4,925,226	1,658,443	1,690,390

As at 31st December,		2025		2024	
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.6 Corporate Debt					
Debentures - Quoted	A.6.1	8,941,359	9,654,438	7,370,222	8,091,192
Debentures - Unquoted	A.6.2	698,726	772,673	1,039,406	1,097,661
Total		9,640,085	10,427,111	8,409,628	9,188,853

A.6.1 Debentures - Quoted

As at 31st December,	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Commercial Bank of Ceylon PLC	2,083,223	2,312,761	1,904,214	2,120,854
DFCC Bank PLC	992,501	1,067,763	1,220,404	1,289,533
Hatton National Bank PLC	811,508	810,305	339,233	336,160
First Capital Holdings PLC	191,670	191,676	191,670	190,806
LOLC Finance PLC	-	-	164,557	164,704
LOLC Holdings PLC	326,201	326,254	326,213	325,314
National Development Bank PLC	658,152	672,745	722,566	733,388
Nations Trust Bank PLC	66,068	66,966	65,230	67,299
People's Leasing & Finance PLC	175,329	174,435	166,867	163,212
Sampath Bank PLC	1,118,232	1,319,280	750,049	996,198
Seylan Bank PLC	1,213,763	1,361,295	854,949	1,018,154
Siyapatha Finance PLC	749,024	783,613	516,107	532,210
Hayleys PLC	407,525	411,393	-	-
Sri Lanka Telecom PLC	148,163	155,952	148,163	153,360
Total Investment in Quoted Debentures	8,941,359	9,654,438	7,370,222	8,091,192

A.6.2 Debentures - Unquoted

As at 31st December,	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
DFCC Bank PLC	-	-	191,012	191,028
Nations Trust Bank PLC	280,294	279,325	280,294	274,901
People's Bank	418,432	493,348	568,100	631,732
Total Investment in Unquoted Debentures	698,726	772,673	1,039,406	1,097,661

A.7 Equity Shares - Available For Sale

As at 31st December,	2025			2024		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Banks						
Seylan Bank PLC - (Non Voting)	-	-	-	1,065,003	44,812	60,705
Sampath Bank PLC	-	-	-	1,032,594	77,836	122,104
Commercial Bank of Ceylon PLC	-	-	-	266,130	24,709	38,522
National Development Bank PLC	-	-	-	518,182	36,730	58,684
Nations Trust Bank PLC	-	-	-	446,409	59,634	83,255
Sector Total (a)			-			363,270
Diversified Financials						
Central Finance Company PLC	-	-	-	785,000	57,120	70,258
LB Finance PLC	-	-	-	142,285	17,090	27,034
Sector Total (b)			-			97,292
Manufacturing						
Royal Ceramics Lanka PLC	-	-	-	400,000	4,854	17,400
Sector Total (c)			-			17,400
Beverage, Food and Tobacco						
Melstacorp PLC	-	-	-	39,532	2,343	4,862
Sunshine Holdings PLC	-	-	-	467,400	29,954	46,740
Sector Total (d)			-			51,602
Materials						
Tokyo Cement Company (Lanka) PLC	-	-	-	78,102	886	5,467
Sector Total (e)			-			5,467
Capital Goods						
Hemas Holdings PLC	-	-	-	1,284,537	107,360	132,628
Sector Total (f)			-			132,628
Real Estate Management & Development						
Overseas Realty (Ceylon) PLC	-	-	-	486,679	12,453	11,925
Sector Total (g)			-			11,925
Carrying Value of Total Investment in Quoted Shares (a+b+c+d+e+f+g)			-			679,584

A.8 Investment Units

As at 31st December,	2025		2024	
	No. of Units	Carrying Value/Fair Value	No. of Units	Carrying Value/Fair Value
		Rs.'000		Rs.'000
Unquoted				
JB Vantage Money Market Fund	-	-	1,855,728	89,662
Capital Alliance Investment Grade Fund	6,500,564	252,663	4,480,862	159,264
Total Investment in Unquoted Units		252,663		248,926

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A.9 Equity Shares - Fair Value Through Profit or Loss

As at 31st December,	2025			2024		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Banks						
Sampath Bank PLC	197,500	29,119	28,934	198,701	12,716	23,496
Nations Trust Bank PLC	224,136	66,568	70,155	105,213	7,128	19,622
Seylan Bank PLC - (Non Voting)	-	-	-	467,960	14,980	26,674
Commercial Bank of Ceylon PLC	275,000	56,154	55,206	-	-	-
Sector Total (a)			154,295			69,792
Diversified Financials						
Peoples Leasing & Finance PLC	-	-	-	649,094	10,374	11,035
LB Finance PLC	142,500	22,738	22,123	-	-	-
Melstacorp PLC	-	-	-	55,000	3,260	6,765
Sector Total (b)			22,123			17,800
Software and Services						
hSenid Business Solutions PLC	624,000	10,527	10,920	-	-	-
Sector Total (c)			10,920			-
Food Beverage and Tobacco						
Ceylon Tobacco Company PLC	12,000	20,160	20,706	-	-	-
Sunshine Holdings PLC	660,769	22,209	23,193	-	-	-
Sector Total (d)			43,899			
Capital Goods						
John Keells Holdings PLC	875,000	18,898	18,988	296,700	3,679	6,705
Hemas Holdings PLC	795,000	27,830	27,587	-	-	-
Royal Ceramics Lanka PLC	-	-	-	280,000	4,318	12,180
ACL Cables PLC	322,500	23,298	28,961	197,125	3,601	23,359
Access Engineering PLC	715,000	44,491	52,410	-	-	-
Hayleys PLC	114,641	21,825	22,441	-	-	-
Sector Total (e)			150,385			42,244
Materials						
Haycarb PLC	275,000	30,472	29,356	-	-	-
PGP Glass Ceylon PLC	284,999	16,459	15,646	-	-	-
JAT Holdings PLC	421,000	19,988	20,292	-	-	-
Tokyo Cement Company (Lanka) PLC	-	-	-	352,955	11,938	24,708
Sector Total (f)			65,295			24,708
Consumer Durables and Apparel						
Hayleys Fabric PLC	485,709	20,499	19,768	-	-	-
Sector Total (g)			19,768			-
Consumer Services						
Aitken Spence Hotel Holdings PLC	292,500	34,952	33,126	-	-	-
Sector Total (h)			33,126			-
Transportation						
Digital Mobility Solutions Lanka PLC	507,500	75,424	75,744	-	-	-
Sector Total (i)			75,744			-
Telecommunication Services						
Dialog Axiata PLC	912,141	27,520	27,181	-	-	-
Sector Total (j)			27,181			-
Carrying Value of Total Investment in Quoted Shares (a+b+c+d+e+f+g+h+i+j)			602,736			154,544

As at 31st December,	2025	2024
B. OTHER ASSETS	Rs.'000	Rs.'000
Withholding Tax Recoverable from the Commissioner General of Inland Revenue (CGIR)	144,737	87,506
Other Receivables	61,485	63,463
Total Other Assets	206,222	150,969
C. CASH IN HAND AND AT BANK		
Cash in Hand	3,981	3,831
Cash at Bank with Licensed Commercial Banks	83,421	22,497
Cash at Bank with Related Parties	832,196	604,500
Cash in Hand and at Bank	919,598	630,828
Bank Overdraft	(221,251)	(192,255)
Total Cash in Hand and at Bank	698,347	438,573
D. OTHER LIABILITIES		
Policyholders Advance Payments	2,045,324	458,474
Acquisition Cost Payable	614,555	352,731
Taxes & Government Levies	29,040	28,611
Others	700,135	364,652
Total Other Liabilities	3,389,054	1,204,468

INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,	2025	2024
	Rs.'000	Rs.'000
Life Insurance		
Gross Written Premium	19,489,970	13,709,655
Premium Ceded to Reinsurers	(1,048,587)	(775,049)
Net Written/Earned Premium	18,441,383	12,934,606
Net Benefits Expense	(4,403,249)	(3,007,225)
Net Commission	(3,464,378)	(2,466,158)
Expenses Attributable to Policyholders	(5,302,051)	(4,420,735)
Fees and Commission Income	82,786	76,464
Underwriting Surplus	5,354,491	3,116,952
Change in contract Liabilities - Life Fund	(10,547,068)	(7,679,932)
Interest and Dividend Income	6,407,998	5,789,731
Net Realised Gains	649,340	39,513
Net Fair Value Gain	33,880	82,702
Other Income	1,359	1,034
Surplus from Life Insurance Business	1,900,000	1,350,000
Shareholder Fund		
Expenses not attributable to Policyholders	(42,751)	(33,248)
Total other Revenue from Shareholder Fund	1,172,987	1,041,718
Profit Before Taxation (a)	3,030,236	2,358,470
General Insurance		
Gross Written Premium	11,005,157	9,121,546
Premium Ceded to Reinsurers	(4,738,220)	(3,810,585)
Net Written Premium	6,266,937	5,310,961
Net Change in Reserves for Unearned Premium	(523,541)	199,390
Net Earned Premium	5,743,396	5,510,351
Net Claims Incurred	(4,042,646)	(3,735,729)
Net Commission	(1,166,856)	(1,005,697)
Increase in Deferred Acquisition Expenses	(22,339)	(175,003)
Expenses	(1,353,299)	(1,432,668)
Fees and Commission Income	405,566	361,854
Underwriting Deficit	(436,178)	(476,892)
Interest and Dividend Income	720,136	763,930
Net Realised Gains	22,584	60,414
Net Fair Value Gain	29,016	(11,172)
Other Income	19,485	18,171
Operating Profit from General Insurance Business (b)	355,043	354,451
Reconciliation of Statement of Income and Insurance Revenue Accounts		
Surplus from Life Insurance Business (a)	3,030,236	2,358,470
Operating Profit from the Subsidiary (b)	355,043	354,451
Profit Before Taxation	3,385,279	2,712,921
Income Tax Expense	(1,000,548)	(816,060)
Profit for the Year	2,384,731	1,896,861

TAKAFUL BUSINESS ANALYSIS - PROFITABILITY

For the Year Ended 31st December,	Family-Takaful	
	2025	2024
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	27,186	13,214
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(7,171)	(6,044)
Net Earned Contribution (Premium)	20,015	7,170
Other Income	5,296	3,751
Net Income	25,311	10,921
Total Benefits, Loss (Claims) and Other Expenses	(2,252)	(457)
Transfer to Family Takaful Fund	23,059	10,464

For the Year Ended 31st December,	Non Life-Takaful	
	2025	2024
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	669,061	452,434
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(260,576)	(179,914)
Unearned Takaful Contribution (Premium)	(79,571)	18,052
Net Earned Contribution (Premium)	328,914	290,572
Other Income	36,175	28,074
Net Income	365,089	318,646
Total Benefits, Loss (Claims) and Other Expenses	(395,379)	(348,720)
Profit for the Year	(30,290)	(30,074)

* Reinsurance may be obtained from conventional entities in the absence of Retakaful arrangements.

Shari'ah Audit Reports of HNB Assurance PLC Takaful Unit and HNB General insurance Limited Takaful Unit are given on Pages 484 and 485 respectively.

