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A LEGACY OF

20 Years 

H N B ASSURANCE PLC
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH 2022

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Mar 2022 Rs. '000	31st Dec 2021 Rs. '000
Assets					
Property, Plant and Equipment		280,730	282,884	140,891	141,390
Right of Use Assets		377,136	395,148	343,513	362,336
Intangible Assets		58,348	63,180	53,322	57,839
Deferred Tax Assets		278,130	291,832	245,940	273,543
Financial Investments	3	30,084,199	29,094,085	25,610,761	24,667,102
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		404,056	403,452	404,056	403,452
Reinsurance Receivables		1,163,588	1,072,206	345,733	317,009
Premium Receivables		1,630,551	1,247,997	87,496	7,822
Other Assets		743,848	747,946	566,018	507,528
Insurance Contract - Deferred Expenses		179,684	157,710	-	-
Cash and Cash Equivalents		2,195,322	2,112,745	1,209,232	1,575,931
Total Assets		37,395,592	35,869,185	30,156,962	29,463,952
Equity and Liabilities					
Equity Attributable to the Equity Holders					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		6,400,152	6,644,680	5,158,177	5,548,813
Available for Sale Reserve		(107,920)	4,009	(25,324)	4,446
Other Reserve		(11,421)	(11,421)	(6,614)	(6,614)
Life Policyholders' Available for Sale Reserve Fund	5	(961,631)	(67,291)	(961,631)	(67,291)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		6,872,211	8,123,008	5,717,639	7,032,385
Non-Controlling Interest		-	-	-	-
Total Equity		6,872,211	8,123,008	5,717,639	7,032,385
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	21,772,460	20,342,757	21,772,460	20,342,757
Insurance Contract Liabilities - General Insurance	8	4,234,737	3,735,922	-	-
Employee Defined Benefit Liabilities		253,310	239,167	146,634	137,328
Current Tax Liabilities		23,430	62,168	9,936	19,871
Reinsurance Creditors		1,327,351	1,085,512	540,907	453,054
Lease Creditors		408,525	421,838	375,539	390,374
Other Liabilities		2,333,799	1,747,148	1,523,860	1,034,819
Bank Overdrafts		169,769	111,665	69,987	53,364
Total Liabilities		30,523,381	27,746,177	24,439,323	22,431,567
Total Equity and Liabilities		37,395,592	35,869,185	30,156,962	29,463,952


The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

These Condensed Consolidated Interim Financial Statements are in compliance with the requirements of the Companies Act, No. 07 of 2007.



Punsirini Perera
Chief Financial Officer

The Board of Directors is responsible for these Condensed Consolidated Interim Financial Statements.
Signed on behalf of the Board;



Rose Cooray
Chairperson

Colombo, Sri Lanka
29th April 2022



Ashoka Goonesekere
Director

Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change	
(Audited)	Year Ended	For the Three Month Ended 31st March,		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
31 st Dec 2021	Rs. '000	Note	2022	2021	2022	2021	%	%	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%		
12,646,947	Gross Written Premium	9	4,271,818	3,222,956	2,349,600	1,666,630	33	41	
(1,648,861)	Premium Ceded to Reinsurers		(574,886)	(427,635)	(110,307)	(79,380)	34	39	
10,998,086	Net Written Premium		3,696,932	2,795,321	2,239,293	1,587,250	32	41	
(242,252)	Net Change in Reserves for Unearned Premium		(375,473)	(242,436)	-	-	55	-	
10,755,834	Net Earned Premium		3,321,459	2,552,885	2,239,293	1,587,250	30	41	
Other Revenue									
2,555,274	Interest and Dividend Income	10	767,018	615,705	662,605	527,713	25	26	
52,921	Net Realised Gains		2,268	8,099	-	7,572	(72)	(100)	
79,128	Net Fair Value Gains		169,167	47,767	9,837	29,342	254	(66)	
225,738	Fee and Commission Income		62,182	94,082	23,605	54,056	(34)	(56)	
13,334	Other Income		3,864	4,539	250	185	(15)	35	
2,926,395	Total Other Revenue		1,004,499	770,192	696,297	618,868	30	13	
13,682,229	Net Income		4,325,958	3,323,077	2,935,590	2,206,118	30	33	
Net Benefits, Claims and Expenses									
(4,223,290)	Net Insurance Benefits and Claims		(1,356,348)	(1,025,119)	(526,733)	(419,933)	32	25	
(3,249,356)	Change in Contract Liabilities - Life Fund		(1,416,615)	(1,035,084)	(1,416,615)	(1,035,084)	37	37	
(2,892,824)	Other Operating and Administration Expenses		(828,942)	(637,210)	(503,223)	(364,689)	30	38	
(1,456,258)	Underwriting and Net Acquisition Costs		(436,225)	(363,158)	(346,557)	(268,707)	20	29	
(112,123)	Finance and Other Insurance Related Costs		(29,525)	(30,890)	(25,495)	(21,184)	(4)	20	
(11,933,851)	Total Benefits, Claims and Other Expenses		(4,067,655)	(3,091,461)	(2,818,623)	(2,109,597)	32	34	
1,748,378	Profit Before Taxation		258,303	231,616	116,967	96,521	12	21	
(524,730)	Income Tax Expense	11	(22,831)	(134,971)	(27,603)	(126,044)	(83)	(78)	
1,223,648	Profit for the Period	12	235,472	96,645	89,364	(29,523)	144	403	
Other Comprehensive Income, Net of Related Tax									
Items that are or may be reclassified to profit or loss									
(914,208)	- Net Change in fair value of Available For Sale Financial Assets		(1,015,398)	(172,539)	(924,110)	(155,190)	489	495	
(9,490)	- Realised Gains transferred to Income Statement		-	(5,874)	-	(5,874)	100	100	
825,224	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		894,340	158,658	894,340	158,658	464	464	
8,729	- Related Tax	11	9,129	8,758	-	-	4	-	
Items that will never be reclassified to profit or loss									
44,140	- Actuarial Gains on Defined Benefit Plans		-	-	-	-	-	-	
(4,041)	- Related Tax	11	-	-	-	-	-	-	
(49,646)	Total Other Comprehensive Income for the Period, Net of Related Tax		(111,929)	(10,997)	(29,770)	(2,406)	918	1,137	
1,174,002	Total Comprehensive Income for the Period		123,543	85,648	59,594	(31,929)	44	287	
Profit Attributable to:									
1,223,648	Equity Holders of the Company		235,472	96,645	89,364	(29,523)	144	403	
-	- Non-Controlling Interest		-	-	-	-	-	-	
Total Comprehensive Income Attributable to:									
1,174,002	Equity Holders of the Company		123,543	85,648	59,594	(31,929)	44	287	
-	- Non-Controlling Interest		-	-	-	-	-	-	
8.16	Basic and Diluted Earnings Per Share (Rs.)	13	1.57	0.64	0.60	(0.20)	144	403	

