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A LEGACY OF

20 Years 

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

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		418,258	282,884	260,442	141,390
Right of Use Assets		376,579	395,148	343,824	362,336
Intangible Assets		61,118	63,180	57,054	57,839
Deferred Tax Assets		99,430	291,832	-	273,543
Financial Investments	3	34,624,131	29,094,085	29,844,875	24,667,102
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		420,914	403,452	420,914	403,452
Reinsurance Receivables		1,044,318	1,072,206	184,249	317,009
Premium Receivables		1,853,670	1,247,997	18,547	7,822
Other Assets		999,838	747,946	713,293	507,528
Insurance Contract - Deferred Expenses		163,995	157,710	-	-
Cash and Cash Equivalents		1,033,305	2,112,745	725,420	1,575,931
Total Assets		41,095,556	35,869,185	33,718,618	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		7,822,715	6,644,680	6,552,433	5,548,813
Available for Sale Reserve		(322,296)	4,009	(138,616)	4,446
Other Reserve		22,358	(11,421)	3,972	(6,614)
Life Policyholders' Available for Sale Reserve Fund	5	(1,277,414)	(67,291)	(1,277,414)	(67,291)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		7,798,394	8,123,008	6,693,406	7,032,385
Non-Controlling Interest		-	-	-	-
Total Equity		7,798,394	8,123,008	6,693,406	7,032,385
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	24,582,641	20,342,757	24,582,641	20,342,757
Insurance Contract Liabilities - General Insurance	8	4,181,588	3,735,922	-	-
Employee Defined Benefit Liabilities		236,424	239,167	142,692	137,328
Current Tax Liabilities		253,810	62,168	209,338	19,871
Reinsurance Creditors		959,693	1,085,512	227,512	453,054
Lease Creditors		410,719	421,838	376,926	390,374
Other Liabilities		2,406,748	1,747,148	1,384,408	1,034,819
Bank Overdrafts		265,539	111,665	101,695	53,364
Total Liabilities		33,297,162	27,746,177	27,025,212	22,431,567
Total Equity and Liabilities		41,095,556	35,869,185	33,718,618	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
17th February 2023



Ashoka Goonesekere
Director

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st December,	Note	Group		Company		Change	
		2022	2021	2022	2021	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
Gross Written Premium	9	15,637,736	12,646,947	8,911,460	7,091,470	24	26
Premium Ceded to Reinsurers		(2,164,702)	(1,648,861)	(473,012)	(355,537)	31	33
Net Written Premium		13,473,034	10,998,086	8,438,448	6,735,933	23	25
Net Change in Reserves for Unearned Premium		(385,557)	(242,252)	-	-	59	-
Net Earned Premium		13,087,477	10,755,834	8,438,448	6,735,933	22	25
Other Revenue							
Interest and Dividend Income	10	4,541,682	2,555,274	3,972,636	2,311,120	78	72
Net Realised Gains		390,099	52,921	105,376	50,109	637	110
Net Fair Value (Losses)/Gains		(66,383)	79,128	(68,663)	49,484	(184)	(239)
Fee and Commission Income		272,223	225,738	54,394	77,025	21	(29)
Other Income		36,442	5,551	33,223	2,766	556	1,101
Total Other Revenue		5,174,063	2,918,612	4,096,966	2,490,504	77	65
Net Income		18,261,540	13,674,446	12,535,414	9,226,437	34	36
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(5,578,997)	(4,223,290)	(2,169,527)	(1,646,088)	32	32
Change in Contract Liabilities - Life Fund		(4,340,103)	(3,249,356)	(4,340,103)	(3,249,356)	34	34
Other Operating and Administration Expenses		(4,000,490)	(2,892,824)	(2,483,649)	(1,694,018)	38	47
Underwriting and Net Acquisition Costs		(1,821,540)	(1,456,258)	(1,437,045)	(1,098,207)	25	31
Finance and Other Insurance Related Costs		(134,488)	(104,340)	(111,424)	(86,557)	29	29
Total Benefits, Claims and Other Expenses		(15,875,618)	(11,926,068)	(10,541,748)	(7,774,226)	33	36
Profit Before Taxation		2,385,922	1,748,378	1,993,666	1,452,211	36	37
Income Tax Expense	11	(555,398)	(524,730)	(510,046)	(451,712)	6	13
Profit for the Year	12	1,830,524	1,223,648	1,483,620	1,000,499	50	48
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		(1,647,992)	(914,208)	(1,386,078)	(826,914)	80	68
- Realised Gains Transferred to Income Statement		-	(9,490)	-	(9,490)	100	100
- Amortisation of AFS Reserve on Reclassification		32,893	-	32,893	-	100	100
- Net Change in Fair Value of Available For Sale Financial Assets Transferred to Life Policyholders' Available For Sale Reserve Fund		1,210,123	825,224	1,210,123	825,224	47	47
- Related Tax	11	78,671	8,729	-	-	801	-
Items that will never be reclassified to profit or loss							
- Actuarial Gains on Defined Benefit Plans		37,945	44,140	10,586	27,302	(14)	(61)
- Related Tax	11	(4,166)	(4,041)	-	-	3	-
Total Other Comprehensive Income for the Year, Net of Related Tax		(292,526)	(49,646)	(132,476)	16,122	489	(922)
Total Comprehensive Income for the Year		1,537,998	1,174,002	1,351,144	1,016,621	31	33
Profit Attributable to:							
Equity Holders of the Company		1,830,524	1,223,648	1,483,620	1,000,499	50	48
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		1,537,998	1,174,002	1,351,144	1,016,621	31	33
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	12.20	8.16	9.89	6.67	50	48

