

SOLID. ENDURING.



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
For the year ended 31st December 2021

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		31st Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		282,884	169,788	141,390	116,740
Right of Use Assets		395,148	394,437	362,336	380,105
Intangible Assets		63,180	68,858	57,839	62,240
Deferred Tax Assets		291,832	738,721	273,543	725,255
Financial Investments	3	29,094,085	26,366,608	24,667,102	22,075,265
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		403,452	379,736	403,452	379,736
Reinsurance Receivables		1,072,206	771,776	317,009	172,699
Premium Receivables		1,247,997	1,111,594	7,822	4,988
Other Assets		747,946	864,414	507,528	582,321
Insurance Contract - Deferred Expenses		157,710	163,619	-	-
Cash and Cash Equivalents		2,112,745	711,111	1,575,931	393,522
Total Assets		35,869,185	31,740,662	29,463,952	26,042,871
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		6,644,680	5,841,032	5,548,813	4,968,314
Available for Sale Reserve		4,009	93,754	4,446	15,626
Other Reserve		(11,421)	(51,520)	(6,614)	(33,916)
Life Policyholders' Available for Sale Reserve Fund	5	(67,291)	757,933	(67,291)	757,933
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		8,123,008	8,194,230	7,032,385	7,260,988
Non-Controlling Interest		-	-	-	-
Total Equity		8,123,008	8,194,230	7,032,385	7,260,988
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	20,342,757	17,064,089	20,342,757	17,064,089
Insurance Contract Liabilities - General Insurance	8	3,735,922	3,309,149	-	-
Employee Defined Benefit Liabilities		239,167	254,438	137,328	150,729
Current Tax Liabilities		62,168	151,093	19,871	12,301
Reinsurance Creditors		1,085,512	700,105	453,054	290,916
Lease Creditors		421,838	393,145	390,374	377,746
Other Liabilities		1,747,148	1,550,108	1,034,819	832,198
Bank Overdrafts		111,665	124,305	53,364	53,904
Total Liabilities		27,746,177	23,546,432	22,431,567	18,781,883
Total Equity and Liabilities		35,869,185	31,740,662	29,463,952	26,042,871

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
14th February 2022



Ashoka Goonesekere
Director

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		Unaudited	Audited	Unaudited	Audited	Group	Company
		2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	%	%
<i>For the Year Ended 31st December,</i>							
Gross Written Premium	9	12,646,947	10,398,992	7,091,470	5,487,039	22	29
Premium Ceded to Reinsurers		(1,648,861)	(1,307,978)	(355,537)	(265,164)	26	34
Net Written Premium		10,998,086	9,091,014	6,735,933	5,221,875	21	29
Net Change in Reserves for Unearned Premium		(242,252)	(164,257)	-	-	47	-
Net Earned Premium		10,755,834	8,926,757	6,735,933	5,221,875	20	29
Other Revenue							
Interest and Dividend Income	10	2,555,274	2,493,317	2,311,120	2,125,362	2	9
Net Realised Gains		52,921	53,634	50,109	44,909	(1)	12
Net Fair Value Gains		79,128	17,696	49,484	12,987	347	281
Fee and Commission Income		225,738	140,843	77,025	34,945	60	120
Other Income		13,334	14,970	2,766	5,747	(11)	(52)
Total Other Revenue		2,926,395	2,720,460	2,490,504	2,223,950	8	12
Net Income		13,682,229	11,647,217	9,226,437	7,445,825	17	24
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(4,223,290)	(3,558,641)	(1,646,088)	(1,494,181)	19	10
Change in Contract Liabilities - Life Fund		(3,249,356)	(2,576,169)	(3,249,356)	(2,576,169)	26	26
Other Operating and Administration Expenses		(2,892,824)	(2,546,209)	(1,694,018)	(1,430,742)	14	18
Underwriting and Net Acquisition Costs		(1,456,258)	(1,235,446)	(1,098,207)	(888,527)	18	24
Finance and Other Insurance Related Costs		(112,123)	(100,256)	(86,557)	(56,843)	12	52
Total Benefits, Claims and Other Expenses		(11,933,851)	(10,016,721)	(7,774,226)	(6,446,462)	19	21
Profit Before Taxation		1,748,378	1,630,496	1,452,211	999,363	7	45
Income Tax Expense	11	(524,730)	(455,273)	(451,712)	(275,418)	15	64
Profit for the Year	12	1,223,648	1,175,223	1,000,499	723,945	4	38
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		(914,208)	709,787	(826,914)	631,105	(229)	(231)
- Realised Gains transferred to Income Statement		(9,490)	(53,106)	(9,490)	(44,655)	(82)	(79)
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		825,224	(580,705)	825,224	(580,705)	242	242
- Related Tax	11	8,729	(7,023)	-	-	224	-
Items that will never be reclassified to profit or loss							
- Actuarial Gains/(Losses) on Defined Benefit Plans		44,140	(44,995)	27,302	(27,402)	198	200
- Related Tax	11	(4,041)	-	-	-	(100)	-
Total Other Comprehensive Income for the Year, Net of Related Tax		(49,646)	23,958	16,122	(21,657)	(307)	174
Total Comprehensive Income for the Year		1,174,002	1,199,181	1,016,621	702,288	(2)	45
Profit Attributable to:							
Equity Holders of the Company		1,223,648	1,175,223	1,000,499	723,945	4	38
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		1,174,002	1,199,181	1,016,621	702,288	(2)	45
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	8.16	7.83	6.67	4.83	4	38