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity - Group

For the Period Ended 31st March,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' AFS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	96,645	-	-	-	-	96,645
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(169,655)	-	-	-	(169,655)
Net Change in fair value of Available For Sale Financial Assets	-	-	(169,655)	-	-	-	(169,655)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	159,658	-	-	-	159,658
Total Other Comprehensive Income for the Period	-	-	(10,997)	-	-	-	(10,997)
Total Comprehensive Income for the Period	-	96,645	(10,997)	-	-	-	85,648
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(158,658)	-	(158,658)
- transferred from Available For Sale Reserve	-	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	-	5,517,677	-	-	-	-	5,517,677
Unaudited balance as at 31st March 2021	1,171,875	5,517,677	82,757	(51,520)	599,275	381,156	7,701,220
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	1,127,003	-	-	-	-	1,127,003
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(745,314)	-	-	-	(745,314)
Net Change in fair value of Available For Sale Financial Assets	-	-	(745,314)	-	-	-	(745,314)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- Itemised to Life Policyholders' Available For Sale Reserve Fund	-	-	666,566	-	-	-	666,566
Actuarial Gains on Defined Benefit Plans	-	-	-	40,089	-	-	40,089
Total Other Comprehensive Income for the Period	-	-	(78,748)	40,089	-	-	(38,659)
Total Comprehensive Income for the Period	-	1,127,003	(78,748)	40,089	-	-	1,088,354
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(666,566)	-	(666,566)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	-	-	-	-	-	-
Audited balance as at 31st December 2021	1,171,875	6,844,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Balance as at 01st January 2022	1,171,875	6,844,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Comprehensive Income for the Period	-	235,472	-	-	-	-	235,472
Profit for the Period-Unaudited	-	235,472	-	-	-	-	235,472
Other Comprehensive Income for the Period, Net of Related Tax	-	-	(1,006,269)	-	-	-	(1,006,269)
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,006,269)	-	-	-	(1,006,269)
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	894,340	-	-	-	894,340
Total Other Comprehensive Income for the Period	-	-	(111,929)	-	-	-	(111,929)
Total Comprehensive Income for the Period	-	235,472	(111,929)	-	-	-	123,543
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(894,340)	-	(894,340)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Parent	-	(480,000)	-	-	-	-	(480,000)
Dividend to equity holders for 2021	-	6,400,152	-	-	-	-	6,400,152
Unaudited balance as at 31st March 2022	1,171,875	6,400,152	(107,920)	(11,421)	(961,631)	381,156	6,872,211

Stated Capital represents 150 Million Ordinary Shares as at 31st March 2022 (2021 - 150 Million).