The Notes form an integral part of these Condensed Consolidated Interim 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	Policyholders' Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2021		1,177,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Year		-	1,223,648	-	-	-	-	1,223,648
Profit for the Year - Audited		-	1,223,648	-	-	-	-	1,223,648
Other Comprehensive Income for the Year, Net of Related Tax		-	-	(914,969)	-	-	-	(914,969)
Net Change in fair value of Available For Sale Financial Assets		-	-	(914,969)	-	-	-	(914,969)
Net Change in fair value of Available For Life Policyholders' Available For Sale Reserve Fund		-	-	825,224	-	-	-	825,224
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	825,224	-	-	-	825,224
Actuarial Gains on Defined Benefit Plans		-	-	-	40,089	-	-	40,089
Total Other Comprehensive Income for the Year		-	-	(89,745)	40,089	-	-	(49,656)
Total Comprehensive Income for the Year		-	1,223,648	(89,745)	40,089	-	-	1,174,002
Net Change in fair value of Available For Sale Financial Assets		-	-	(89,745)	-	-	-	(89,745)
- transferred from Available For Sale Reserve		-	-	(89,745)	-	-	-	(89,745)
Transactions with owners recorded directly in equity		-	-	-	-	(825,224)	-	(825,224)
Distributions to owners of the Parent		-	-	-	-	-	-	-
Final dividend to equity holders for 2020		-	(420,000)	-	-	-	-	(420,000)
Audited balance as at 31st December 2021		1,177,875	6,644,680	4,009	(11,421)	(67,281)	381,156	8,123,008
Balance as at 01st January 2022	16	1,177,875	6,644,680	4,009	(11,421)	(67,281)	381,156	8,123,008
Surcharge Tax		-	(172,489)	-	-	-	-	(172,489)
Comprehensive Income for the Year		-	1,830,524	-	-	-	-	1,830,524
Profit for the Year - Unaudited		-	1,830,524	-	-	-	-	1,830,524
Other Comprehensive Income for the Year, Net of Related Tax		-	-	(1,536,428)	-	-	-	(1,536,428)
Net Change in fair value of Available For Sale Financial Assets		-	-	(1,536,428)	-	-	-	(1,536,428)
Net Change in fair value of Available For Life Policyholders' Available For Sale Reserve Fund		-	-	1,210,123	-	-	-	1,210,123
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	1,210,123	-	-	-	1,210,123
Actuarial Gains on Defined Benefit Plans		-	-	(326,305)	33,779	-	-	(292,526)
Total Other Comprehensive Income for the Year		-	-	(326,305)	33,779	-	-	(292,526)
Total Comprehensive Income for the Year		-	1,830,524	(326,305)	33,779	-	-	1,537,998
Net Change in fair value of Available For Sale Financial Assets		-	-	(326,305)	-	-	-	(326,305)
- transferred from Available For Sale Reserve		-	-	(326,305)	-	-	-	(326,305)
Transactions with owners recorded directly in equity		-	-	-	-	(1,210,123)	-	(1,210,123)
Distributions to owners of the Parent		-	(460,000)	-	-	-	-	(460,000)
Dividend to equity holders for 2021		-	(460,000)	-	-	-	-	(460,000)
Unaudited balance as at 31st December 2022		1,177,875	7,822,715	(322,286)	22,358	(1,277,414)	381,156	7,796,394

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2022 (2021 - 150 Million).
The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Statement of Changes in Equity - Company

	Stated Capital	Retained Earnings	Available for Sale Reserve	Other Reserve	Life Policyholders' AFS Reserve Fund	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2021	1,171,875	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
Comprehensive Income for the Year							
Profit for the Year - Audited	-	1,000,499	-	-	-	-	1,000,499
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(636,404)	-	-	-	(636,404)
Net Change in fair value of Available For Sale Financial Assets	-	-	825,224	-	-	-	825,224
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	27,302	-	-	27,302
Actuarial Gains on Defined Benefit Plans	-	-	(11,180)	-	-	-	(11,180)
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year	-	1,000,499	(11,180)	27,302	-	-	16,122
Net Change in fair value of Available For Sale Financial Assets	-	-	(11,180)	-	-	-	(11,180)
- transferred from Available For Sale Reserve	-	-	-	27,302	-	-	27,302
Transactions with owners recorded directly in equity							
Distributions to owners of the Company	-	-	-	-	(825,224)	-	(825,224)
Final dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Audited balance as at 31st December 2021	1,171,875	5,548,813	4,448	(6,614)	(67,291)	381,156	7,032,385
Balance as at 01st January 2022	1,171,875	5,548,813	4,448	(6,614)	(67,291)	381,156	7,032,385
Comprehensive Income for the Year							
Profit for the Year - Unaudited	-	1,483,620	-	-	-	-	1,483,620
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,353,185)	-	-	-	(1,353,185)
Net Change in fair value of Available For Sale Financial Assets	-	-	1,210,123	-	-	-	1,210,123
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	-	10,586	-	-	10,586
Actuarial Gains on Defined Benefit Plans	-	-	(143,062)	-	-	-	(143,062)
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year	-	1,483,620	(143,062)	10,586	-	-	1,351,144
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	(1,210,123)	(1,210,123)
- 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	-	6,552,433	(138,616)	3,972	(1,277,414)	-	6,693,406
Unaudited balance as at 31st December 2022	1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406