SHARI'AH REPORT OF HNB ASSURANCE PLC TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNBA TAKAFUL UNIT

We have examined the accompanying financial statement of HNBA Takaful Unit for the year ended 31st December 2025. We have also conducted our review to form an opinion as to whether HNBA Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements

HNBA Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah Supervisory Board is to form an independent opinion, based on our review of the operations of HNBA Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion

The scope of our audit primarily involves the review of HNBA Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensations and accountings.

Opinion

In our opinion and to the best of our information, belief and according to the explanations given to us:

a) The financials transactions undertaken by HNBA Takaful Unit, during the year ended 31st December 2025, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.

b) HNBA Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.

ASH – SHEIKH FAZIL FAROOK
Chairman
Shari'ah Supervisory Board

ASH – SHEIKH MURSHID MULAFFAR
Member
Shari'ah Supervisory Board

ASH – SHEIKH HUZAIFA HUSSAIN
Member
Shari'ah Supervisory Board

SHARI'AH REPORT OF HNB GENERAL INSURANCE LIMITED TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNB GENERAL TAKAFUL UNIT

We have examined the accompanying financial statement of HNBGI Takaful Unit for the year ended 31st December 2025. We have also conducted our review to form an opinion as to whether HNBGI Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements
HNBGI Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah Supervisory Board is to form an independent opinion, based on our review of the operations of HNBGI Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion
The scope of our audit primarily involves the review of HNBGI Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensation and accounting.

Opinion
In our opinion and to the best of our information, belief and according to the explanations given to us:

a) The financials and transactions undertaken by HNBGI Takaful Unit, during the year ended 31st December 2025, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.

b) HNBGI Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.

ASH – SHEIKH FAZIL FAROOK
Chairman
Shari'ah Supervisory Board

ASH – SHEIKH MURSHID MULAFFAR
Member
Shari'ah Supervisory Board

ASH – SHEIKH HUZAIFA HUSSAIN
Member
Shari'ah Supervisory Board

QUARTERLY ANALYSIS 2025 AND 2024 - GROUP

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	8,095,583	6,205,818	6,173,733	4,753,869	7,625,756	5,690,139	8,555,325	6,088,168	30,450,397	22,737,994
Premium Ceded to Reinsurers	(1,963,373)	(1,497,849)	(1,103,361)	(761,639)	(1,327,468)	(1,194,214)	(1,392,605)	(1,131,932)	(5,786,807)	(4,585,634)
Net Written Premium	6,132,210	4,707,969	5,070,372	3,992,230	6,298,288	4,495,925	7,162,720	4,956,236	24,663,590	18,152,360
Net Change in Reserves for Unearned Premium	(473,785)	(161,004)	118,213	293,373	(29,634)	218,740	(138,335)	(151,719)	(523,541)	199,390
Net Earned Premium (a)	5,658,425	4,546,965	5,188,585	4,285,603	6,268,654	4,714,665	7,024,385	4,804,517	24,140,049	18,351,750
Other Revenue										
Interest and Dividend Income	1,958,966	1,898,453	2,015,646	1,848,936	2,065,649	1,877,920	2,172,777	1,936,569	8,213,038	7,561,878
Net Realised Gains	50,040	35,571	33,961	2,312	356,561	36,364	281,890	26,195	722,452	100,442
Net Fair Value Gains/(Losses)	16,371	(32,268)	24,335	56,622	5,267	(11,415)	28,509	51,914	74,482	64,853
Fee and Commission Income	169,893	132,853	115,034	80,559	105,600	104,042	89,559	104,331	480,086	421,785
Other Income	11,713	8,976	3,402	15,617	7,084	15,262	5,780	1,830	27,979	41,685
Total Other Revenue (b)	2,206,983	2,043,585	2,192,378	2,004,046	2,540,161	2,022,173	2,578,515	2,120,839	9,518,037	8,190,643
Net Income (c=a+b)	7,865,408	6,590,550	7,380,963	6,289,649	8,808,815	6,736,838	9,602,900	6,925,356	33,658,086	26,542,393
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(1,707,320)	(1,715,937)	(2,139,656)	(1,640,312)	(2,337,300)	(1,599,868)	(2,261,538)	(1,755,109)	(8,445,814)	(6,711,226)
Change in Contract Liabilities - Life Fund	(3,373,874)	(2,417,398)	(2,408,653)	(2,115,578)	(3,290,262)	(2,432,280)	(1,474,279)	(714,676)	(10,547,068)	(7,679,932)
Other Operating and Administration Expenses	(1,589,423)	(1,397,971)	(1,700,357)	(1,513,445)	(1,887,173)	(1,598,721)	(2,298,988)	(1,902,884)	(7,475,941)	(6,413,021)
Underwriting and Net Acquisition Costs	(743,432)	(610,088)	(746,897)	(629,475)	(869,160)	(682,316)	(1,215,857)	(813,068)	(3,575,346)	(2,734,947)
Finance & Other Insurance Related Costs	(27,086)	(77,139)	(79,259)	(52,263)	(27,166)	(72,127)	(95,127)	(88,817)	(228,638)	(290,346)
Total Benefits, Claims and other Expenses (d)	(7,441,135)	(6,218,533)	(7,074,822)	(5,951,073)	(8,411,061)	(6,385,312)	(7,345,789)	(5,274,554)	(30,272,807)	(23,829,472)
Profit Before Taxation (c+d)	424,273	372,017	306,141	338,576	397,754	351,526	2,257,111	1,650,802	3,385,279	2,712,921
Income Tax Expense	(123,278)	(137,013)	(87,776)	(99,390)	(120,500)	(90,985)	(668,994)	(488,672)	(1,000,548)	(816,060)
Profit for the Period	300,995	235,004	218,365	239,186	277,254	260,541	1,588,117	1,162,130	2,384,731	1,896,861

Note : To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2024 annual report, and the comparative figures published in first, second, third and fourth quarter of 2025 have been reclassified where necessary.

QUARTERLY ANALYSIS 2025 AND 2024 - COMPANY

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	4,553,107	3,336,506	4,077,966	3,068,102	5,118,359	3,571,473	5,740,538	3,733,574	19,489,970	13,709,655
Premium Ceded to Reinsurers	(209,127)	(177,396)	(275,367)	(187,853)	(301,404)	(205,797)	(262,689)	(204,003)	(1,048,587)	(775,049)
Net Written Premium	4,343,980	3,159,110	3,802,599	2,880,249	4,816,955	3,365,676	5,477,849	3,529,571	18,441,383	12,934,606
Net Earned Premium(a)	4,343,980	3,159,110	3,802,599	2,880,249	4,816,955	3,365,676	5,477,849	3,529,571	18,441,383	12,934,606
Other Revenue										
Interest and Dividend Income	1,778,221	1,681,991	1,838,463	1,668,419	1,882,777	1,695,000	1,993,441	1,752,538	7,492,902	6,797,948
Net Realised Gains/(Losses)	40,118	5,071	27,546	(2,248)	351,889	12,325	280,315	24,880	699,868	40,028
Net Fair Value Gains/(Losses)	9,970	9,344	23,311	24,835	1,313	(8,781)	10,872	50,627	45,466	76,025
Fee and Commission Income	65,379	56,260	10,229	11,902	13,113	11,977	12,899	13,676	101,620	93,815
Other Income	974	1,460	7,160	14,486	262	6,649	98	919	8,494	23,514
Total Other Revenue (b)	1,894,662	1,754,126	1,906,709	1,717,394	2,249,354	1,717,170	2,297,625	1,842,640	8,348,350	7,031,330
Net Income (c=a+b)	6,238,642	4,913,236	5,709,308	4,597,643	7,066,309	5,082,846	7,775,474	5,372,211	26,789,733	19,965,936
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(752,799)	(784,359)	(1,150,542)	(648,360)	(1,351,192)	(687,393)	(1,148,716)	(887,113)	(4,403,249)	(3,007,225)
Change in Contract Liabilities - Life Fund	(3,373,874)	(2,417,398)	(2,408,653)	(2,115,578)	(3,290,262)	(2,432,280)	(1,474,279)	(714,676)	(10,547,068)	(7,679,932)
Other Operating and Administration Expenses	(1,017,047)	(867,205)	(1,094,297)	(987,377)	(1,267,084)	(1,030,590)	(1,722,542)	(1,336,293)	(5,100,970)	(4,221,465)
Underwriting and Net Acquisition Costs	(728,089)	(530,521)	(714,046)	(541,429)	(837,726)	(614,824)	(1,184,517)	(779,384)	(3,464,378)	(2,466,158)
Finance & Other Insurance Related Costs	(31,504)	(62,451)	(70,126)	(43,244)	(51,258)	(55,970)	(90,944)	(71,021)	(243,832)	(232,686)
Total Benefits, Claims and other Expenses(d)	(5,903,313)	(4,661,934)	(5,437,664)	(4,335,988)	(6,797,522)	(4,821,057)	(5,620,998)	(3,788,487)	(23,759,497)	(17,607,466)
Profit Before Taxation (c+d)	335,329	251,302	271,644	261,655	268,787	261,789	2,154,476	1,583,724	3,030,236	2,358,470
Income Tax Expense	(99,662)	(74,372)	(79,025)	(73,950)	(79,875)	(76,028)	(648,939)	(477,409)	(907,501)	(701,759)
Profit for the Period	235,667	176,930	192,619	187,705	188,912	185,761	1,505,537	1,106,315	2,122,735	1,656,711

Note : To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2024 annual report, and the comparative figures published in first, second, third and fourth quarters of 2025 have been reclassified where necessary.