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity - Company

For the Period Ended 31st March,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Policyholders' AFS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021	1,171,875	4,868,314	15,626	(33,916)	757,933	381,156	7,261,988
Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	(29,523)	-	-	-	-	(29,523)
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(161,064)	-	-	-	(161,064)
Net Change in fair value of Available For Sale Financial Assets	-	-	(161,064)	-	-	-	(161,064)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	158,658	-	-	-	158,658
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(2,406)	-	-	-	(2,406)
Total Other Comprehensive Income for the Period	-	(29,523)	(2,406)	-	-	-	(31,929)
Total Comprehensive Income for the Period	-	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(158,658)	-	(158,658)
- transferred from Available For Sale Reserve	-	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	-	-	-	-	-	-	-
Unaudited balance as at 31st March 2021	1,171,875	4,518,791	13,220	(33,916)	599,275	381,156	6,650,401
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	1,030,022	-	-	-	-	1,030,022
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(675,340)	-	-	-	(675,340)
Net Change in fair value of Available For Sale Financial Assets	-	-	(675,340)	-	-	-	(675,340)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	666,586	-	-	-	666,586
Actuarial Gains on Defined Benefit Plans	-	-	-	27,302	-	-	27,302
Total Other Comprehensive Income for the Period	-	-	(6,774)	27,302	-	-	20,528
Total Comprehensive Income for the Period	-	1,030,022	(8,774)	27,302	-	-	1,048,550
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(666,566)	-	(666,566)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	-	-	-	-	-	-
Audited balance as at 31st December 2021	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Balance as at 01st January 2022	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	89,364	-	-	-	-	89,364
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(924,110)	-	-	-	(924,110)
Net Change in fair value of Available For Sale Financial Assets	-	-	(924,110)	-	-	-	(924,110)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	894,340	-	-	-	894,340
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(29,770)	-	-	-	(29,770)
Total Other Comprehensive Income for the Period	-	-	(29,770)	-	-	-	(29,770)
Total Comprehensive Income for the Period	-	89,364	(29,770)	-	-	-	59,594
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(894,340)	-	(894,340)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(480,000)	-	-	-	-	(480,000)
Dividend to equity holders for 2021	-	-	-	-	-	-	-
Unaudited balance as at 31st March 2022	1,171,875	5,158,177	(25,324)	(6,614)	(961,631)	381,156	5,177,639

Stated Capital represents 150 Million Ordinary Shares as at 31st March 2022 (2021 - 150 Million).

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Cash Flows

<i>For the Period Ended 31st March,</i>	Group		Company		
		Unaudited 2022	Unaudited 2021	Unaudited 2022	Unaudited 2021
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities					
Profit Before Taxation		258,303	231,616	116,967	96,521
<i>Adjustments for:</i>					
Interest Income	10	(763,610)	(612,941)	(659,226)	(525,013)
Dividend Income	10	(3,408)	(2,764)	(3,379)	(2,700)
Amortisation of Intangible Assets		5,199	5,325	4,884	5,010
Depreciation of Property, Plant and Equipment		16,989	13,919	11,396	9,769
Net Depreciation of Right of Use Assets		33,696	32,262	31,685	30,205
Interest Expense of Lease Creditors		11,775	12,448	10,877	11,753
Provision for Employee Benefits		16,758	14,032	10,509	8,282
Net Realised Gains		(2,268)	(8,099)	-	(7,572)
Net Fair Value Gains		(169,167)	(47,767)	(9,837)	(29,342)
Gains on Disposal of Property, Plant and Equipment		(219)	(65)	(181)	(74)
		(595,952)	(362,034)	(486,305)	(403,161)
Net Change in Operating Assets	A	(477,237)	(182,461)	(165,861)	(26,139)
Net Change in Operating Liabilities	B	2,263,460	1,328,923	1,526,597	1,013,032
Cash Flows from Operating Activities		1,190,271	784,428	874,431	583,732
Gratuity Paid		(2,616)	(6,018)	(1,203)	(5,519)
Income Tax Paid		(38,738)	(25,758)	(9,935)	-
Net Cash Generated from Operating Activities		1,148,917	752,652	863,293	578,213
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(65,384,581)	(43,050,496)	(54,411,488)	(32,878,293)
Proceeds from Maturity of Financial Investments		63,162,100	42,031,610	52,478,698	32,098,965
Proceeds from Sale of Financial Investments		231,002	270,723	-	209,715
Interest Received		921,013	666,971	734,084	564,171
Dividend Received		1,777	1,889	1,748	1,825
Acquisition of Intangible Assets		(367)	(1,830)	(367)	(1,830)
Acquisition of Property, Plant and Equipment		(15,162)	(26,150)	(11,182)	(16,337)
Proceeds from the Disposal of Property, Plant and Equipment		546	771	466	671
Advance Paid to Right of Use Asset		(2,550)	(3,522)	(2,550)	(3,522)
Net Cash Used in Investing Activities		(1,086,222)	(110,034)	(1,210,591)	(24,635)
Cash Flows from Financing Activities					
Payment of Lease Liabilities		(38,222)	(24,691)	(36,024)	(22,182)
Net Cash Used in Financing Activities		(38,222)	(24,691)	(36,024)	(22,182)
Net Increase/(Decrease) in Cash and Cash Equivalents		24,473	617,927	(383,322)	531,396
Cash and Cash Equivalents at the beginning of the Period		2,001,080	586,806	1,522,567	339,618
Cash and Cash Equivalents at the end of the Period	C	2,025,553	1,204,733	1,139,245	871,014