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

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

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		2022	2021	2022	2021	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<i>For the Three months ended 31st December,</i>							
Gross Written Premium	9	4,326,459	3,686,589	2,314,241	2,097,967	17	10
Premium Ceded to Reinsurers		(673,030)	(474,961)	(124,405)	(98,906)	42	26
Net Written Premium		3,653,429	3,211,628	2,189,836	1,999,061	14	10
Net Change in Reserves for Unearned Premium		(236,545)	(179,960)	-	-	31	-
Net Earned Premium		3,416,884	3,031,668	2,189,836	1,999,061	13	10
Other Revenue							
Interest and Dividend Income	10	1,542,612	674,178	1,329,460	581,237	129	129
Net Realised Gains		29,082	33,204	9,890	33,204	(12)	(70)
Net Fair Value (Losses)/Gains		(56,150)	1,851	(38,088)	(1,100)	(3,133)	3,363
Fee and Commission Income		59,293	63,362	11,309	8,176	(6)	38
Other Income		19,238	820	17,598	553	2,246	3,082
Total Other Revenue		1,594,075	773,415	1,330,169	622,070	106	114
Net Income		5,010,959	3,805,083	3,520,005	2,621,131	32	34
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,547,476)	(1,287,387)	(586,407)	(457,525)	20	28
Change in Contract Liabilities - Life Fund		(1,316,753)	(193,200)	(1,316,753)	(193,200)	582	582
Other Operating and Administration Expenses		(1,145,774)	(832,057)	(751,690)	(521,740)	38	44
Underwriting and Net Acquisition Costs		(523,697)	(449,916)	(430,003)	(363,418)	16	18
Finance and Other Insurance Related Costs		(41,331)	(25,551)	(32,443)	(25,008)	62	30
Total Benefits, Claims and Other Expenses		(4,575,031)	(2,788,111)	(3,117,296)	(1,560,891)	64	100
Profit Before Taxation		435,928	1,016,972	402,709	1,060,240	(57)	(62)
Income Tax Expense	11	(130,801)	(258,421)	(130,397)	(267,592)	(49)	(51)
Profit for the Period	12	305,127	758,551	272,312	792,648	(60)	(66)
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		(29,606)	(240,487)	(23,153)	(219,222)	(88)	(89)
- Realised Gains transferred to Income Statement		-	(3,616)	-	(3,616)	-	-
- Amortisation of AFS reserve on reclassification		11,405	-	11,405	-	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		8,981	220,662	8,981	220,662	(96)	(96)
- Related Tax	11	53,125	(4,897)	-	-	(1,185)	-
Items that will never be reclassified to profit or loss							
- Actuarial Gains on Defined Benefit Plans		37,945	44,140	10,586	27,302	(14)	(61)
- Related Tax	11	(4,166)	(4,041)	-	-	(3)	-
Total Other Comprehensive Income for the Period, Net of Related tax		77,684	11,761	7,819	25,126	561	(69)
Total Comprehensive Income for the Period		382,811	770,312	280,131	817,774	(50)	(66)
Profit Attributable to:							
Equity Holders of the Company		305,127	758,551	272,312	792,648	(60)	(66)
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		382,811	770,312	280,131	817,774	(50)	(66)
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	2.03	5.06	1.82	5.28	(60)	(66)

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

Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	31st December 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	260,442	157,816	141,390	141,494
Right of Use Assets	343,824	32,755	362,336	32,812
Intangible Assets	57,054	4,064	57,839	5,341
Deferred Tax Assets	-	99,430	273,543	18,289
Financial Investments	29,844,875	4,779,256	24,667,102	4,426,983
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	420,914	-	403,452	-
Reinsurance Receivables	184,249	860,069	317,009	755,197
Premium Receivables	18,547	1,835,123	7,822	1,240,175
Other Assets	713,293	308,361	507,528	253,966
Insurance Contract - Deferred Expenses	-	163,995	-	157,710
Cash and Cash Equivalents	725,420	307,885	1,575,931	536,814
Total Assets	33,718,618	8,548,754	29,463,952	7,568,781
Liabilities				
Insurance Contract Liabilities - Life Insurance	24,582,641	-	20,342,757	-
Insurance Contract Liabilities - General Insurance	-	4,181,588	-	3,735,922
Employee Defined Benefit Liabilities	142,692	93,732	137,328	101,839
Current Tax Liabilities	209,338	44,472	19,871	42,297
Reinsurance Creditors	227,512	732,181	453,054	632,458
Lease Creditors	376,926	33,793	390,374	31,464
Other Liabilities	1,384,408	1,044,156	1,034,819	725,877
Bank Overdrafts	101,695	163,844	53,364	58,301
Total Liabilities	27,025,212	6,293,766	22,431,567	5,328,158

Operating Segment Information - Profitability

For the Year Ended,	Unaudited		Unaudited	
	31st December 2022		31st December 2021	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	8,911,460	6,821,011	7,091,470	5,648,578
Premium Ceded to Reinsurers	(473,012)	(1,691,690)	(355,537)	(1,293,324)
Net Written Premium	8,438,448	5,129,321	6,735,933	4,355,254
Net Change in Reserves for Unearned Premium	-	(385,557)	-	(242,252)
Net Earned Premium	8,438,448	4,743,764	6,735,933	4,113,002
Other Revenue				
Interest and Dividend Income	3,972,636	672,546	2,311,120	359,154
Net Realised Gains	105,376	284,723	50,109	2,812
Net Fair Value (Losses)/ Gains	(68,663)	2,280	49,484	29,644
Fee and Commission Income	54,394	246,007	77,025	181,325
Other Income	33,223	3,435	2,766	2,785
Total Other Revenue	4,096,966	1,208,991	2,490,504	575,720
Net Income	12,535,414	5,952,755	9,226,437	4,688,722
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(2,169,527)	(3,409,936)	(1,646,088)	(2,578,755)
Change in Contract Liabilities - Life Fund	(4,340,103)	-	(3,249,356)	-
Other Operating and Administration Expenses	(2,483,649)	(1,626,017)	(1,694,018)	(1,304,301)
Underwriting and Net Acquisition Cost	(1,437,045)	(397,982)	(1,098,207)	(376,716)
Finance and Other Insurance Related Costs	(111,424)	(23,064)	(86,557)	(17,783)
Total Benefits, Claims and other Expenses	(10,541,748)	(5,456,999)	(7,774,226)	(4,277,555)
Profit Before Taxation	1,993,666	495,756	1,452,211	411,167
Income Tax Expense	(510,046)	(45,352)	(451,712)	(73,018)
Profit for the Year	1,483,620	450,404	1,000,499	338,149

Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited 2022	Audited 2021	Unaudited 2022	Audited 2021
	Note	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities				
Profit Before Taxation	2,385,922	1,748,378	1,993,666	1,452,211
<i>Adjustments for:</i>				
Interest Income	10 (4,533,060)	(2,545,483)	(3,860,664)	(2,186,492)
Dividend Income	10 (8,622)	(9,791)	(111,972)	(124,628)
Amortisation of Intangible Assets	19,768	22,582	18,491	21,305
Depreciation of Property, Plant and Equipment	81,746	61,795	55,406	42,229
Net Depreciation of Right of Use Assets	141,151	130,759	132,586	122,825
Interest Expense of Lease Creditors	48,317	49,196	44,593	46,300
Provision for Employee Benefits	52,787	45,980	30,056	25,301
Net Realised Gains	(390,099)	(52,921)	(105,376)	(50,109)
Net Fair Value Losses/(Gains)	66,383	(79,128)	68,663	(49,484)
(Gains)/Losses on Disposal of Property, Plant and Equipment	(966)	220	(964)	289
Gains on Disposal of Right of Use Asset	(1,023)	(620)	(1,023)	(620)
	(2,137,696)	(629,033)	(1,736,538)	(700,873)
Net Change in Operating Assets	A (839,876)	(331,137)	(101,192)	(96,044)
Net Change in Operating Liabilities	B 5,244,791	4,288,149	4,401,461	3,650,997
Cash Flows from Operating Activities	2,267,219	3,327,979	2,563,731	2,854,080
Gratuity Paid	(17,585)	(17,111)	(12,628)	(11,423)
Surcharge Tax paid	(194,455)	-	(21,966)	-
Income Tax Paid	(113,892)	(169,374)	(64,079)	-
Net Cash Generated from Operating Activities	1,941,287	3,141,494	2,465,058	2,842,657
Cash Flows from Investing Activities				
Acquisition of Financial Investments	(275,166,012)	(218,308,521)	(226,927,326)	(169,673,417)
Proceeds from Maturity of Financial Investments	268,513,153	213,902,269	220,894,080	165,602,038
Proceeds from Sale of Financial Investments	317,672	976,949	-	853,655
Interest Received	4,046,819	2,455,660	3,399,666	2,075,569
Dividend Received	8,622	9,791	111,972	124,628
Acquisition of Intangible Assets	(17,706)	(16,904)	(17,706)	(16,904)
Acquisition of Property, Plant and Equipment	(218,654)	(177,281)	(175,547)	(68,629)
Proceeds from the Disposal of Property, Plant and Equipment	2,501	2,170	2,053	1,461
Advance Paid to Right of Use Asset	(18,342)	(20,518)	(17,262)	(16,722)
Net Cash Used in Investing Activities	(2,531,947)	(1,176,385)	(2,730,070)	(1,118,321)
Cash Flows from Financing Activities				
Dividend Paid	(480,000)	(420,000)	(480,000)	(420,000)
Payment of Lease Liabilities	(162,654)	(130,835)	(153,830)	(121,387)
Net Cash Used in Financing Activities	(642,654)	(550,835)	(633,830)	(541,387)
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD)	(1,233,314)	1,414,274	(898,842)	1,182,949
Cash and Cash Equivalents at the beginning of the Year (Net of Book OD)	2,001,080	586,806	1,522,567	339,618
Cash and Cash Equivalents at the end of the Year (Net of Book OD)	C 767,766	2,001,080	623,725	1,522,567

Notes to the Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Change in Operating Assets				
(Increase)/Decrease in Deferred Expenses	(6,285)	5,909	-	-
Increase in Loans to Life Policyholders	(17,462)	(23,716)	(17,462)	(23,716)
Decrease/(Increase) in Reinsurance Receivables	27,888	(300,430)	132,760	(144,310)
Increase in Premium Receivables	(605,673)	(136,403)	(10,725)	(2,834)
(Increase)/Decrease in Other Assets	(238,344)	123,503	(205,765)	74,816
Net Change in Operating Assets	(839,876)	(331,137)	(101,192)	(96,044)
B. Change in Operating Liabilities				
Increase in Other Liabilities	646,052	189,731	348,111	202,621
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	4,278,892	3,286,238	4,278,892	3,286,238
Increase in Insurance Contract Liabilities - General Insurance	445,666	426,773	-	-
(Decrease)/Increase in Reinsurance Creditors	(125,819)	385,407	(225,542)	162,138
Net Change in Operating Liabilities	5,244,791	4,288,149	4,401,461	3,650,997
C. Cash and Cash Equivalents at the end of the Year				
Cash in Hand and at Bank	1,033,305	2,112,745	725,420	1,575,931
Bank Overdrafts	(265,539)	(111,665)	(101,695)	(53,364)
Cash and Cash Equivalents (Net of Book OD)	767,766	2,001,080	623,725	1,522,567

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.

Notes to the Condensed Consolidated Interim 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 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.

1.2 Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 17th February 2023.

Figures in these Condensed Consolidated Interim Financial Statements for the Year ended 31st December 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.

These interim financial statements should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2021. 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 year recognition, measurement and presentations.

2.1 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 2025.

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 2025.