DECADE AT A GLANCE

HNB ASSURANCE PLC - GROUP

Statement of Financial Position

As at 31st December,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	787,860	769,638	689,549	418,258	282,884	169,788	162,371	151,559	169,620	161,362
Right of use Assets	506,140	482,551	428,871	376,579	395,148	394,437	343,737	-	-	-
Intangible Assets	522,369	164,019	63,924	61,118	63,180	68,858	51,787	61,087	57,841	60,882
Deferred Tax Assets	9,124	14,783	1,528	99,430	291,832	738,721	1,009,711	1,304,882	64,098	52,922
Financial Investments	68,717,058	54,304,798	43,855,383	34,624,131	29,094,085	26,366,608	21,202,074	17,579,131	15,054,910	11,544,575
Loans to Life Policyholders	504,018	459,395	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441
Reinsurance Receivables	3,478,110	1,268,504	1,329,157	1,044,318	1,072,206	771,776	645,411	415,773	569,778	494,726
Premium Receivables	3,135,922	2,272,135	1,858,407	1,853,670	1,247,997	1,111,594	946,650	798,213	786,319	623,294
Other Assets	1,386,352	1,277,749	1,262,852	999,838	747,946	864,414	933,633	823,101	1,036,846	770,674
Insurance Contract - Deferred Expenses	11,128	33,468	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951
Cash in Hand and at Bank	1,592,686	1,402,419	1,123,004	1,033,305	2,112,745	711,111	865,843	761,871	641,950	625,527
Total Assets	80,650,767	62,449,459	51,263,069	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354
Equity and Liabilities										
Equity										
Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	12,151,456	10,351,725	9,039,864	7,822,715	6,644,680	5,841,032	4,965,809	4,405,581	2,381,427	1,721,675
Available for Sale Reserve	249,706	279,432	174,358	(322,296)	4,009	93,754	24,801	(8,025)	30,685	(7,152)
Other Reserves	(160,701)	(104,708)	(21,290)	22,358	(11,421)	(51,520)	(6,525)	(4,406)	(10,760)	1,790
Life Policyholders' AFS Reserve Fund	339,844	437,695	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	381,156	381,156	-	-
Total Equity	14,133,336	12,517,175	10,276,677	7,798,394	8,123,008	8,194,230	6,714,344	5,744,314	3,796,499	2,697,057
Liabilities										
Insurance Contract Liabilities - Life	49,248,002	38,647,547	30,945,715	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856
Insurance Contract Liabilities - General	6,788,998	4,507,058	4,694,303	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567
Employee Defined Benefit Liabilities	605,262	477,315	333,860	236,424	239,167	254,438	167,118	140,356	126,083	90,433
Current Tax Liabilities	596,470	559,876	530,009	253,810	62,168	151,093	112,031	22,541	34,598	3,300
Reinsurance Payable	1,847,886	1,000,350	696,915	959,693	1,085,512	700,105	540,652	369,853	353,042	287,895
Lease Creditor	593,622	560,905	450,304	410,719	421,838	393,145	350,089	-	-	-
Other Liabilities	6,495,355	3,760,247	2,864,015	2,406,748	1,747,148	1,550,108	1,274,326	1,092,809	896,288	781,246
Bank Overdraft	341,836	418,986	471,271	265,539	111,665	124,305	130,636	122,776	141,660	-
Total Liabilities	66,517,431	49,932,284	40,986,392	33,297,162	27,746,177	23,546,432	19,910,802	16,534,902	14,852,435	11,832,297
Total Equity and Liabilities	80,650,767	62,449,459	51,263,069	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354

Statement of Profit or Loss

For the year ended 31st December,	2025	2024 •	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	30,450,397	22,737,994	18,760,347	15,637,736	12,646,947	10,398,992	9,942,757	8,724,696	7,821,468	6,656,694
Net Earned Premium	24,140,049	18,351,750	15,699,390	13,087,477	10,755,834	8,926,757	8,473,660	7,448,439	6,392,077	5,597,879
Income from Investments and Other Income	9,518,037	8,190,643	7,565,557	5,174,063	2,918,612	2,720,460	2,470,663	2,178,559	1,911,857	1,298,327
Net Claims and Benefits	(8,445,814)	(6,711,226)	(6,666,084)	(5,578,997)	(4,223,290)	(3,558,641)	(3,620,775)	(3,236,489)	(2,293,406)	(1,947,645)
Change in Contract Liabilities - Life Fund	(10,547,068)	(7,679,932)	(6,332,739)	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	-	-	381,156	-	-
Underwriting and Net Acquisition Costs	(3,575,346)	(2,734,947)	(2,286,366)	(1,821,540)	(1,456,258)	(1,235,446)	(1,288,068)	(1,125,418)	(1,028,872)	(922,886)
Expenses	(7,704,579)	(6,703,367)	(5,468,263)	(4,134,978)	(2,997,164)	(2,646,465)	(2,457,338)	(2,358,444)	(1,888,202)	(1,611,869)
Profit Before Taxation	3,385,279	2,712,921	2,511,495	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521
Income Tax (Expenses)/Reversal	(1,000,548)	(816,060)	(746,846)	(555,398)	(524,730)	(455,273)	(394,663)	1,124,656	(17,275)	(58,108)
Profit for the Year	2,384,731	1,896,861	1,764,649	1,830,524	1,223,648	1,175,223	1,010,228	2,705,310	909,752	647,413
Basic and Diluted Earnings per Share (Rs.)	15.90	12.65	11.76	12.20	8.16	7.83	20.20	54.11	18.20	12.95
Basic and Diluted Earnings per Share (Rs.) - Adjusted for Subdivision	15.90	12.65	11.76	12.20	8.16	7.83	6.73	18.04	6.07	4.32
Dividend per Share (Rs.)	5.00*	3.90*	3.90*	3.65*	3.20*	2.80*	8.00	7.00	6.00	5.00

* Dividend per share presents after the subdivision.

• Note -The presentation and classification in these Financial Statements are amended/reclassified to ensure comparability with the current year information.

HNB ASSURANCE PLC/LIFE INSURANCE - COMPANY

Statement of Financial Position

As at 31st December,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	498,995	541,118	480,796	260,442	141,390	116,740	111,202	104,487	119,078	112,151
Right of use Assets	373,134	427,016	368,716	343,824	362,336	380,105	325,572	-	-	-
Intangible Assets	279,995	155,588	57,566	57,054	57,839	62,240	49,830	58,782	57,841	60,882
Deferred Tax Assets	-	-	-	-	273,543	725,255	1,000,673	1,280,499	-	-
Financial Investments	62,493,446	48,486,327	38,530,656	29,844,875	24,667,102	22,075,265	17,777,410	14,679,706	12,741,015	9,642,596
Investment in Subsidiary	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Loans to Life Policyholders	504,018	459,395	441,923	420,914	403,452	379,736	325,307	243,113	162,285	120,441
Reinsurance Receivables	446,736	238,175	325,283	184,249	317,009	172,699	144,715	75,926	65,010	54,814
Premium Receivables	767,241	198,723	45,940	18,547	7,822	4,988	9,458	8,046	7,488	6,805
Other Assets	966,006	906,713	983,945	713,293	507,528	582,321	625,499	575,154	764,256	575,676
Cash in Hand and at Bank	961,692	841,377	666,222	725,420	1,575,931	393,522	632,712	502,561	352,307	476,572
Total Assets	68,441,263	53,404,432	43,051,047	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937
Equity and Liabilities										
Equity										
Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	10,227,698	8,689,963	7,618,252	6,552,433	5,548,813	4,968,314	4,544,369	4,167,660	2,373,601	1,897,936
Available for Sale Reserve	186,065	211,076	106,834	(138,616)	4,446	15,626	9,881	1,451	17,415	(1,465)
Other Reserves	(113,126)	(82,179)	(21,175)	3,972	(6,614)	(33,916)	(6,514)	(4,395)	(9,884)	(1,886)
Life Policyholders' AFS Reserve Fund	339,844	437,695	(469,286)	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	381,156	381,156	381,156	-	-
Total Equity	12,193,512	10,809,586	8,787,656	6,693,406	7,032,385	7,260,988	6,277,995	5,515,880	3,776,279	2,875,329
Liabilities										
Insurance Contract Liabilities - Life	49,248,002	38,647,547	30,945,715	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856
Employee Defined Benefit Liabilities	355,947	279,864	192,127	142,692	137,328	150,729	100,076	84,840	73,875	50,883
Current Tax Liabilities	561,275	479,148	453,230	209,338	19,871	12,301	16,175	14,708	-	-
Reinsurance Payable	572,591	214,999	302,211	227,512	453,054	290,916	125,151	116,268	90,650	39,395
Lease Creditor	456,184	503,233	395,383	376,926	390,374	377,746	334,832	-	-	-
Other Liabilities	4,828,542	2,276,075	1,814,178	1,384,408	1,034,819	832,198	802,565	642,470	529,862	486,474
Bank Overdraft	225,210	193,980	160,547	101,695	53,364	53,904	31,050	42,636	32,756	-
Total Liabilities	56,247,751	42,594,846	34,263,391	27,025,212	22,431,567	18,781,883	15,874,383	13,162,394	11,643,001	9,324,608
Total Equity and Liabilities	68,441,263	53,404,432	43,051,047	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937

Statement of Profit or Loss

For the year ended 31st December,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	19,489,970	13,709,655	10,923,294	8,911,460	7,091,470	5,487,039	5,175,044	4,420,513	3,963,642	3,554,078
Net Earned Premium	18,441,383	12,934,606	10,331,103	8,438,448	6,735,933	5,221,875	4,934,070	4,204,883	3,774,549	3,395,028
Income from Investments and Other Income	8,348,350	7,031,330	6,486,442	4,096,966	2,490,504	2,223,950	2,058,795	1,736,629	1,564,967	1,031,606
Net Claims and Benefits	(4,403,249)	(3,007,225)	(2,676,436)	(2,169,527)	(1,646,088)	(1,494,181)	(1,338,015)	(1,066,574)	(575,551)	(401,677)
Change in Contract Liabilities - Life Fund	(10,547,068)	(7,679,932)	(6,332,739)	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	-	-	-	381,156	-	-
Underwriting and Net Acquisition Costs	(3,464,378)	(2,466,158)	(1,892,762)	(1,437,045)	(1,098,207)	(888,527)	(959,550)	(847,968)	(822,715)	(748,051)
Expenses	(5,344,802)	(4,454,151)	(3,646,566)	(2,595,073)	(1,780,575)	(1,487,585)	(1,415,514)	(1,403,129)	(1,049,158)	(911,979)
Profit Before Taxation	3,030,236	2,358,470	2,269,042	1,993,666	1,452,211	999,363	1,106,535	1,297,848	725,665	656,642
Income Tax (Expenses)/Reversal	(907,501)	(701,759)	(655,723)	(510,046)	(451,712)	(275,418)	(279,826)	1,177,367	-	(56,512)
Profit for the Year	2,122,735	1,656,711	1,613,319	1,483,620	1,000,499	723,945	826,709	2,475,215	725,665	600,130

DECADE AT A GLANCE

HNB GENERAL INSURANCE LTD./GENERAL INSURANCE - SUBSIDIARY

Statement of Financial Position

As at 31st December,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	288,865	228,520	208,753	157,816	141,494	53,048	51,169	47,072	50,542	49,211
Right of use Assets	133,006	55,535	60,155	32,755	32,812	14,332	18,165	-	-	-
Intangible Assets	242,374	8,431	6,358	4,064	5,341	6,618	1,957	2,305	-	-
Deferred Tax Assets	9,124	14,783	1,528	99,430	18,289	13,466	9,038	24,383	64,098	52,922
Financial Investments	6,223,612	5,818,471	5,324,727	4,779,256	4,426,983	4,291,343	3,424,664	2,899,425	2,313,895	1,901,979
Reinsurance Receivables	3,031,374	1,030,329	1,003,874	860,069	755,197	599,077	500,696	339,847	504,768	439,912
Premium Receivables	2,368,687	2,081,953	1,923,779	1,835,123	1,240,175	1,106,606	937,192	790,167	778,831	616,489
Other Assets	445,243	396,910	378,257	308,361	253,966	289,379	329,478	270,915	278,711	208,118
Insurance Contract - Deferred Expenses	11,128	33,468	208,471	163,995	157,710	163,619	138,622	140,486	105,287	74,951
Cash in Hand and at Bank	630,994	561,042	456,782	307,885	536,814	317,589	233,131	259,310	289,643	148,955
Total Assets	13,384,407	10,229,442	9,572,684	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537
Equity and Liabilities										
Equity										
Stated Capital	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Retained Earnings	1,923,758	1,661,762	1,421,612	1,270,282	1,095,867	872,718	421,440	240,876	10,781	(173,306)
Available for Sale Reserve	63,641	68,356	67,524	(183,680)	(437)	78,128	14,920	(12,431)	10,315	(8,642)
Other Reserves	(47,575)	(22,529)	(115)	18,386	(4,807)	(17,604)	(11)	(11)	(876)	3,676
Total Equity	3,089,824	2,857,589	2,639,021	2,254,988	2,240,623	2,083,242	1,586,349	1,378,434	1,170,220	971,728
Liabilities										
Insurance Contract Liabilities - General	6,788,998	4,507,058	4,694,303	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567
Employee Defined Benefits Liabilities	249,315	197,451	141,733	93,732	101,839	103,709	67,042	55,516	52,208	39,550
Current Tax Liabilities	35,195	80,728	76,779	44,472	42,297	138,792	95,856	7,833	34,598	3,300
Reinsurance Payable	1,275,295	785,351	394,704	732,181	632,458	409,189	415,501	253,585	262,392	248,500
Lease Creditor	137,438	57,672	54,921	33,793	31,464	15,399	15,257	-	-	-
Other Liabilities	1,691,716	1,518,587	1,260,499	1,044,156	725,877	725,196	493,105	473,307	372,547	307,892
Bank Overdraft	116,626	225,006	310,724	163,844	58,301	70,401	99,586	80,140	108,904	-
Total Liabilities	10,294,583	7,371,853	6,933,663	6,293,766	5,328,158	4,771,835	4,057,763	3,395,476	3,215,555	2,520,809
Total Equity and Liabilities	13,384,407	10,229,442	9,572,684	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537