Notes to the Statement of Cash Flows

<i>For the Period Ended 31st March,</i>	Group		Company	
	Unaudited 2022	Unaudited 2021	Unaudited 2022	Unaudited 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(21,974)	2,674	-	-
Increase in Loans to Life Policyholders	(604)	(9,740)	(604)	(9,740)
Increase in Reinsurance Receivables	(91,382)	(29,194)	(28,724)	(24,026)
Increase in Premium Receivables	(382,554)	(199,387)	(79,674)	(9,202)
Decrease/(Increase) in Other Assets	19,277	53,186	(56,859)	16,829
Net Change in Operating Assets	(477,237)	(182,461)	(165,861)	(26,139)
B. Change in Operating Liabilities				
Increase/(Decrease) in Other Liabilities	93,103	(123,237)	9,041	(77,776)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	1,429,703	1,062,028	1,429,703	1,062,028
Increase in Insurance Contract Liabilities - General Insurance	498,815	216,325	-	-
Increase in Reinsurance Creditors	241,839	173,807	87,853	28,780
Net Change in Operating Liabilities	2,263,460	1,328,923	1,526,597	1,013,032
C. Cash and Cash Equivalents at the end of the Period				
Cash in Hand and at Bank	2,195,322	1,284,908	1,209,232	923,770
Bank Overdrafts	(169,769)	(80,175)	(69,987)	(52,756)
Cash and Cash Equivalents	2,025,553	1,204,733	1,139,245	871,014

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and at bank, net of outstanding bank overdraft as shown above.

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st March 2022		31st December 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	140,891	139,839	141,390	141,494
Right of Use Assets	343,513	33,623	362,336	32,812
Intangible Assets	53,322	5,026	57,839	5,341
Deferred Tax Assets	245,940	32,190	273,543	18,289
Financial Investments	25,610,761	4,473,438	24,667,102	4,426,983
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	404,056	-	403,452	-
Reinsurance Receivables	345,733	817,855	317,009	755,197
Premium Receivables	87,496	1,543,055	7,822	1,240,175
Other Assets	566,018	222,854	507,528	253,966
Insurance Contract - Deferred Expenses	-	179,684	-	157,710
Cash and Cash Equivalents	1,209,232	986,090	1,575,931	536,814
Total Assets	30,156,962	8,433,654	29,463,952	7,568,781
Liabilities				
Insurance Contract Liabilities - Life Insurance	21,772,460	-	20,342,757	-
Insurance Contract Liabilities - General Insurance	-	4,234,737	-	3,735,922
Employee Defined Benefit Liabilities	146,634	106,676	137,328	101,839
Current Tax Liabilities	9,936	13,494	19,871	42,297
Reinsurance Creditors	540,907	786,444	453,054	632,458
Lease Creditors	375,539	32,986	390,374	31,464
Other Liabilities	1,523,860	854,963	1,034,819	725,877
Bank Overdrafts	69,987	99,782	53,364	58,301
Total Liabilities	24,439,323	6,129,082	22,431,567	5,328,158

Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	31st March 2022		31st March 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	2,349,600	1,975,790	1,666,630	1,599,819
Premium Ceded to Reinsurers	(110,307)	(464,579)	(79,380)	(348,255)
Net Written Premium	2,239,293	1,511,211	1,587,250	1,251,564
Net Change in Reserves for Unearned Premium	-	(375,473)	-	(242,436)
Net Earned Premium	2,239,293	1,135,738	1,587,250	1,009,128
Other Revenue				
Interest and Dividend Income	662,605	104,413	527,713	87,992
Net Realised Gains	-	2,268	7,572	527
Net Fair Value Gains	9,837	159,330	29,342	18,425
Fee and Commission Income	23,605	46,429	54,056	48,093
Other Income	250	3,614	185	4,354
Total Other Revenue	696,297	316,054	618,868	159,391
Net Income	2,935,590	1,451,792	2,206,118	1,168,519
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(526,733)	(829,886)	(419,933)	(605,738)
Change in Contract Liabilities - Life Fund	(1,416,615)	-	(1,035,084)	-
Other Operating and Administration Expenses	(503,223)	(382,653)	(364,689)	(318,814)
Underwriting and Net Acquisition Cost	(346,557)	(93,887)	(268,707)	(99,166)
Finance and Other Insurance Related Costs	(25,495)	(4,030)	(21,184)	(9,706)
Total Benefits, Claims and other Expenses	(2,818,623)	(1,310,456)	(2,109,597)	(1,033,424)
Profit Before Taxation	116,967	141,336	96,521	135,095
Income Tax Expense	(27,603)	4,772	(126,044)	(8,927)
Profit for the Period	89,364	146,108	(29,523)	126,168

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

HNB Assurance PLC ("the Company") is a public limited liability Company incorporated on 23rd August 2001 and domiciled in Sri Lanka. 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 Uttaranda Mawatha, Colombo 03. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

The Group's controlling entity and ultimate parent undertaking is Hatton National Bank PLC which is a licensed Commercial Bank incorporated in Sri Lanka.

b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 29th April 2022.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 31st March 2022 are provisional and unaudited.

2 BASIS OF PREPARATION

These Condensed Consolidated Interim Financial Statements of the Group and Company have been prepared in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting and comply with the requirements of the Companies Act, No. 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto.

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2021 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

Comparative information has been re-valued/re-classified where necessary, to conform to the current period recognition, measurement and presentations.

2 a) Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) which 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 2023.

Having considered the above, since HNB Assurance PLC and HNB General Insurance Limited are predominantly carrying out Insurance activities, both Companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for the annual periods beginning before 01st January 2023.