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2022	31st Dec 2021	31st Dec 2022	31st Dec 2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	10,240,933	313,465	10,055,448	313,465
Loans and Receivables	14,910,327	20,246,541	12,097,076	16,953,973
Available for Sale Financial Assets	9,389,628	8,198,911	7,610,970	7,261,326
Financial Assets at Fair Value Through Profit or Loss	83,243	335,168	81,381	138,338
Total Financial Investments	34,624,131	29,094,085	29,844,875	24,667,102

3.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

The Company has reclassified part of its treasury bond portfolio from Available For Sale (AFS) financial asset category to Held to Maturity (HTM) due to change in intention of "holding or selling 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.

Notes to the Condensed Consolidated Interim Financial Statements

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 amortized cost and subsequently, HTM assets are measured at amortized 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 amortized to profit or loss over the remaining life of the asset using the EIR (Effective Interest Rate). Such amortization has been recognized under Interest income line in the profit or loss.

The Financial effect on reclassification is summarized in the table below as at the reclassification date;

Description	Available For Sale (AFS) - Life Fund Rs. ('000)	Held to Maturity (HTM) - Life Fund Rs. ('000)
Carrying Value of Treasury Bonds Portfolio as at 01st 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 Treasury Bonds Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortized to P&L over the remaining life of assets		(703,985)
Amortization recognized during the Year		32,893

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.

Intercompany 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.

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,	Note	Group		Company	
		Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Balance at the end of the Year	6.2	381,156	381,156	381,156	381,156

6.1 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.

Notes to the Condensed Consolidated Interim Financial Statements

6.2 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 6.3 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 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".

6.3 Composition of Investments Supporting the Restricted Regulatory Reserve as at 31st December 2022

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

Asset Category As at,	Fair Value / Carrying Value 31st Dec 2022 (Rs. '000)
Term Deposits	388,291

6.4 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,	Note	Group		Company	
		Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Life Insurance Fund	7.1	24,363,630	20,062,535	24,363,630	20,062,535
Claims Outstanding		219,011	280,222	219,011	280,222
Total Insurance Contract Liabilities		24,582,641	20,342,757	24,582,641	20,342,757

Notes to the Condensed Consolidated Interim Financial Statements

7.1 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Note	Group		Company	
		Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 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 Year		20,062,535	16,833,050	20,062,535	16,833,050
Surcharge Tax	16	(21,966)	-	(21,966)	-
Change in Contract Liabilities Life Fund					
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		5,620,103	4,229,356	5,620,103	4,229,356
Surplus Distributed to Shareholders		(1,280,000)	(980,000)	(1,280,000)	(980,000)
Increase in Life Insurance Fund		4,340,103	3,249,356	4,340,103	3,249,356
Effect of Taxation on surplus/Bonus transferred to Policyholders		(17,042)	(19,871)	(17,042)	(19,871)
Balance as at the end of the Year		24,363,630	20,062,535	24,363,630	20,062,535

7.2 Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2022 was carried out by the Appointed Actuary, Mr. Abhishek Chadha, FIA, for and on behalf of Willis Towers Watson India Private Limited and have ensured adequate provisions have been made in these Condensed Consolidated Interim Financial Statements in line with the Actuarial Valuation. The Group has recognised a profit of Rs. 1,280 Million for the year ended 31st December 2022 (31st December 2021 - Rs. 980 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Appointed Actuary.

7.3 Effect of Taxation on surplus/Bonus transferred to Policyholders

According to the section 67 (2) of Inland Revenue Act No. 24 of 2017 which was effective from 1st 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. Due to completion of stipulated concessionary period for the year 2021, the company will be liable for tax at the standard income tax rate on bonus/surplus transferred to policyholders. As per the tax revisions, standard rate of income tax has increased from 24% to 30% with effect from 01st October 2022. Therefore, Company will be liable to tax at the rate of 30% on bonus/surplus transferred to policyholders from the year 2022 onwards (2021 - 24%). As recommended by the Appointed Actuary, the Company declared a bonus of Rs. 56.8 Million in December 2022 (2021 - Rs. 82.8 Million) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 17.04 Million (2021 - Rs. 19.87 Million) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

7.4 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 2022 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 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 2022. No additional provision was required against the LAT as at 31st December 2022.

Notes to the Condensed Consolidated Interim Financial Statements

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Reserves for Net Unearned Premium	2,735,501	2,343,472	-	-
Reserves for Title Insurance	57,059	63,531	-	-
Reserves for Gross Outstanding Claims	1,389,028	1,328,919	-	-
Total Insurance Contract Liabilities	4,181,588	3,735,922	-	-

8.1 Valuation of the IBNR/IBNER was carried by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2022 for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semi-annual basis and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

8.2 Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability is performed semi-annually. As at 31st December 2022, LAT was performed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, 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 Ltd adequately satisfies the LAT requirement. Further, Management is confident that no additional provision is required for LAT as at 31st December 2022.