Statement of Profit or Loss

For the year ended 31st December,	2025	2024 •	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	11,005,157	9,121,546	8,036,270	6,821,011	5,648,578	4,997,728	4,818,686	4,340,575	3,906,503	3,141,559
Net Earned Premium	5,743,396	5,510,351	5,489,491	4,743,764	4,113,002	3,790,657	3,590,563	3,279,948	2,666,205	2,241,794
Income from Investments and Other Income	1,196,787	1,193,197	1,110,980	1,208,991	575,720	527,667	490,799	459,800	360,174	273,805
Net Claims and Benefits	(4,042,646)	(3,704,279)	(3,990,114)	(3,409,936)	(2,578,755)	(2,064,502)	(2,282,960)	(2,170,792)	(1,718,847)	(1,546,601)
Underwriting and Net Acquisition Costs	(119,234)	(285,322)	(409,940)	(397,982)	(376,716)	(366,529)	(344,496)	(289,873)	(214,898)	(177,847)
Expenses	(2,423,260)	(2,359,496)	(1,957,964)	(1,649,081)	(1,322,084)	(1,256,160)	(1,099,080)	(996,277)	(891,272)	(742,272)
Profit Before Taxation	355,043	354,451	242,453	495,756	411,167	631,133	354,826	282,806	201,362	48,879
Income Tax Expenses	(93,047)	(114,301)	(91,123)	(45,352)	(73,018)	(179,855)	(105,262)	(52,711)	(17,275)	(1,596)
Profit for the Year	261,996	240,150	151,330	450,404	338,149	451,278	249,564	230,095	184,087	47,283

• Note -The presentation and classification in these Financial Statements are amended/reclassified to ensure comparability with the current year

HNB ASSURANCE PLC - GROUP

Statement of Cash Flows

As at 31st December,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Tax	3,385,279	2,712,921	2,511,495	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521
Net Adjustments and net change in Operating Assets and Liabilities	3,811,542	411,412	(900,351)	(444,635)	1,393,116	728,895	255,026	(61,603)	582,782	586,677
Net Cash Generated from Operating Activities	7,196,821	3,124,333	1,611,144	1,941,287	3,141,494	2,359,391	1,659,917	1,519,051	1,509,809	1,292,198
Net Cash Used in Investing Activities	(6,154,992)	(2,075,618)	(1,042,621)	(2,531,947)	(1,176,385)	(2,046,474)	(965,285)	(1,080,246)	(1,385,046)	(953,600)
Net Cash Used in Financing Activities	(774,412)	(717,015)	(684,556)	(642,654)	(550,835)	(461,318)	(598,520)	(300,000)	(250,000)	(100,000)
Net Increase/ (Decrease) in Cash and Cash Equivalents	267,417	331,700	(116,033)	(1,233,314)	1,414,274	(148,401)	96,112	138,805	(125,237)	238,598
Cash and Cash Equivalents at the beginning of the Year	983,433	651,733	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929
Cash and Cash Equivalents at the end of the Year	1,250,850	983,433	651,733	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527

Investor Information

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Return on Equity	17.90%	16.64%	19.53%	22.99%	15.00%	15.77%	16.22%	56.71%	28.02%	26.00%
Market Price per Share as at 31st Dec (VWA) (Rs.)	114.75*	80.10*	56.60*	42.90*	48.40*	58.20*	138.00	132.00	72.50	58.80
Price Earning Ratio (Times)	7.22	6.33	4.81	3.52	5.93	7.43	6.83	2.44	3.98	4.54
Earnings Yield	13.85%	15.79%	20.79%	28.45%	16.85%	13.45%	14.64%	40.99%	25.10%	22.02%
Dividend Yield	4.36%	4.87%	6.89%	8.51%	6.61%	4.81%	5.80%	5.30%	8.28%	8.50%
Market Capitalisation (Rs. Mn)	17,213	12,015	8,490	6,435	7,260	8,730	6,900	6,600	3,625	2,940
Employee Information										
Number of Employees	1,609	1,541	1,453	1,328	1,217	1,145	1,076	992	947	903
GWP per Employee (Rs. Mn)	18.93	14.76	12.91	11.78	10.39	9.08	9.24	8.80	8.26	7.37
Net Profit per Employee (Rs. '000)	1,482.12	1,230.93	1,214.49	1,378.41	1,005.46	1,026.40	938.87	2,727.13	960.67	716.96
Life Insurance Operation										
Net Claims Ratio(With Maturity)	24%	23%	26%	26%	24%	29%	27%	25%	15%	12%
Expense Ratio	48%	54%	53%	47%	42%	45%	49%	49%	49%	48%
Combined Ratio	72%	77%	79%	73%	66%	74%	76%	74%	64%	60%
General Insurance Operation										
Net Claims Ratio	70%	67%	73%	72%	63%	55%	64%	66%	64%	69%
Expense Ratio	37%	41%	39%	38%	37%	39%	37%	36%	38%	38%
Combined Ratio	107%	108%	111%	110%	100%	94%	101%	102%	102%	107%

* Market price per share presented after subdivision

INVESTOR INFORMATION

At HNBA, we consider it our top priority to provide our investors with prompt and accurate information, enabling them to make well-informed decisions regarding the performance of the Company's listed shares.

THE COLOMBO STOCK EXCHANGE PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2025

In 2025, the Sri Lankan equity market demonstrated strong growth momentum, as the All Share Price Index (ASPI) reached historical highs. Despite global uncertainties, trade policy shifts, and climate related shocks, the macroeconomic stability integrated with fiscal strength, lower inflation, stable interest rates, and a steady accumulation of foreign reserves provided a supportive foundation for market performance. Improved external sector conditions, driven by increased tourist earnings and healthy workers' remittance inflows which contributed to strengthening the local currency, further strengthened investor confidence and contributed to a more consistent market recovery.

The downward adjustment in global interest rates acted as an additional catalyst for emerging equity markets. The Colombo Stock Exchange (CSE) also benefited through increased foreign investor participation. Sri Lankan equity market appeared to be transitioning from a crisis recovery rally toward a more fundamentals driven phase during 2025. The medium-term outlook will remain constructive, which may be supported by improving earnings visibility, lower discount rates, and still undemanding valuations relative to regional peers.



Beyond 2025, the future trajectory of the CSE will heavily depend on the continuation of the International Monetary Fund (IMF) reforms programme leading to macro discipline and policy credibility.

As the Sri Lankan economy continues to normalise, consistent progress in fiscal consolidation, regulatory consistency, and structural reforms will be essential to enhance investor confidence to attract long-term capital. The future focus is expected to shift towards fundamentals driven growth, supported by improved corporate governance, vigilance, and disciplined capital allocation by listed companies. Continued stability in interest rates at lower levels, a gradual recovery in private investments, and enhanced foreign investor participation could further strengthen equity market depth and liquidity.



PERFORMANCE OF HNB ASSURANCE PLC (HASU)

In 2025, HASU remained an actively traded stock, engaging significantly in market activities during all 238 market days.

During the year, a total of 16.70 million shares were traded, and the share price surged by 43.26%, reaching Rs. 114.75 at year end 2025, following a 41.52% increase in 2024. Amidst volatile market conditions, HASU's share price fluctuated between a peak of Rs. 125.00 and a low of Rs. 69.30, ultimately closing at Rs. 114.75 on December 31, 2025. This resulted in a market capitalisation of Rs. 17.21 billion.

During the year 2025, HASU demonstrated healthy performance in line with the ASPI growth trajectory with one year beta value of approximately 0.95 against ASPI.



STATED CAPITAL

The number of shares representing the Company's Stated Capital is given below.

Stated Capital	Number of Shares	Class of Shares	Voting Rights
Rs. 1,171,875,000	150,000,000	Ordinary Shares	One Vote per Ordinary Share

MOVEMENT IN SHARE CAPITAL

Year	Detail	Basis	No. of Shares (000')	Share Capital (Rs.000')
2002	Prior to Public Issue	-	25,000	250,000
2003	Public Issue	-	-	-
2007	Bonus Issue	1:2	12,500	125,000
2011	Capitalisation of Reserves	1:6	6,250	406,250
2011	Rights Issue	1:7	6,250	390,625
2020	Subdivision	1:3	100,000	-
Total			150,000	1,171,875

SHARE PERFORMANCE

	2025	2024	2023	2022	2021
Market Capitalisation (Rs. Mn.)					
HASU	17,213	12,015	8,490	6,435	7,260
CSE	8,068,624	5,695,560	4,248,935	3,847,153	5,489,168
Market Price per share (Rs.) – Company					
Highest	125.00	82.00	59.00	62.50	64.00
Lowest	69.30	52.10	42.00	28.00	42.30
Year-end (VWA)	114.75	80.10	56.60	42.90	48.40

SHARE TRADING

	2025	2024	2023	2022	2021
Number of Transactions	12,618	4,787	7,389	9,139	14,186
Number of Shares Traded	16,702,424	6,044,851	10,429,700	11,009,317	20,157,342
Value of Shares Traded (Rs.)	1,686,728,496	372,282,994	551,191,752	523,084,080	1,049,843,639

SHARE PERFORMANCE RELATED RATIOS

	2025	2024	2023	2022	2021
Number of Shares in Issue (Mn.)	150.00	150.00	150.00	150.00	150.00
Basic Earnings per share (Rs.) – Group	15.90	12.65	11.76	12.20	8.16
Basic Earnings per share (Rs.) – Company	14.15	11.04	10.76	9.89	6.67
Net Asset Value per share (Rs.) – Group	94.22	83.45	68.51	51.99	54.15
Price to Book Value Ratio	1.22	0.96	0.83	0.83	0.89
Price to Earnings (Times)	7.22	6.33	4.81	3.52	5.93
Dividend Payout Ratio (%)	35	35	36	37	48
Dividend per share (Rs.)	5.00	3.90	3.90	3.65	3.20
Dividend Payment (Rs. Mn.)	750.00	585.00	585.00	547.50	480.00

INVESTOR INFORMATION

The Company has not issued any debt securities. Accordingly, debt related ratios are not applicable to the Company.