Group has not early adopted the new SLFRSs and interpretations issued but not yet effective.

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Held to Maturity Financial Assets	1,277,008	313,465	1,277,008	313,465
Loans and Receivables	21,593,643	20,246,541	18,199,812	16,953,973
Available for Sale Financial Assets	7,036,232	8,198,911	6,045,236	7,261,326
Financial Assets at Fair Value Through Profit or Loss	177,316	335,168	88,705	138,338
Total Financial Investments	30,084,199	29,094,085	25,610,761	24,667,102

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Notes to the Condensed Consolidated Interim Financial Statements

Inter-company transactions, balances and unrealised gains on transactions between group companies and unrealised losses are eliminated. Amounts reported by subsidiary companies are adjusted to conform with the Group's accounting policies where necessary.

5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

Life Policyholders' Available For Sale Reserve Fund includes the fair value changes recorded in Other Comprehensive Income in respect of Life Insurance related assets.

- 5a) Unrealised gains and losses of Available For Sale Financial Assets of Life Insurance are included under Life Policyholders' Available For Sale Reserve Fund in Equity.

6 RESTRICTED REGULATORY RESERVE

As at,		Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Mar 2022	31st Dec 2021	31st Mar 2022	31st Dec 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the end of the Period	(Note 6b)	381,156	381,156	381,156	381,156

6a) Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No. 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the Direction. Based on the Direction, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction above. The distribution of One-off Surplus to Shareholders as dividend shall remain restricted until the requirements disclosed in Note (6d) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

- 6b) 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.

Surplus created due to Change in Valuation Method

Description		Participating Fund Rs. '000	Non Participating Fund Rs. '000	Total 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 as at 31st December 2015	B	3,015,001	3,475,808	6,490,809
Zerorisation 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 01st January 2016	A-B+C	-	381,156	381,156

The One-off surplus in the Shareholder's Fund will remain invested in Term Deposits as disclosed in Note No. (6c) as per the Direction of IRCSL.

The financial ratios presented in these Condensed Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be held within

Notes to the Condensed Consolidated Interim Financial Statements

the Participating Fund as part of the unallocated valuation surplus and may only be transferred to the Shareholder Fund by means of bonuses to Policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st March 2022

Based on the Direction issued by IRCSL following Instruments have been marked to support the Restricted Regulatory Reserve of the Company.

Asset Category	Fair Value / Carrying Value 31st Mar 2022 (Rs. '000)
As at,	
Term Deposits	388,148

6d) Distribution of One-off Surplus

Distribution of one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve under equity in the statement of financial position is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL.

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Life Insurance Fund	(Note 7a) 21,479,150	20,062,535	21,479,150	20,062,535
Claims Outstanding	293,310	280,222	293,310	280,222
Total Insurance Contract Liabilities	21,772,460	20,342,757	21,772,460	20,342,757

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Period	20,062,535	16,833,050	20,062,535	16,833,050
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	1,416,615	4,229,356	1,416,615	4,229,356
Surplus Distributed to Shareholders	-	(980,000)	-	(980,000)
Increase in Life Insurance Fund	1,416,615	20,082,406	1,416,615	20,082,406
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(19,871)	-	(19,871)
Balance as at the end of the Period	21,479,150	20,062,535	21,479,150	20,062,535

7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance Contract Liability was carried out by Mr. Abhishek Chadha, FIA, on behalf of Willis Towers Watson India Private Limited, as at 31st December 2021 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 and is performed semi-annually. According to the appointed Consultant 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 2021. No additional provision was required against the LAT as at 31st March 2022.

Notes to the Condensed Consolidated Interim Financial Statements

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Reserves for Net Unearned Premium	2,717,348	2,343,472	-	-
Reserves for Title Insurance	65,127	63,531	-	-
Reserves for Gross Outstanding Claims	1,452,262	1,328,919	-	-
Total Insurance Contract Liabilities	4,234,737	3,735,922	-	-

8a) Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2021 for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semi-annual basis. Company's Chief Actuarial Officer has carried out the IBNR/IBNER valuation as at 31st March 2022 and ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability was carried out by Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2021 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Appointed Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT as at 31st December 2021. No additional provision is required against LAT as at 31st March 2022.

9 GROSS WRITTEN PREMIUM

Group	Audited 31st Dec 2021 Rs. '000	<i>For the Three Months Ended,</i>	Group		Company	
			Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
Life Insurance						
6,962,285		Individual Policies	2,216,303	1,631,616	2,216,303	1,631,616
129,185		Corporate Policies	133,297	35,015	133,297	35,015
(54,769)		Adjustment for Inter Company Premiums	(10,538)	(12,595)	-	-
<u>7,036,701</u>		Gross Written Premium - Life Insurance	<u>2,339,062</u>	<u>1,654,035</u>	<u>2,349,600</u>	<u>1,666,630</u>
General Insurance						
759,119		Fire	293,733	217,590	-	-
3,865,286		Motor	1,159,715	1,024,626	-	-
81,874		Marine	3,756	11,578	-	-
942,299		Miscellaneous	518,586	346,025	-	-
(38,332)		Adjustment for Inter Company Premiums	(43,034)	(30,898)	-	-
<u>5,610,246</u>		Gross Written Premium - General Insurance	<u>1,932,756</u>	<u>1,568,921</u>	<u>-</u>	<u>-</u>
<u>12,646,947</u>		Total Gross Written Premium	<u>4,271,818</u>	<u>3,222,956</u>	<u>2,349,600</u>	<u>1,666,630</u>