9 GROSS WRITTEN PREMIUM

For the Year Ended,	Group		Company	
	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Life Insurance				
Individual Policies	8,484,220	6,962,285	8,484,220	6,962,285
Corporate Policies	427,240	129,185	427,240	129,185
Adjustment for Inter Company Premiums	(36,509)	(54,769)	-	-
Gross Written Premium - Life Insurance	8,874,951	7,036,701	8,911,460	7,091,470
General Insurance				
Fire	965,140	759,119	-	-
Motor	4,217,856	3,865,286	-	-
Marine	158,297	81,874	-	-
Miscellaneous	1,479,718	942,299	-	-
Adjustment for Inter Company Premiums	(58,226)	(38,332)	-	-
Gross Written Premium - General Insurance	6,762,785	5,610,246	-	-
Total Gross Written Premium	15,637,736	12,646,947	8,911,460	7,091,470

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Life Insurance				
Individual Policies	2,215,388	2,063,040	2,215,388	2,063,040
Corporate Policies	98,853	34,927	98,853	34,927
Adjustment for Inter Company Premiums	(6,340)	(16,231)	-	-
Gross Written Premium - Life Insurance	2,307,901	2,081,736	2,314,241	2,097,967
General Insurance				
Fire	261,569	184,309	-	-
Motor	1,067,499	1,036,938	-	-
Marine	74,720	39,170	-	-
Miscellaneous	625,572	345,695	-	-
Adjustment for Inter Company Premiums	(10,802)	(1,259)	-	-
Gross Written Premium - General Insurance	2,018,558	1,604,853	-	-
Total Gross Written Premium	4,326,459	3,686,589	2,314,241	2,097,967

10 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Interest Income	4,533,060	2,545,483	3,860,664	2,186,492
Dividend Income	8,622	9,791	111,972	124,628
Total	4,541,682	2,555,274	3,972,636	2,311,120

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Interest Income	1,541,566	671,826	1,328,494	578,946
Dividend Income	1,046	2,352	966	2,291
Total	1,542,612	674,178	1,329,460	581,237

11 INCOME TAX EXPENSE

<i>For the Year Ended,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Income Tax Charge	(288,436)	(99,902)	(236,503)	-
(Under)/Over Provision of Income Taxes in respect of prior Year	(55)	26,750	-	-
Deferred Income Tax - Recognised through Profit or Loss	(266,907)	(451,578)	(273,543)	(451,712)
Total Tax charge in Profit or Loss	(555,398)	(524,730)	(510,046)	(451,712)
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	78,671	8,729	-	-
Deferred tax on actuarial gain on defined benefit plans	(4,166)	(4,041)	-	-
Total Tax charge in Other Comprehensive Income	74,505	4,688	-	-

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2022 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Unaudited 31st Dec 2021 Rs. '000
Income Tax Charge	(133,320)	(16,598)	(130,397)	-
(Over)/Under Provision of Income Taxes in respect of prior Period	(55)	26,750	-	-
Deferred Income Tax - Recognised through Profit or Loss	2,574	(268,573)	-	(267,592)
Total Tax charge in Profit or Loss	(130,801)	(258,421)	(130,397)	(267,592)
Deferred tax on net change in debt instruments categorised under Available for Sale	53,125	(4,897)	-	-
Deferred tax on actuarial gain on defined benefit plans	(4,166)	(4,041)	-	-
Total Tax charge in Other Comprehensive Income	48,959	(8,938)	-	-

Income Tax Rates

As per the Inland Revenue (Amendment) Act No 45 of 2022 (certified on 19th December 2022) income tax rates applicable to Company and Subsidiary increased from 24% to 30% with effect from 01st October 2022. As the amendment effected in the middle of year of assessment 2022/23, tax liability of the Company was calculated and accounted on pro rata basis splitting the year of assessment in to two equal segments. .

Recoverability of Deferred Tax Assets

As per Section 67 of Inland Revenue Act No. 24 of 2017 which came into effect on 1st April 2018, the Company was eligible to claim its brought forward tax losses against its taxable income within a period of 6 years commencing 1st April 2018. Accordingly, a Deferred tax asset of Rs. 1,454.5 Million was recognised during the year of 2018 arising from brought forward tax losses as at 31st March 2018 after assessing the availability of future taxable profits. However, as at 31st December 2022, company utilised total amount of brought forward tax losses against taxable income and there are no tax losses or deferred tax assets recorded as at the reporting date. Further, Company has charged an income tax expense for the year since brought forward tax losses are not available for recoverability. Accordingly, Company has charged Rs.510 Million as total tax expense comprising Rs. 274 Million of deferred tax reversal and Rs. 236 Million as current tax expenses.

12 PROFIT FOR THE YEAR

<i>For the Year Ended,</i>	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	1,280,000	980,000
Profit from Life Shareholders' Fund	713,666	472,211
Income Tax and Deferred Tax Expense	(510,046)	(451,712)
Profit for the Year	1,483,620	1,000,499
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	495,756	411,167
Income Tax and Deferred Tax Expense	(45,352)	(73,018)
Profit for the Year	450,404	338,149
Elimination of Intercompany Dividend	(103,500)	(115,000)
Profit for the Year - Group	1,830,524	1,223,648

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Unaudited 31st Dec 2022 Rs. '000	Unaudited 31st Dec 2021 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	180,000	980,000
Profit from Life Shareholders' Fund	222,709	80,240
Income Tax and Deferred Tax Expense	<u>(130,397)</u>	<u>(267,592)</u>
Profit for the Period	272,312	792,648
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	33,220	(43,268)
Income Tax and Deferred Tax Expense	<u>(405)</u>	<u>9,171</u>
Profit for the Period	32,815	(34,097)
Profit for the Period - Group	305,127	758,551

13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic Earnings Per Share is calculated by dividing the profit 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 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 year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share.