BASIC EARNINGS PER SHARE

Earnings per Share (EPS) indicates how much money a Company makes for each share of its stock. HASU (Company) recorded healthy and steady EPS of Rs. 14.15 in the year 2025, with a Year-on-Year increase of 28% (2024: Rs. 11.04), while the Group recorded an EPS of Rs. 15.90 in the year 2025 with a 26% increase (2024: Rs. 12.65).

PRICE EARNINGS RATIO

Price earnings ratio has increased by 14% in 2025 against the previous year to 7.22 times from 6.33 times recorded in 2024, which shows the number of times to EPS required to cover the investment on HASU.

SHAREHOLDING

There were 4,564 registered Shareholders as at 31st December 2025 (2024: 3,896).

a) Distribution and Composition of Shareholding

Distribution and composition of Shareholders as at 31st December 2025.

Shareholding	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares
1-1,000 Shares	2,318	680,628	0.45	9	3,168	0.00	2,327	683,796	0.45
1,001-10,000 Shares	1,610	5,937,221	3.96	10	38,372	0.03	1,620	5,975,593	3.99
10,001-100,000 Shares	540	14,141,429	9.43	8	347,148	0.23	548	14,488,577	9.66
100,001-1,000,000 Shares	54	14,157,547	9.44	3	1,090,603	0.73	57	15,248,150	10.17
Over-1,000,000 Shares	11	111,528,884	74.35	1	2,075,000	1.38	12	113,603,884	75.73
Total	**4,533**	**146,445,709**	**97.63**	**31**	**3,554,291**	**2.37**	**4,564**	**150,000,000**	**100.00**

b) Analysis of Shareholders

i. Resident/Non-Resident

	31st December 2025			31st December 2024		
	No. of Shareholders	**No. of Shares**	**%**	No. of Shareholders	No. of Shares	%
Resident	4,533	146,445,709	97.63	3,870	147,985,656	98.66
Non-Resident	31	3,554,291	2.37	26	2,014,344	1.34
Total	4,564	150,000,000	100.00	3,896	150,000,000	100.00

ii. Individual /Institutional

	31st December 2025			31st December 2024		
	No. of Shareholders	**No. of Shares**	**%**	No. of Shareholders	No. of Shares	%
Individual	4,383	31,702,099	21.13	3,763	29,426,337	19.62
Institutional	181	118,297,901	78.87	133	120,573,663	80.38
Total	4,564	150,000,000	100.00	3,896	150,000,000	100.00

PUBLIC SHAREHOLDING

The details of the public shareholding as at 31st December are given below.

	2025		2024	
	Shareholders	% on Total No. of Shareholders	Shareholders	% on Total No. of Shareholders
Number of Shareholders	4,561	99.93	3,893	99.92

	2025		2024	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Public Shareholding	60,020,002	40.01	60,020,002	40.01
Float Adjusted Market Capitalisation* (Rs.)	6,887,295,230		4,807,602,160	

The Company complies with the minimum public Shareholding requirement under option 3 of section 7.13.1 (i) (a) (1) of the Listing Rules. As at 31st December 2025. (As at 31/12/2024-complied under option 4)

* Float Adjusted Market Capitalisation = Market Capitalisation x Public Holding Percentage

TOP 20 SHAREHOLDERS

The 20 largest Shareholders as at 31st December 2025 together with their shareholding as at 31st December 2024 are given below

	Name of the Shareholder	2025		2024	
		Shareholding	% on Issued Shares	Shareholding	% on Issued Shares
1.	Hatton National Bank PLC A/C No 1	89,979,000	59.99	89,979,000	59.99
2.	Ceylon Guardian Investment Trust PLC A/C # 02	6,023,511	4.02	7,018,794	4.68
3.	J.B. Cocoshell (Pvt) Ltd	2,319,220	1.55	2,054,172	1.37
4.	Mrs. A. Selliah	2,250,000	1.50	1,500,000	1.00
5.	Employees Trust Fund Board	2,191,221	1.46	3,539,125	2.36
6.	Mr. V. Sharda	2,075,000	1.38	1,359,000	0.91
7.	Mr. M.F. Hashim	1,824,737	1.22	1,634,167	1.09
8.	Thread Capital (Pvt) Ltd	1,503,476	1.00	1,644,342	1.10
9.	Ceylon Investment PLC A/C # 02	1,387,719	0.93	1,712,174	1.14
10.	Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
11.	Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
12.	Arunodhaya (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
13.	Mr. J.P. Paul*	819,754	0.55	-	-
14.	Andysel (Pvt) Ltd	750,000	0.50	750,000	0.50
15.	Mr. K. Aravinthan*	750,000	0.50	-	-
16.	Corporate Holdings (Pvt) Ltd A/C No.01	735,309	0.49	735,309	0.49
17.	Dr. S. Selliah	600,000	0.40	600,000	0.40
18.	Corporate Holdings(Pvt)Ltd A/C No.02	573,969	0.38	573,969	0.38
19.	Rubber Investment Trust Ltd A/C No 01	572,779	0.38	1,337,058	0.89
20.	Commercial Bank Of Ceylon PLC A/C No. 03*	513,000	0.34	-	-
		118,918,695	79.28		
	Other Shareholders	31,081,305	20.72		
	Total Shareholders	150,000,000	100.00		

*Not included in the top 20 shareholder list in year 2024

INVESTOR INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

The details of the Directors' and Chief Executive Officer's shareholding at the beginning and at the end of the year are given below.

Name	No. of Shares 31st December 2025	No. of Shares 31st December 2024
Mr. S A Chapman - Chairman	500	500
Mr. A Goonesekere	Nil	Nil
Mr. L U D Fernando	Nil	Nil
Mr. L H A L Silva	Nil	Nil
Dr. P S Gamwarige	Nil	Nil
Mr. P R Saldin*	Nil	Nil
Prof. A K W Jayawardane	Nil	Nil
Mr. P H L N Wimalaratne - Chief Executive Officer / Executive Director**	Nil	Nil
Ms. W A P A Ranawaka***	Nil	N/A

* Ceased to be a Director w.e.f. 16th January 2026

** Appointed to the Board w.e.f. 03rd July 2025

*** Appointed to the Board w.e.f. 01st October 2025

COMPLIANCE WITH DISCLOSURE REQUIREMENTS AS PER THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE (CSE) SUBMISSION OF FINANCIAL STATEMENTS TO THE CSE

As required by the Listing Rules, the Audited Financial Statements for the year ended 31st December 2024 were submitted to the CSE on 05th March 2025. The Interim Financial Statements of the 4th Quarter, for the year/quarter ended 31st December 2024, was submitted to the CSE on 19th February 2025. The Audited Financial Statements for the year ended 31st December 2025 will be submitted to the CSE within three months of the reporting date in line with the requirements of the CSE.

DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 7.6 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details	Status
7.6 (i)	Names of persons who during the financial year were Directors of the Entity.	The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 311.	Complied
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	The principal activities of the Company and its subsidiary during the year are given in the Annual Report of the Board of Directors and Note 1.3 in Accounting Policies on page 339 respectively.	Complied
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	The 20 largest Shareholders as at 31st December 2025 together with their shareholding as at 31st December 2024 is given on page 495.	Complied
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public Shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	The details of the public shareholding and float adjusted market capitalisation as at 31st December 2025 are given on page 495.	Complied
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Shareholding of Directors and Chief Executive Officer is given on page 496.	Complied
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Information pertaining to material foreseeable risk factors is given on the Risk Management Report from pages 272 to 290.	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	The Company did not encounter any material issues pertaining to employees and industrial relations during the year.	Complied

Rule Number	Requirement	Details	Status
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Our fully owned subsidiary, HNB General Insurance, owns land and a building that has a cost of Rs. 82 Mn. and a value of Rs. 80.90 Mn as of 31st December 2025. Further details are provided in Note 8.5 to the Financial Statements on pages 404 and 405.	Complied
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Details on Company shares and share capital are given on page 493.	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories.	Distribution schedule of the number of holders and percentage holding is given on page 494.	Complied
7.6 (xi)	Ratios and market price information.	Given on page 494.	Complied
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	The Company uses the cost method as the accounting policy for maintaining records of Property, Plant and Equipment and the market value of such assets is considered not materially different to the book value. Details relating to the changes in the Company's fixed assets are given on Note 8 to the Financial Statements on pages 401 to 406. Our fully owned subsidiary owns a land and a building which is measured using Revaluation model and there is no material difference between carrying value and market value.	Complied
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities.	The Company did not raise funds to increase its Stated Capital during the year.	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There are no 'Employee Share Option Schemes' or 'Employee Share Purchase Schemes' in the Company.	Complied
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 09 of the Rules.	Disclosures pertaining to Corporate Governance practices in terms of Section 09 of the rules are given in the Corporate Governance Report on pages 233 and 271.	Complied
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.	There were no individual transactions exceeding the limit of 10% of the Equity or 5% of the total assets during the year with any related party of the Company. However, all related party transactions at aggregate level have been disclosed under Note 50 to the Financial Statements on pages 467 to 472.	Complied

INVESTOR INFORMATION

DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 9.14.8 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details	Status
9.14.8 (1)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements	There were no non-recurrent related party transactions exceeding 10% of the Equity or 5% of the Total Assets at aggregate level. All related party transactions at aggregate level has been disclosed under Note 50 to the Financial Statements on pages 467 to 472.	Complied
9.14.8 (2)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/ income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year	There were no recurrent related party transactions exceeding the aggregate limit of 10% of the Gross Written Premium. The Government of Sri Lanka and its related entities, where the aggregate amount of transactions has exceeded 10% of the Company's Gross Written Premium. Government of Sri Lanka has considered as a related entity of the Company considering the significant influence it has on the ultimate parent company, Hatton National Bank PLC. The terms and conditions of transactions carried out with the Government of Sri Lanka and its related entities were similar to those applicable to the general public. Details of transactions with the Government of Sri Lanka and its related entities are given on page 467 under Note 50 to the Financial Statements.	Complied
9.14.8 (3)	Contain a report by the Related Party Transactions Review Committee, setting out the names of the Directors comprising the Committee; A statement to the effect that the Committee has reviewed the Related Party Transactions during the financial year and communicated its comments/observations to the Board of Directors. The policies and procedures adopted by the Committee for reviewing the Related Party Transactions.	Please refer the Related Party Transactions Review Committee Report on pages 299 and 300.	Complied
9.14.8 (4)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Please refer page 315 for the confirmation by the Directors on compliance with the rules pertaining to Related Party Transactions.	Complied

SLFRS 17 IMPACT ON FINANCIAL STATEMENTS

SLFRS 4 served as an interim standard for insurance contracts. It allowed insurers to broadly discretion in how they accounted for insurance liabilities and revenue, resulting in significant variation in practice between entities and jurisdictions.

SLFRS 17, effective for annual periods beginning on or after 1 January 2023, replaces SLFRS 4 with a principles-based, uniform measurement and reporting model for insurance contracts.

The objective is to produce transparent, consistent and comparable financial information about insurance contracts across entities and jurisdictions.