10 INTEREST AND DIVIDEND INCOME

Group	Audited 31st Dec 2021 Rs. '000	<i>For the Three Months Ended,</i>	Group		Company	
			Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
2,545,483		Interest Income	763,610	612,941	659,226	525,013
9,791		Dividend Income	3,408	2,764	3,379	2,700
<u>2,555,274</u>		Total	<u>767,018</u>	<u>615,705</u>	<u>662,605</u>	<u>527,713</u>

Notes to the Condensed Consolidated Interim Financial Statements

11 INCOME TAX EXPENSE

Group		Group		Company	
Audited 31st Dec 2021 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
(99,902)	Income Tax Charge	-	(7,593)	-	-
26,750	Over/(Under) Provision of Income Taxes in respect of prior Period	-	-	-	-
(451,578)	Deferred Income Tax - Recognised through Profit or Loss	(22,831)	(127,378)	(27,603)	(126,044)
(524,730)	Total Tax charge in Profit or Loss	(22,831)	(134,971)	(27,603)	(126,044)
Deferred tax related to items charged or credited directly to other comprehensive income					
Deferred tax on net change in debt instruments categorised under Available for Sale					
8,729		9,129	8,758	-	-
(4,041)	Deferred tax on actuarial gain on defined benefit plans	-	-	-	-
4,688	Total Tax charge in Other Comprehensive Income	9,129	8,758	-	-

The Company and its subsidiary are liable to pay income tax at the rate of 24% of its taxable profits in accordance with the Inland Revenue (Amendment) Act, No. 10 of 2021.

12 PROFIT FOR THE PERIOD

Audited 31st Dec 2021 Rs. '000	For the Three Months Ended,	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
Company - HNB Assurance PLC			
980,000	Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
472,211	Profit from Life Shareholders' Fund	116,967	96,521
(451,712)	Reversal of Deferred Tax Asset	(27,603)	(126,044)
1,000,499	Profit for the Period	89,364	(29,523)
Subsidiary - HNB General Insurance Ltd			
411,167	Profit Before Tax	141,336	135,095
(73,018)	Income Tax and Deferred Tax Expense	4,772	(8,927)
338,149	Profit for the Period	146,108	126,168
(115,000)	Elimination of Intercompany Dividend	-	-
1,223,648	Profit for the Period - Group	235,472	96,645

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no potential dilutive ordinary shares outstanding at any time during the period. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share.

Group		Group		Company	
Audited 31st Dec 2021	For the Three Months Ended,	Unaudited 31st Mar 2022	Unaudited 31st Mar 2021	Unaudited 31st Mar 2022	Unaudited 31st Mar 2021
1,223,648	Profit for the Period (Rs. '000)	235,472	96,645	89,364	(29,523)
150,000	Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
8.16	Basic and Diluted Earnings Per Share (Rs.)	1.57	0.64	0.60	(0.20)

Notes to the Condensed Consolidated Interim Financial Statements

14 RELATED PARTY DISCLOSURES

14a) Transactions and Outstanding Balances with the Parent and Ultimate Controlling Party - Hatton National Bank PLC

Transactions <i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
Insurance Premium	56,371	45,783	-	-
Claims Incurred	932	4,720	-	-
Investment Income	64,566	23,481	50,208	18,017
Administration Expenses	119,800	84,939	87,946	59,116
Rent and other Operational Expenses	4,488	2,563	2,793	1,662
Outstanding Balances				
As at,	Group		Company	
	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Investments Balance (Includes Deposits, Repos and Debentures)	4,392,324	1,008,586	3,007,190	650,501
Cash at Bank Balances	459,050	448,493	250,472	279,857
Premium Receivable	68,669	65	-	-
Administration Expenses Payable	48,223	64,422	28,171	49,278
Rent and Other Operational Expenses Payable	265	433	167	245
Dividend Payable	287,933	-	287,933	-

14b) Transactions and Outstanding Balances with the Subsidiary Company - HNB General Insurance Ltd.

Transactions <i>For the Three Months Ended,</i>	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
Insurance Premium	10,538	12,595
Insurance Expenses	43,034	30,898
Claims Received	271	552
Claims Paid	7,800	1,400
Reimbursement Expenses Relating to Employees	26,462	23,464
Other Reimbursement Expenses	46,377	45,054
Fund Management Fee	3,633	3,352
Profit Commission Expense	4,219	4,715
Outstanding Balances		
As at,	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Receivable from HNB General Insurance Ltd	45,024	13,548

14c) Transactions and Outstanding Balances with/between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	15,471	7,124	-	-
HNB Finance PLC	Insurance Premium	8,588	7,301	-	-
	Claims Incurred	177	861	-	-
	Administration Expenses	2,518	1,232	13	9
	Interest Income	8,964	5,924	8,964	5,924