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2022	Audited 31st Dec 2021	Unaudited 31st Dec 2022	Audited 31st Dec 2021
Profit for the Year (Rs. '000)	1,830,524	1,223,648	1,483,620	1,000,499
Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	<u>12.20</u>	<u>8.16</u>	<u>9.89</u>	<u>6.67</u>

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2022	Unaudited 31st Dec 2021	Unaudited 31st Dec 2022	Unaudited 31st Dec 2021
Profit for the Period (Rs. '000)	305,127	758,551	272,312	792,648
Weighted average number of shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	<u>2.03</u>	<u>5.06</u>	<u>1.82</u>	<u>5.28</u>

14 RELATED PARTY DISCLOSURES

14.1 Transactions and Outstanding Balances with the Parent and Ultimate Controlling Party - Hatton National Bank PLC

Transactions	Group		Company	
	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>For the Year Ended,</i>				
Insurance Premium	158,399	84,119	31,131	-
Claims Incurred	35,261	16,529	11,050	-
Investment Income	332,814	84,246	229,939	60,807
Administration Expenses	512,113	399,485	379,208	287,773
Rent and Other Operational Expenses	20,469	15,282	13,061	9,308
Dividend Paid	287,933	251,941	287,933	251,941

Notes to the Condensed Consolidated Interim Financial Statements

Outstanding Balances <i>As at,</i>	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Investment Balance (Include Deposits & Debentures)	2,369,855	1,008,586	1,872,110	650,501
Cash at Bank Balances	533,376	448,493	436,195	279,857
Premium Receivable	1,066	65	-	-
Administration Expenses Payable	72,076	64,422	55,163	49,278
Rent and Other Operational Expenses Payable	141	433	90	245

14.2 Transactions and Outstanding Balances with the Subsidiary Company - HNB General Insurance Ltd.

Transactions <i>For the Year Ended,</i>	Unaudited	Audited
	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Insurance Premium	36,509	54,769
Insurance Expenses	58,226	38,332
Claims Received	466	1,553
Claims Paid	18,200	7,400
Reimbursement Expenses Relating to Employees	113,869	96,175
Other Reimbursement Expenses	221,965	185,017
Fund Management Fee	14,691	13,947
Profit Commission Expense	13,487	18,665
Dividend Received	103,500	115,000
Outstanding Balances		
<i>As at,</i>	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Receivable from HNB General Insurance Ltd	21,816	13,548

14.3 Transactions and Outstanding Balances with/between Subsidiary Companies of the Ultimate Controlling Party

Name of the Company <i>For the Year Ended,</i>	Transactions	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	15,471	10,998	-	-
HNB Finance PLC	Insurance Premium	163,124	18,874	141,941	-
	Claims Incurred	1,040	886	-	-
	Administration Expenses	15,376	5,650	5,970	87
	Interest Income	31,794	24,375	31,794	24,375
Name of the Company <i>As at,</i>	Outstanding Balances	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2022 Rs. '000	31st Dec 2021 Rs. '000
HNB Finance PLC	Investment in Term Deposits	125,868	175,434	125,868	175,434
	Investment in Debentures	125,090	125,090	125,090	125,090
	Cash at Bank Balances	88	139	88	139
	Premium Receivable	3,185	9,506	-	-
	Administration Expenses Payable	9,922	2,192	5,954	26

Notes to the Condensed Consolidated Interim Financial Statements

14.4 Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
<i>For the Year Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	1,137	1,064	312	300
	Claims incurred	478	2,466	-	2,000
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	4,358	2,630	-	-
	Claims incurred	238	520	-	-
Acuity Securities Ltd	Insurance Premium	3,134	715	-	-
	Claims incurred	827	413	-	-
	Custodian Fee	185	602	152	469
	Investment Income from REPO	209,946	139,463	179,434	109,772
Name of the Company					
Outstanding Balances		Group		Company	
<i>As at,</i>		Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Acuity Partners (Pvt) Ltd	Premium Receivable	526	307	312	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	366	188	-	-
Acuity Securities Ltd	Premium Receivable	506	284	-	-
	Investment In REPO	1,380,579	2,718,453	918,083	2,296,523

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

Transactions <i>For the Year Ended,</i>	Unaudited 31st Dec 2022 Rs. '000	Audited 31st Dec 2021 Rs. '000
Director Fee	23,805	23,715
Short-term and Post Employment Benefits	61,030	70,091
Insurance Premium	2,879	2,699
Claims Paid including Maturities	2,961	-

Retirement from the Board of Directors

Mrs. Siromi Noelle Wickramasinghe has retired from the office of Non-Independent / Non-Executive Director of HNB Assurance PLC w.e.f. 02nd October 2022.

The nature of the related party transactions in the current year was similar to those reported in the Audited Financial Statements for the year ended 31 December 2021, except for the above changes.

15 Related Implications of Foreign Exchange, Interest and Inflation Rates

Sri Lanka has been facing foreign exchange crisis with the prevailing economic situation in the country and it has grown from acute to severely acute during the financial year ended 31st December 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 Rs. 371.61 per USD as at 31st December 2022. 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.

Although interest rates and inflation have increased significantly during the financial year, country experienced a decrease in interest rate parallel to the inflation decrease, at the final phase of the year 2022. The Group and Company, being in the Insurance sector, will have a positive impact from investments while inflation will have a negative impact on expenses. 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.

Notes to the Condensed Consolidated Interim Financial Statements

16 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.

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 - due on 20th July 2022 (Rs. Mn)
HNBA	22	11	11
HNBGI	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 and HNBGI Financial Statements have been adjusted accordingly. However, HNBA accounted relevant tax expense to the opening balance of the life fund due to taxable income arising from surplus attributable to life policy holders (Participating policies).

17 EVENTS OCCURRING AFTER THE REPORTING DATE

17.1 The Board of Directors has recommended a payment of Rs. 3.65 per share as first and final dividend on 17th February 2023 for the year ended 31st December 2022 (2021 – first and final dividend Rs. 3.20 per share) which is subject to the approval of the shareholders at the Annual General Meeting and to be paid on 27th April 2023.

17.2 Mr. M. O. F Salieh resigned from the Board of HNB General Insurance Limited, which is a fully owned subsidiary of HNB Assurance PLC w.e.f. 16th February 2023.

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.