01.Recognition and Measurement under SLFRS 17

	SLFRS 04	SLFRS 17
Liability Measurement	Liabilities are often based on pre-existing local practices, with flexibility in assumptions and discount rates. Permitted gain at inception of profitable contracts, creating potential earnings distortion.	Introduces a current fulfilment value model: Liabilities measured as the present value of future cash flows, adjusted for time value of money and risk. Includes an explicit risk adjustment for non-financial risk.

Impact: Liabilities under SLFRS 17 are more economic value based, generally higher and more sensitive to updated assumptions and market variables.

Profit and Revenue Recognition	Premiums are generally recognised as revenue using written or earned premium approaches, and profit recognition often occurs upfront.	Separates revenue from insurance contracts into: Insurance service revenue — recognised over the period that services are provided. Insurance finance income / expense — associated with the effects of discounting and changes in financial assumptions. The CSM defers profit until insurance services are delivered, removing "day-one profits" that were common under SLFRS 4. Profit is recognised via a Contractual Service Margin (CSM) representing unearned profit — and released over the coverage period as services are provided.

Impact: Revenue and profit emerge more evenly over contract terms, reducing volatility and giving a more accurate picture of performance.

02. Impact on Financial Statements

a. Statement of Financial Position

SLFRS 17 requires:
Separate presentation of insurance contract assets and liabilities. Clear disclosure of groups of contracts (profitable, onerous, etc.) Buffers for risk adjustments and CSM balances.

Net Effect:
Insurance liabilities typically increase for long-term contracts (e.g. life insurance). Equity (retained earnings) may be restated at transition to remove prior day-one profits and align with the CSM model.

b. Income Statement

SLFRS 17 impacts:
Income Statement includes two main components for two drivers of profits of an life insurance company. i.e. insurance service results and net finance results. Revenue is insurance service revenue (earned over time), not gross premiums recognised upfront. Profit emerges through CSM release and insurance service results. Net finance results represents difference between finance income from investment portfolio and interest accretion on the insurance contract liabilities.

Consequences:
Top line (insurance revenue) may appear lower especially in life insurance, but reflects economics more accurately. The timing of profit recognition shifts from current regimes, impacting key performance ratios (e.g. profit margins, ROE).

c. Statement of Cash flows

SLFRS 17 requires enhanced disclosures for cash flows related to insurance contracts, including information on:

Cash flows from insurance and reinsurance contracts. Separating operating and investing components. This provides users with a more precise view of actual risk and liquidity associated with contract fulfilment.

SLFRS 17 IMPACT ON FINANCIAL STATEMENTS

03. Disclosures and Presentations

SLFRS 17 has more extensive disclosure requirements than SLFRS 4, including: Reconciliation of CSM, risk adjustments, contractual liabilities, detailed assumptions, sensitivity analysis and grouping of contracts by profitability and risk profile.

Reporting Transparency Gains:

Enhanced comparability across reporting periods and companies Better visibility into the economics of insurance portfolios (risk, profitability, capital).

04. Implementation and Operational effects

Implementation challenges of SLFRS 17 include:

Significant system upgrades, actuarial modelling, and data infrastructure changes. Training and process changes across finance, actuarial, and IT teams. High initial cost and resource investment.

Ongoing Impacts:

More frequent re-measurement of assumptions. Increased volatility of reported profits due to assumption changes flowing through profit or loss or CSM.

05. Strategic and Stakeholder impact

Better Comparability & Investor Insight

Investors and regulators can compare across insurers regardless of contract types or local practices. Clear separation of insurance service results from investment income improves insight into core operations.

Profitability & Capital Metrics

Reported profitability may initially increase relative to prior reporting, especially in long-duration contracts. Equity and reserves are more aligned with economic values. Capital management and dividend policies may not require alignment with the new accounting profile.

SLFRS 17 replaces the longstanding SLFRS 4 standard, introducing a comprehensive model for the recognition, measurement, presentation and disclosure of insurance contracts.

Under SLFRS 17, insurance contract liabilities are measured at the current fulfilment value of future cash flows, inclusive of risk adjustments and a contractual service margin (CSM) representing unearned profit. Revenue is recognised as insurance service revenue over the period that insurance services are provided, rather than on receipt of premiums.

The transition impacts the balance sheet, with revised valuation of insurance liabilities and restatement of equity at the transition date. The income statement reflects the release of CSM as profit over time, significantly improving consistency and transparency of reported results.

Enhanced disclosures provide stakeholders with a clearer view of profitability, risk exposures, and assumptions driving insurance valuations. While implementation requires significant operational and system investment, the new standard aligns our reporting with best-practice global benchmarks, strengthening comparability and investor confidence.

SLFRS 17 journey highlights at HNBA in 2025

- Completion of Transition Opening Balance sheet based on Q1 dry run results
- Implemented secondary ledger for SLFRS 17 purpose and mirroring SLFRS 04 balances.
- Completion of parallel run for Q3 2025 (Version 01)
- Started KPMG Review



The Company made significant progress in its SLFRS 17 and SLFRS 9 implementation roadmap as stated above. The Company is on track to generate SLFRS 17 and SLFRS 9 compliant Financial Statements by Q3 of 2026.

COMPLIANCE SUMMARY

Annual Report Disclosure Requirements as per the Companies Act, No. 07 of 2007

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Relevant section in this Annual Report
Nature of the business of the Company and its subsidiary	Section 168 (1) (a)	Please refer page 312
Signed Consolidated Financial Statements of the Group for the accounting period completed	Section 168 (1) (b)	Please refer page 312
Auditors' Report on Consolidated Financial Statements of the Group	Section 168 (1) (c)	Please refer page 316
Changes in Accounting Policies made during the accounting period - Group and the Company	Section 168 (1) (d)	Please refer page 312
Particulars of entries in the Interests Register of the Company during the accounting period	Section 168 (1) (e)	Please refer page 315
Remuneration and other Benefits paid to the Directors of the Company and its subsidiary during the accounting period	Section 168 (1) (f)	Please refer page 315
Total amount of Donations made by the Company	Section 168 (1) (g)	Please refer page 318
Information on the Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Please refer page 314
Amounts payable to the Auditor as audit fees and fees for other services rendered to the Company and its subsidiary during the accounting period as a separate disclosure	Section 168 (1) (i)	Please refer page 316
Auditors' relationship or any interest with the Company and its subsidiary	Section 168 (1) (j)	Please refer page 316
Annual Report of the Board signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Please refer page 318

Disclosure Requirements as Per Schedule – P of The Code of Best Practice on Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka

Subject	Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Relevant section in this Annual Report
A. Annual Report	Chairman and CEO	A.2.1 and A.5.7	Please refer page 249
	Board Balance	A.5.5	Please refer page 249
	Appointment of New Directors	A.7.4	Please refer page 250
	Appraisal of Board Performance	A.9.4	Please refer page 251
	Board Related Disclosures	A.10.1	Please refer page 251
	Disclosure of Remuneration	B.3 and B.3.1	Please refer page 253
	Major and Material Transactions	C.3 , C.3.1 and C.3.3	Please refer page 255
	Risk Management & Internal Control	D.1.5, D.2.1.7, D.2.2.1, D.4.5	Please refer page 256 and 259
	Audit Committee	D.3.3	Please refer page 258
	Code of Business Conduct and Ethics	D.6.1, D.6.4 and D.6.7	Please refer page 259
	Communication with Shareholders	C.2.2, C.2.3,C.2.4,C.2.5, C.2.6,C.2.7	Please refer pages 254 to 255
	Sustainability: ESG Disclosures	H.5, H.5.2, H.5.3	Please refer page 261
B. Remuneration Committee Report	Members of Remuneration Committee	B.3.1	Please refer page 253
C. Directors' Report	Directors' Report	D.1.4	Please refer page 256
D. Financial Statements	Financial Statements	D.1.5	Please refer page 256
	Related Party Transactions	D.1.8	Please refer page 257
E. Management Report	Management Report	D.1.6	Please refer page 256
F. Corporate Governance Report	Corporate Governance Report	D.7.1	Please refer page 259
G. Audit Committee Report	Audit Committee Report	D.4.5, D.3.3	Please refer page 258
H. Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report	D.5.3	Please refer page 259
I. Statement on Internal Control	Statement on Internal Control	Schedule I	Please refer page 256

COMPLIANCE SUMMARY

REGULATORY REPORTS SUBMITTED TO IRCSL IN 2025

Submissions to IRCSL	Date of Submission		Deadline set by IRCSL
	HNB Assurance PLC	HNB General Insurance Limited	
Annual Audited Financial Statement for the year ended 31st December 2024	30th April 2025	30th April 2025	30th April 2025
Annual Statutory Returns for the year ended 31st December 2024	30th April 2025	30th April 2025	30th April 2025
Circular 29 Auditor's Compliance Certificate	30th April 2025	30th April 2025	30th April 2025
Risk Assessment Report	30th April 2025	30th April 2025	30th April 2025
Annual Claim Statistics for the year ended 31st December 2024	30th April 2025	30th April 2025	30th April 2025
Quarterly Returns and Compliance Certifications			
31st December 2024 (4th Quarter)	30th January 2025	30th January 2025	30th January 2025
31st March 2025 (1st Quarter)	30th April 2025	30th April 2025	30th April 2025
30th June 2025 (2nd Quarter)	30th July 2025	30th July 2025	30th July 2025
30th September 2025 (3rd Quarter)	30th October 2025	30th October 2025	30th October 2025
Statement of Reinsurance Arrangements	30th January 2025	31st January 2025	31st January 2025
Certified Copies of all Cover Notes in respect of Reinsurance Treaties	11th March 2025	14th March 2025	15th March 2025
The copy of the Board Paper on Approval of the Reinsurance Program & Board Minute Certified by the Board Secretary	11th March 2025	14th March 2025	15th March 2025
Actuarial Report and Abstracts	30th April 2025	30th April 2025	30th April 2025
Management Letter issued by the External Auditors for year ended 31st December 2024	30th April 2025	30th April 2025	30th April 2025
Information on Complaints handling and related performance (bi-annual basis submission)	30th January 2025 30th July 2025	30th January 2025 28th July 2025	30th January 2025 30th July 2025
Quarterly Advertisement Compliance Certificate			
31st December 2024 (4th Quarter)	15th January 2025	15th January 2025	15th January 2025
31st March 2025 (1st Quarter)	15th April 2025	09th April 2025	15th April 2025
30th June 2025 (2nd Quarter)	15th July 2025	15th July 2025	15th July 2025
30th September 2025 (3rd Quarter)	15th October 2025	09th October 2025	15th October 2025

Regulatory Returns Submission and Payments of the Company/Group

Information	Frequency of Submission	Compliance Status
Insurance Regulatory Commission of Sri Lanka (IRCSL)		
Annual Fee	Annually	Complied
CESS Payment	Quarterly	Complied
Colombo Stock Exchange (CSE)		
Listing Fee	Annually	Complied
Department of Inland Revenue		
Income Tax Payment	Quarterly	Complied
Income Tax Return	Annually	Complied
PAYE Tax Payment	Monthly	Complied
PAYE Tax Return	Annually	Complied
Value Added Tax (VAT) Payment	Monthly	Complied
Value Added Tax (VAT) Return	Quarterly	Complied
Stamp Duty Payment and Return	Quarterly	Complied
Social Security Contribution Levy Payment	Monthly	Complied
Social Security Contribution Levy Return	Quarterly	Complied
Withholding Tax (WHT) Payment	Monthly	Complied
Central Bank of Sri Lanka (CBSL)		
EPF Payment and Return	Monthly	Complied
Employees' Trust Fund Board		
ETF Payment and Return	Monthly	Complied
Registrar General of Companies		
Annual Accounts	Annually	Complied
Annual Returns	Annually	Complied
Change of Directors and Company Secretary (Form 20)	As required	Complied
National Council for Road Safety		
Contribution to Road Safety Fund Payment	Monthly	Complied
Commissioner of Motor Traffic		
Luxury and Semi Luxury Tax Payment	Monthly	Complied
National Insurance Trust Fund (NITF)		
Crop Insurance Levy	Quarterly	Complied

GLOSSARY

Acquisition Expenses

All direct and indirect expenses primarily related to acquiring new insurance contracts or renewing of the existing insurance contracts. Eg: Commission

Actuarial valuation

An analysis performed by an Actuary at a specific date, that compares the assets and liabilities to determine if the company holds adequate assets to fund the required liabilities.