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>As at,</i>					
HNB Finance PLC	Investment in Term Deposits	179,078	175,434	179,078	175,434
	Investment in Debentures	129,159	125,090	129,159	125,090
	Cash at Bank Balances	476	139	476	139
	Premium Receivable	12,597	9,506	-	-
	Administration Expenses Payable	2,060	2,192	-	26

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
<i>For the Three Months Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	11	38	-	-
	Claims incurred	-	2,022	-	2,000
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	148	20	-	-
	Claims incurred	-	278	-	-
Acuity Securities Ltd	Insurance Premium	2,239	(1)	-	-
	Claims incurred	111	163	-	-
	Custodian Fee	260	113	212	90
	Investment Income from REPO	38,785	33,087	30,216	23,828

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Mar 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	-	307	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	44	188	-	-
Acuity Securities Ltd	Premium Receivable	16	284	-	-
	Investment In REPO	2,023,669	2,718,453	1,643,796	2,296,523

14e) Transactions with Key Management Personnel/Directors of the Group or its Parent Hatton National Bank PLC

Transactions	Unaudited 31st Mar 2022 Rs. '000	Unaudited 31st Mar 2021 Rs. '000
<i>For the Three Months Ended,</i>		
Director Fee	6,340	5,925
Short-term and Post Employment Benefits	22,902	25,667
Insurance Premium	1,226	1,087
Claims Paid including Maturities	185	-

Appointment of Chief Executive Officers

Mr. Lasitha Wimalaratne was appointed as the Chief Executive Officer of HNB Assurance PLC w.e.f. 01st January 2022.

Mr. Sithumina Jayasundara was appointed as the Chief Executive Officer of HNB General Insurance Limited w.e.f. 01st January 2022.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements – 2021 except for the above changes.

Notes to the Condensed Consolidated Interim Financial Statements

15 Related Implications of Covid -19, Increasing Foreign Exchange, Interest and Inflation Rates

As of the reporting date the effect of COVID-19 continues to affect businesses both locally and globally. The Group has implemented a work from home concept and necessary technological support and infrastructure to ensure business continuity. The Group continue to follow the health and safety guidelines issued by the Government of Sri Lanka and the management and the Board monitors the effects of the pandemic and its potential impact.

Sri Lanka has been facing foreign exchange crisis due to the adverse economic impacts of the Covid-19 pandemic and it has grown from acute to severely acute during the financial period ended 31st March 2022. The deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to the highest ever, Rs. 298.99 per USD as at 31st March 2022. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties, the Group continues to monitor its effects on financial statements under various stressed scenarios.

Sri Lanka's annual inflation scaled to 21.50% in March of 2022 and will continue to increase further. As a response to the prevailing economic crisis and inflation, the Central Bank of Sri Lanka (CBSL), has implemented a tightening Monetary Policy while increasing policy rates to 14.50%. Yields on Government securities have also increased notably to reflect market conditions in view of the higher financing requirement of the Government. Whilst inflation will cause interest rates to move upwards, the Group being in the Insurance sector will gain benefits from investment income while experiencing a negative impact due to fluctuation in market value of financial assets and expenses. Subsequent to memorandum issued by the Ministry of Finance on 12th April 2022, Fitch Ratings has downgraded Sri Lanka's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'C' from 'CC'.

The Board continue to monitor the potential implications of these factors on the Groups business activities, profitability, solvency and liquidity position and will take proactive action to meet future obligations and ensure business continuity.

16 EVENTS OCCURRING AFTER THE REPORTING DATE

Surcharge Tax

The Surcharge Tax Act, No. 14 of 2022 (Act) was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 08th April 2022. As per the said Act, a company or each company of a group of companies (holding and subsidiaries) which meet the chargeability threshold when the aggregate taxable income of the company or all subsidiaries and holding company (excluding the companies with nil taxable income due to losses or unrelieved losses) exceed Rs.2 bn for the year of assessment commencing from 1st April 2020 will be liable for Surcharge tax at a rate of 25% on the taxable income of the company or each subsidiary and holding company of a group excluding gains and profits from dividends received from a subsidiary which is part of such taxable income for the year of assessment commencing from 1st April 2020.

Notes to the Condensed Consolidated Interim Financial Statements

Although the HNBA as a company or as a group with its subsidiary (HNBGI) does not meet the chargeability threshold referred to above, it is liable to pay the Surcharge tax, being a subsidiary of Hatton National Bank PLC. The effect of the said tax expense on HNBA and HNBGI are as follows;

	Surcharge Tax Liability (Rs. Mn)	1st Installment - paid on 20th April 2022 (Rs. Mn)	2nd Installment - On or before 20th July 2022 (Rs. Mn)
HNB Assurance PLC	22	11	11
HNB General Insurance Ltd	172	86	86
Total	194	97	97

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1st April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1st January 2021. Such adjustment will be incorporated in the Financial Statements for the next reporting period.