18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 353.52 Million for purchase of computer software and other equipment (2021 – Rs. 49.1 Million for the purchase of computer hardware, software and equipment). 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 Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

19 CONTINGENCIES

19.1 Income Tax

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, 2017/2018, and 2018/2019. 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 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 a Notice of Assessment for the taxable period 2018/2019 for which the subsidiary Company duly appealed in consultation with its tax Consultant. 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 and Subsidiary 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)
HNB Assurance PLC				
2011/2012	2014.11.20	Pending decision from 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 Tax Appeals Commission	An additional Tax Liability will arise	434
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	536
Total - HNB Assurance PLC				1,692
HNB General Insurance Limited				
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	138
Total - HNB General Insurance Limited				138
Total for Group				1,830

Notes to the Condensed Consolidated Interim Financial Statements

19.2 VAT & NBT on Financial Services

The Company received Six Notice 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 and 01.01.2019 to 31.12.2019. Further, subsidiary Company HNB General Insurance Limited also received Notice of Assessments for taxable periods 01.01.2018 to 31.12.2018 and 01.01.2019 to 31.12.2019. Company and 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. 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)
HNB Assurance PLC						
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT NBT	21.06 N/A	10.53 N/A	31.59 N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	17.55 2.83	12.98 1.41	30.53 4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT NBT	24.86 4.01	12.43 2.00	37.29 6.01
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT NBT	42.56 N/A	21.28 N/A	63.84 N/A
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT NBT	65.91 N/A	32.95 N/A	98.86 N/A
2019.01.01-2019.12.31	2022.10.31	In the process of appealing to Commissioner General of Inland Revenue	VAT NBT	62.48 N/A	31.24 N/A	93.72 N/A
Total - HNB Assurance PLC				241.26	124.82	366.08
HNB General Insurance Limited						
2018.01.01-2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT NBT	10.41 N/A	5.20 N/A	15.61 N/A
2019.01.01-2019.12.31	2022.12.20	Pending decision from Commissioner General of Inland Revenue	VAT NBT	11.37 N/A	5.7 N/A	17.07 N/A
Total - HNB General Insurance Limited				21.78	10.9	32.68
Total - Group				263.04	135.72	398.76

Notes to the Condensed Consolidated Interim Financial Statements

19.3 Value Added Tax

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. 477.02 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.

19.4 Value Added Tax (VAT) On Reinsurance

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 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.

Share Information

Top 20 Shareholders

Name of the Shareholder	31st December 2022		30th September 2022	
	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	7,018,794	4.68	7,018,794	4.68
3 Employees Trust Fund Board	3,942,964	2.63	3,942,964	2.63
4 Ceylon Investment Plc A/C # 02	1,712,174	1.14	1,712,174	1.14
5 Mr.M.F.Hashim	1,634,167	1.09	1,634,167	1.09
6 Mrs.A.Kailasapillai	1,500,000	1.00	1,500,000	1.00
7 Mrs.A.Selliah	1,500,000	1.00	1,500,000	1.00
8 Arunodhaya Investments (Private) Limited	1,350,000	0.90	1,350,000	0.90
9 Arunodhaya Industries (Private) Limited	1,350,000	0.90	1,350,000	0.90
10 Arunodhaya (Private) Limited	1,350,000	0.90	1,350,000	0.90
11 Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89	1,337,058	0.89
12 Andysel Private Limited	750,000	0.50	750,000	0.50
13 Corporate Holdings (Private)Limited A/C No.01	735,309	0.49	735,309	0.49
14 Mr.V.Sharda	609,000	0.41	609,000	0.41
15 Dr.S.Selliah	600,000	0.40	600,000	0.40
16 Corporate Holdings(Pvt)Ltd A/C No.02	573,969	0.38	573,969	0.38
17 Suktam Holdings (Pvt) Ltd	526,302	0.35	526,302	0.35
18 Guardian Fund Management Limited/ The Aitken Spence And Associated Companies Executive Staff Provident Fund	510,000	0.34	510,000	0.34
19 Mr.A.A.A.Rifkee	500,000	0.33	500,000	0.33
20 Buildmart Lanka (Pvt) Ltd	500,000	0.33	-	-

Public Shareholding

	31st December 2022	31st December 2021
* Float Adjusted Market Capitalisation (Rs.)	2,273,778,850	2,562,911,987
Percentage of Shares held by the Public	35.335%	35.302%
Number of Public Shareholders	4,478	4,437

The Company complies the minimum public Shareholding requirement under option 5 of section 7.14.1 (a) of the Listing Rules as at 31st December 2022. (As at 31/12/2021 - Complied under option 4)

* 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 Dec 2022	No. of Shares 31st Dec 2021
Mrs. M A R C Cooray	112,624	94,235
Mr. D P N Rodrigo	540	540
Mrs. S N Wickramasinghe*	Nil	67,500
Dr. S Selliah	600,000	600,000
Mr. D R Abeysuriya	5,000	5,000
Mr. L U D Fernando	Nil	Nil
Mr. S A Chapman	500	500
Mr. A Goonesekere	Nil	Nil
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil	Nil
Mr. P H L N Wimalaratne (Chief Executive Officer)	Nil	Nil

*Mrs. S N Wickramasinghe retired with effect from 02nd October 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

	2022 Rs.	2021 Rs.
Net Asset Value Per Share as at 31st December - Group	51.99	54.15
Net Asset Value Per Share as at 31st December - Company	44.62	46.88
Net Asset Value Per Share as at 31st December without Restricted Regulatory Reserve - Group	49.45	51.61
Net Asset Value Per Share as at 31st December without Restricted Regulatory Reserve - Company	42.08	44.34
Highest Price Per Share for the Interim Period	45.00	49.50
Lowest Price Per Share for the Interim Period	35.00	42.30
Last Traded Price Per Share as at 31st December	42.90	48.40