Admissible Assets

Assets that included in determining an insurer's statutory solvency. Such assets are specified under the Rules made under the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto.

Beneficiary

An individual or entity named by the policyholder to receive the death benefit upon the insured person's demise.

Beta value of a share

A sensitivity measure of a share's price volatility relative to movements in the overall market index.

Claims

A formal request made by a policyholder to an insurance company for coverage or compensation for a loss or damage covered by the insurance Policy.

Claims Incurred

The total value of insurance claims that an insurance company expects to pay out during a specific period.

Claims Incurred But Not Reported (IBNR)

An estimate used in insurance accounting to represent claims that have occurred but have not yet been reported to the insurance company by policyholders or claimants.

Claims Incurred But Not Enough Reported (IBNER)

A reserve made in respect of property, liability and pecuniary insurances to cover the expected losses that have occurred and reported, but no comprehensive information is available to make adequate provisions as at the reporting date.

Claims Outstanding Reserve – General Insurance Business

The amount estimated to settle the claim arising out of an insured event which have occurred on or before the reporting date, excluding the amounts already paid in respect of those claims and the estimated amount in respect of Incurred But Not Reported (IBNR), Claims Incurred But Not Enough Reported (IBNER) claims and claims handling expenses.

Commission

The part of an insurance premium paid by the insurer to an agent or broker for his services in procuring and servicing the insurance.

Deferred Acquisition Cost – General Insurance Business

Acquisition costs relating to the unexpired risk period of those insurance contracts in force at the reporting date are carried forward from one accounting period to subsequent accounting periods.

Earnings Per Share (EPS)

Profit of the company after income tax expenses divided by the number of issued ordinary shares.

Ex-Gratia Payment

A voluntary payment made by the insurer in response to a loss for which it is not technically liable under the terms of the issued insurance policy.

Gross Written Premium

Premium to which the insurer is contractually entitled and received in the accounting period.

Insurance Contract

Insurance is a contract whereby one party the insurer, in return for a consideration i.e. the premium, undertakes to pay to the other party the insured sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.

Insurance Provision – Life Insurance

The fund or funds to be maintained by an insurer in respect of its long term insurance business in accordance with the Regulation of Insurance Industry Act No 43 of 2000.

Investment Contract

A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

Lapsed Policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test (LAT)

A periodical assessment of the sufficiency of insurance contract liabilities against the actuarial valuation liabilities.

Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

Net Written Premium

The remaining balance of the Gross Written Premium after the deduction of any premium expenses ceded to reinsurers.

Policy Loan

A loan granted by the insurer to the policyholder on the security of the surrender value of a Life insurance policy.

Premium Ceded to Reinsurers

The premium expense of the Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

Reinsurance

An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (cedent– the primary insurer) against part or all of the liability assumed by the cedent under policy or insurance policies.

Reinsurance Commission

Commission/discount obtained in respect of reinsurance premium expense to reinsurers.

Risk Based Capital (RBC)

Amount of required capital that the insurance company must maintain based on the inherent risks in the insurer's operations. These risks include asset depreciation risk, credit receivables risk, underwriting risk and off-balance-sheet risk.

Risk-based Capital Adequacy Ratio (CAR)

The CAR is a measurement of available capital expressed as a percentage of risk weighted credit exposures.

Surrender

Termination of an insurance policy by the insured before the expiry of its term.

Surrender Value

The sum payable by an insurance Company upon the surrender of a life insurance policy before it has run its full course.

Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Unearned Premium

The portion of insurance premiums that have been collected by an insurance company but have not yet been "earned" by providing coverage for the corresponding period.

Unearned Premium Reserve

A fund kept by General insurer to service the insurance policy for the remaining cover period after the reporting date.

Key Insurance Ratios

$$\text{Net Claims Ratio} = \frac{\text{Net Claims Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Expense Ratio} = \frac{\text{Net Expense Incurred} \times 100}{\text{Net Earned Premium}}$$

$$\text{Combined Ratio} = \frac{\text{(Net Incurred Claims \& Expenses)} \times 100}{\text{Net Earned Premium}}$$

$$\text{Risk-based Capital Adequacy Ratio (CAR)} = \frac{\text{Total Available Capital} \times 100}{\text{Risk Based Capital Required}}$$

GRI CONTENT INDEX

Statement of use	HNB Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2025 to 31st December 2025.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	There are no applicable sector standards as at 31st December 2025.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organisational details	515-516	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organisation's sustainability reporting	8				
	2-3 Reporting period, frequency and contact point	8				
	2-4 Restatements of information	8				
	2-5 External assurance	126-130 and 329-332				
	2-6 Activities, value chain and other business relationships	56-57				
	2-7 Employees	146-162				
	2-8 Workers who are not employees	154				
	2-9 Governance structure and composition	234				
	2-10 Nomination and selection of the highest governance body	240				
	2-11 Chair of the highest governance body	230-231				
	2-12 Role of the highest governance body in overseeing the management of impacts	238-239				
	2-13 Delegation of responsibility for managing impacts	238-239				
	2-14 Role of the highest governance body in sustainability reporting	322-323				
	2-15 Conflicts of interest	238				
	2-16 Communication of critical concerns	238				
	2-17 Collective knowledge of the highest governance body	215-219				
	2-18 Evaluation of the performance of the highest governance body	242				
	2-19 Remuneration policies	243				
	2-20 Process to determine remuneration	243				
	2-21 Annual total compensation ratio	243				
	2-22 Statement on sustainable development strategy	74-79				
	2-23 Policy commitments	235				
	2-24 Embedding policy commitments	238 and 243-244				
	2-25 Processes to remediate negative impacts	154				
	2-26 Mechanisms for seeking advice and raising concerns	238				
	2-27 Compliance with laws and regulations	7				
	2-28 Membership associations	7, 235				
	2-29 Approach to stakeholder engagement	58-60				
	2-30 Collective bargaining agreements	149				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	70	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	72-73				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	133-145				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	24-25				
	201-2 Financial implications and other risks and opportunities due to climate change	68-69 and 120-121				
	201-3 Defined benefit plan obligations and other retirement plans	153 and 443-446				
	201-4 Financial assistance received from government	-		Not applicable	The Group does not receive any financial benefit from the Government	
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	72-73				
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	200-202				
	203-2 Significant indirect economic impacts	200-202				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	139				
GRI 207: Tax 2019	207-1 Approach to tax	139 and 461-464				
	207-2 Tax governance, control, and risk management	461-464				
	207-3 Stakeholder engagement and management of concerns related to tax	60				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	72-73				
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	204-210				
	302-2 Energy consumption outside of the organisation	-				
	302-3 Energy intensity	83 and 207				
	302-4 Reduction of energy consumption	207				
	302-5 Reductions in energy requirements of products and services	-				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	207-210				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	-				
	303-2 Management of water discharge-related impacts	-				
	303-3 Water withdrawal	-				
	303-4 Water discharge	-				
	303-5 Water consumption	207				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	83 and 208				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	118				
	305-2 Energy indirect (Scope 2) GHG emissions	118				
	305-3 Other indirect (Scope 3) GHG emissions	118				
	305-4 GHG emissions intensity	83				
	305-5 Reduction of GHG emissions	208				
	305-6 Emissions of ozone-depleting substances (ODS)	-				
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-				
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	207				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	-				
	306-2 Management of significant waste-related impacts	-				
	306-3 Waste generated	-				
	306-4 Waste diverted from disposal	-				
	306-5 Waste directed to disposal	-				
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	146-162				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	153				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	153-154				
	401-3 Parental leave	160				
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	146-162				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	154				
	404-2 Programs for upgrading employee skills and transition assistance programs	154-156				
	404-3 Percentage of employees receiving regular performance and career development reviews	154				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	146-162				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	146-162 and 237				
	405-2 Ratio of basic salary and remuneration of women to men	158				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Non-discrimination						
GRI 3: Material Topics 2021	3-3 Management of material topics	146-162				
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	154				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	200-203				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	201-202				
	413-2 Operations with significant actual and potential negative impacts on local communities	-				
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	180-187				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	180				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	180				
Marketing and labelling						
GRI 3: Material Topics 2021	3-3 Management of material topics	180-187				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	-				
	417-2 Incidents of non-compliance concerning product and service information and labelling	180				
	417-3 Incidents of non-compliance concerning marketing communications	-				
Customer privacy						
GRI 3: Material Topics 2021	3-3 Management of material topics	180-187				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	180				

NOTICE OF MEETING

Notice is hereby given that the Twenty Fourth (24th) Annual General Meeting of HNB Assurance PLC will be convened on Monday the Thirtieth (30th) day of March 2026, at the Auditorium on Level 22 of "HNB Towers", at No: 479, T. B. Jayah Mawatha, Colombo 10 at 10.00 in the forenoon when the following business will be transacted.

i. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company along with the Financial Statements of the Company for the year ended 31st December 2025 and the Auditors' Report thereon.

ii. To declare a first and final dividend of Rs. 5.00 per share for the year 2025, to the shareholders as recommended by the Board of Directors.

iii. To re-elect Mr. Lokugan Hewage Ananda Lakshman Silva, who retires by rotation in terms of Article 27(7) of the Articles of Association of the Company and offers himself for re-election.

iv. To appoint Messrs. Ernst & Young (EY) Chartered Accountants, as recommended by the Board of Directors, as the Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.

v. To authorise the Directors to determine payments for the year 2026 for charitable and other purposes.

vi. Special Business
To consider and if thought fit to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 8 (1) of the Companies Act No.7 of 2007, the name of the Company be and is hereby changed from HNB Assurance PLC to HNB Life PLC."

The circular to shareholders regarding the 'Circulation of the Annual Report to the Shareholders' has been uploaded to the Company's website and may be accessed via the links below:
https://www.hnbassurance.com/download

The Annual report of HNB Assurance PLC for 2025 will be available via the links below once the Financial Statements for the year ended 31st December 2025 are released to the Colombo Stock Exchange:

(1) Company Website:
https://www.hnbassurance.com/finance

(2) Colombo Stock Exchange:
https://www.cse.lk/company-profile?symbol=HASU.N0000

By Order of the Board
HNB ASSURANCE PLC



Jansenidevi Sundararajan Kuhanesan
Board Secretary
Colombo, Sri Lanka.