Impairment of Sri Lanka Development Bonds (SLDB)

As at reporting date, the Group has investments in foreign currency denominated Sri Lanka Development Bonds (SLDB) amounting to Rs. 147.68 Mn classified under Loans and Advances category. The Ministry of Finance issued a memorandum on 12th April 2022 stating that the Sri Lankan Government will suspend normal debt servicing of all Affected Debts (as defined in the memorandum), for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment program supported by the IMF. However, the Government's proposed plan on repayment of SLDBs was not clear as of the date of authorization of the financial statements. Since the Group applies incurred loss model for impairment under LKAS 39 and there were no losses incurred as 31st March 2022, the Group has not made any adjustments for impairment losses in these Condensed Consolidated Interim Financial Statements.

Subsequent Tax Assessments

Subsequent to the reporting date HNB General Insurance Ltd has received three VAT assessments for the period 01.04.2019 to 31.12.2019 amounting to Rs. 44.58 million including penalties.

Other than mentioned above there have been no material events that occurred after the reporting date that require adjustments or disclosure in these Condensed Consolidated Interim Financial Statements.

17 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 9.7 Million for purchase of computer software (2021 – Rs. 49.1 Million for the purchase of computer software, computer hardware and other equipment).

As at end of the financial period, 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 Condensed Consolidated Interim Financial Statements.

18 CONTINGENCIES

- 18a)** The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with Company's Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the

Notes to the Condensed Consolidated Interim Financial Statements

determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the case is yet to be determined by the Court. As the Company is of the strong view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliance and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 21.99 Million.

- 18b) The Company received five Notices of Assessment on VAT and NBT on Financial Services 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 and 01.01.2018 to 31.12.2018. The Company has duly appealed for all five assessments as the Company'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. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT	21.06	10.53	31.59
			NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT	17.55	12.98	30.53
			NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT	24.86	12.43	37.29
			NBT	4.01	2.00	6.01
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT	42.56	21.28	63.84
			NBT	N/A	N/A	N/A
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT	65.91	32.95	98.86
			NBT	N/A	N/A	N/A
Total				178.78	93.58	272.36

Notes to the Condensed Consolidated Interim Financial Statements

18c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. However, the management and the Company'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 having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

The Company has duly appealed against these Assessments in consultation with Tax Consultants and the status of each Assessment is provided in the table below.

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
2011/2012	2014.11.20	Tax Appeals Commission has given their Determination and Company is in the process of filing a case in Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	434
Total				1,156

18d) 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. However, Company has not received any communication from IRD yet. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 143.25 Million on VAT returns filed and the subsidiary has duly appealed against the assessments. As an outflow of resources is not expected, no provision is made in the Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	31st March 2022	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No 1	89,979,000	59.99
2 Ceylon Guardian Investment Trust PLC A/c No # 2	6,945,224	4.63
3 Employees Trust Fund Board	3,942,964	2.63
4 Ceylon Investment PLC A/c No # 2	1,712,174	1.14
5 Mr. M. F. Hashim	1,581,400	1.05
6 Mrs. A. Kailasapillai	1,500,000	1.00
7 Mrs. A. Selliah	1,500,000	1.00
8 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90
9 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90
11 Seylan Bank PLC/Janashakthi Capital Limited	1,117,002	0.74
12 Commercial Bank Of Ceylon PLC/Ayenka Holdings (Pvt) Limited	1,020,786	0.68
13 Andysel (Pvt) Ltd	750,000	0.50
14 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
15 Mr. V. Sharda	609,000	0.41
16 Dr. S. Selliah	600,000	0.40
17 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
18 Suktam Holdings (Pvt) Ltd	526,302	0.35
19 Mr. A.A.A. Rifkee	500,000	0.33
20 Commercial Bank Of Ceylon PLC/Janashakthi Capital Limited	500,000	0.33

Public Shareholding

31st March 2022

* Float Adjusted Market Capitalisation (Rs.)	2,292,197,084
Percentage of Shares held by the Public	35.292%
Number of Public Shareholders	4,585

The Company complies the minimum public Shareholding requirement under option 5 of section 7.13.1 (a) of the Listing Rules.

* Float Adjusted Market Capitalisation = Market Capitalisation X Public Holding Percentage

Share Information (Contd.)

Shareholdings of Directors and Chief Executive Officer

Name	No. of Shares 31st Mar 2022
Mrs. M A R C Cooray	94,235
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	82,650
Dr. S Selliah	600,000
Mr. D R Abeysuriya	5,000
Mr. L U D Fernando	Nil
Mr. S A Chapman	500
Mr. A Goonesekere	Nil
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P H L N Wimalaratne (Chief Executive Officer)*	Nil

*Mr. P H L N Wimalaratne was appointed as the Chief Executive Officer of HNB Assurance PLC w.e.f. 01st January 2022.

Number of Shares

No. of shares representing the Stated Capital	150,000,000
Class of Share	Ordinary
Voting Rights	One vote per Ordinary Share

Share Performance

	Rs.
Net Asset Value Per Share as at 31st March 2022 - Group	45.81
Net Asset Value Per Share as at 31st March 2022 - Company	38.12
Net Asset Value Per Share as at 31st March 2022 without Restricted Regulatory Reserve - Group	43.27
Net Asset Value Per Share as at 31st March 2022 without Restricted Regulatory Reserve - Company	35.58
Highest Price Per Share for the Interim Period	62.50
Lowest Price Per Share for the Interim Period	42.20
Last Traded Price Per Share as at 31st March 2022	43.30