24th February 2026

NOTES:

1. A member entitled to attend or attend and vote at the meeting is entitled to appoint a proxy to attend or attend and vote as the case may be, in his stead.
2. A proxy need not be a member of the Company. The Form of Proxy is enclosed.
3. The completed Form of Proxy should be deposited with the Board Secretary at the Corporate Office of the Company at Board Secretariat Division, 4th Floor, "Iceland Business Centre", No: 30, Sri Uttarananda Mawatha, Colombo 3, not later than 24 hours before the time appointed for holding the meeting.

FORM OF PROXY

I/We .....

of ..... being *a

member/members of the HNB Assurance PLC, hereby appoint .....of

.....

or failing him/her Stuart Anthony Chapman, or failing him Ashoka Goonesekere, or failing him Lintotage Udaya Damien Fernando, or failing him Lokugan Hewage Ananda Lakshman Silva, or failing him Prasanna Sankalpa Gamwarige, or failing him Ananda Kithsiri Wijenayaka Jayawardane, or failing him Pawla Hewage Lasitha Niroshan Wimalaratne, or failing him Wijesingha Arachchige Poornima Anuradhi Ranawaka as *my/our proxy, to represent *me/us and to vote for *me/us on *my/our behalf on the resolutions (including the under mentioned) at the Twenty Fourth (24th) Annual General Meeting of the Company to be convened on Monday the Thirtieth (30th) day of March 2026 at 10.00 in the forenoon at the Auditorium on Level 22 of "HNB Towers" at No: 479, T. B. Jayah Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

1.	To receive, consider and adopt the Annual Report for the financial year ended 31st December 2025 with the Report of the Auditors thereon	In favour	
		Against	
2.	To declare a first and final dividend of Rs. 5.00 per share	In favour	
		Against	
3.	To re-elect Mr. Lokugan Hewage Ananda Lakshman Silva, who retires by rotation in terms of Article 27(7) of the Articles of Association, as a Director of the Company	In favour	
		Against	
4.	To appoint Messrs. Ernst & Young (EY) Chartered Accountants, as recommended by the Board of Directors, as the Auditors for the ensuing year and to authorise the Board of Directors to fix their remuneration.	In favour	
		Against	
5.	To authorise the Board of Directors to determine payments for charitable and other purposes	In favour	
		Against	
6.	Special Business To change the name of the Company from 'HNB Assurance PLC' to 'HNB Life PLC'	In favour	
		Against	

Mark your preference with "✓"

Signed this..... day 2026

Please provide the details :

Shareholder's NIC No./Company Registration No. .....

Folio No./Number of Shares held .....

Proxy holder's NIC No. (if not a Director) .....

....

Signature/s Signature/s

Notes: See reverse hereof for instructions to complete the Form of
**Delete inappropriate words*

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.

2. The completed Form of Proxy should be deposited with the Board Secretary at the Corporate Office of the Company located at Board Secretariat Division, 4th Floor, 'Iceland Business Centre', No: 30, Sri Uttarananda Mawatha, Colombo 3, not later than 24 hours before the time appointed for the Meeting.

3. The Proxy shall:

   (a) in the case of an individual, be signed by the shareholder or by his attorney. If signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Form of Proxy, if it has not already been registered with the Company.

   (b) in the case of a company or corporate body, be executed under its Common Seal or signed by its attorney or by an officer on behalf of the company or corporate body, in accordance with the Articles of Association of that company or corporate body.

   The Company may but shall not be obligated to require evidence of the authority of such an attorney or officer.

   (c) in the case of joint-holders, the first joint-holder shall have the power to sign the Form of Proxy without the concurrence of the other joint-holder/s.

4. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should, as far as possible, be placed in proximity to the alteration or addition being authenticated.

5. Kindly be informed that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of votes for and against the resolution.

STAKEHOLDER FEEDBACK FORM

To request information or submit a comment / query to the company, please complete the following and return this page to,

Board Secretary

HNB Assurance PLC,
Board Secretariat Division
Iceland Business Center
No.30, Sri Uttarananda Mawatha,
Colombo 03,
Sri Lanka.
Fax: 0112337423
E-mail: board.secretariat@hnbassurance.com

Name: .....

Permanent Mailing Address: .....

Contact Number (Tel): ....
Country Code Area Code Number

(Fax): ....
Country Code Area Code Number

E-mail:.....

Name of Company:.....
(If Applicable)

Designation:.....
(If Applicable)

Company Address:.....
(If Applicable)

Comments/Queries:.....

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CORPORATE INFORMATION

GENERAL INFORMATION

NAME OF THE COMPANY

HNB Assurance PLC

SUBSIDIARY

HNB General Insurance Limited is the fully owned subsidiary of HNB Assurance PLC

General	HNB Assurance PLC	HNB General Insurance Limited
Legal Form	Public Limited Liability Company incorporated in Sri Lanka on 23rd August 2001 under the companies Act No 17 of 1982 and re-registered under the companies Act No.07 of 2007 and quoted in the Colombo Stock Exchange in 28th November 2003.	Limited Liability Company, incorporated in Sri Lanka on 30th January 2014 under the companies Act No.07 of 2007.
Company Registration Number	PQ 108	PB 5167
Principal Activities	Life Insurance Business	General Insurance Business
Accounting Year-end	31st December	31st December
National Insurer Financial Strength Rating	A(lka) Fitch Ratings	A(lka) Fitch Ratings
Taxpayer Identification Number (TIN)	134009373	139051670
VAT Registration Number	134009373-7000	139051670-7000
Principal Officer	Lasitha Wimalaratne	Sithumina Jayasundara
Specified Officer	Dinesh Udawatta	Sithumina Jayasundara
Company Secretary	Jansenidevi Sundararajan	Yoga Gunadasa
Compliance Officer	Madhubhashini Bakmedeniya	Yoga Gunadasa
Chief Financial Officer	Ruwan Rodrigo	Roshan Kularathne – Head of Finance
Contact Information	Telephone : +9411 4793700 E-mail : info@hnbassurance.com Web : www.hnbassurance.com Assurance Line : 1301	Telephone : +9411 4676700 E-mail : info@hnbgeneral.com Web : www.hnbgeneral.com Hot Line : 1303

REGISTERED OFFICE

No.479, T B Jayah Mawatha, Colombo 10, Sri Lanka

PRINCIPAL OFFICE

No.30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03, Sri Lanka.

PROFESSIONAL EXPERTISE -HNBA GROUP

REGISTRARS

Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre 341/5, Kotte Road, Rajagiriya, Sri Lanka.

CONSULTANT ACTUARIES

Life Insurance & General Insurance

Willis Towers Watson India Private Limited
7th Floor, Emaar Capital Towers 2, Mehrauli-Gurgaon Road| Units 07-001,07-002A,07004B|Sector 26|Sikanderpur Ghosi|Gurugram- 122 002
Haryana, India

GRATUITY

Actuarial & Management Consultants (Pvt) Limited.
No. 434, R A De Mel Mawatha, Colombo 03.

EXTERNAL AUDITORS

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186, Colombo 03, Sri Lanka

TAX CONSULTANT

Amerasekera & Co.

CORPORATE INFORMATION

BOARD OF DIRECTORS

S A Chapman
Chairman- Non-Independent/Non-Executive Director (HNBA/HNBGI)

A Goonesekere
Senior Independent/Non-Executive Director (HNBA)

L U D Fernando
Non-Independent/Non-Executive Director (HNBA/HNBGI)

L H A L Silva
Independent/Non-Executive Director (HNBA)

Dr. P S Gamwarige
Independent/Non-Executive Director (HNBA)

P R Saldin
Non-Independent/Non-Executive Director (HNBA)
- ceased to be a Director w.e.f 16th January 2026

Prof. A K W Jayawardane
Non-Independent/Non-Executive Director (HNBA)

P H L N Wimalaratne
Non- Independent /Executive Director (HNBA)

W A P A Ranawaka
Non-Independent /Non-Executive Director (HNBA)

D Dharmadasa
Senior Independent /Non-Executive Director (HNBGI)

M S Wijemanne
Non-Independent /Non-Executive Director (HNBGI)

A V Abeygunasekara
Non-Independent /Non-Executive Director (HNBGI)

P Abeygunawardena
Independent/Non-Executive Director (HNBGI)

J M J S D Jayasundara
Non-Independent /Executive Director (HNBGI)

BOARD SUB COMMITTEES

Audit Committee

A Goonesekere - Chairman
L U D Fernando
Dr. P S Gamwarige

Risk Management Committee

L H A L Silva - Chairman
S A Chapman
Prof. A K W Jayawardane
P H L N Wimalaratne
W A P A Ranawaka
P Abeygunawardena
J M J S D Jayasundara

Related Party Transactions Review Committee

A Goonesekere - Chairman
L U D Fernando
Dr. P S Gamwarige
P H L N Wimalaratne

Strategy Review Committee

S A Chapman - Chairman
L U D Fernando
Prof. A K W Jayawardane
P H L N Wimalaratne
M S Wijemanne
D Dharmadasa
P Abeygunawardena
J M J S D Jayasundara

Remuneration & Human Resources Committee

Dr. P S Gamwarige - Chairman
S A Chapman
A Goonesekere

Investment Committee

L H A L Silva - Chairman
A Goonesekere
P H L N Wimalaratne
A V Abeygunasekara
J M J S D Jayasundara

Nominations & Governance Committee

L H A L Silva - Chairman
S A Chapman
A Goonesekere
L U D Fernando
Dr. P S Gamwarige

REINSURANCE PANEL

Life Insurance

Munich Re
RGA
Hannover Re

General Insurance

Best Meridian International Insurance Company SPC (CICA Re)
AmFirst Specialty Insurance Company
MISR Insurance Company
The New India Assurance Co Ltd (IIO – Gift City Office)
Swiss Re Asia Pvt Ltd
The Asian Reinsurance Corporation
Petro Vietnam Insurance (PVI)
National Insurance Trust Fund (NITF)
Himalayan Reinsurance Limited
PT Asuransi Tugu Pratama Indonesia Tbk
Lancashire Syndicates Limited (9329 at Lloyds)
Antares Syndicate 1274 (AUL 1274 at Lloyds)
Ocean Underwriting Consortium 4872
Fidelis Underwriting Limited (Navium Marine Limited)
Probitas Syndicate 1492 (The AdA Specialty Consortium 4769)
Hannover Rück SE

BANKERS

Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
National Savings Bank
LOLC Finance PLC
HNB Finance PLC
People's Bank
State Mortgage & Investment Bank
Sanasa Development Bank
Housing Development Finance Corporation Bank of Sri Lanka
DFCC Bank PLC
Pan Asia Banking Corporation PLC
National Development Bank PLC
Seylan Bank PLC
Amana Bank PLC
Regional Development Bank
Union Bank of Colombo PLC
Nations Trust Bank PLC
Cargills Bank PLC

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emagewise
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No.30, Iceland Business Centre,
Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka.

www.hnbassurance.com