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

Statement of Changes in Equity - Group

For the Year Ended 31st December,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2020	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Comprehensive Income for the Year							
Profit for the Year - Audited	-	1,175,223	-	-	-	-	1,175,223
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	649,658	-	-	-	649,658
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(960,705)	-	-	-	(960,705)
Actuarial Losses on Defined Benefit Plans	-	-	-	(44,995)	-	-	(44,995)
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year	-	1,175,223	68,953	(44,995)	-	-	23,958
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	68,953	(44,995)	-	-	1,198,181
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent	-	-	-	-	580,705	-	580,705
Dividend to equity holders for 2019	-	(900,000)	-	-	-	-	(900,000)
Audited balance as at 31st December 2020	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
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 Year							
Profit for the Year - Unaudited	-	1,223,648	-	-	-	-	1,223,648
Other Comprehensive Income for the Year, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(914,969)	-	-	-	(914,969)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	825,224	-	-	-	825,224
Actuarial Gains on Defined Benefit Plans	-	-	-	40,099	-	-	40,099
Total Other Comprehensive Income for the Year							
Total Comprehensive Income for the Year	-	1,223,648	(89,745)	40,099	-	-	(49,646)
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	(89,745)	40,099	-	-	1,174,002
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent	-	-	-	-	(825,224)	-	(825,224)
Dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 31st December 2021	1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2021 (2020 - 150 Million).

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

Statement of Changes in Equity - Company

For the Year Ended 31st December,

	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 2020	1,171,875	4,544,369	9,881	(6,514)	177,228	381,156	6,277,995
Comprehensive Income for the Year	-	723,945	-	-	-	-	723,945
Profit for the Year - Audited	-	723,945	-	-	-	-	723,945
Other Comprehensive Income for the Year, Net of Related Tax	-	-	586,450	-	-	-	586,450
Net Change in fair value of Available For Sale Financial Assets	-	-	586,450	-	-	-	586,450
Net Change in fair value of Available For Sale Financial Assets	-	-	(580,705)	-	-	-	(580,705)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	(580,705)	-	-	-	(580,705)
Actuarial Losses on Defined Benefit Plans	-	-	-	(27,402)	-	-	(27,402)
Total Other Comprehensive Income for the Year	-	-	5,745	(27,402)	-	-	(21,657)
Total Comprehensive Income for the Year	-	723,945	5,745	(27,402)	-	-	702,288
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	590,705	-	590,705
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(300,000)	-	-	-	-	(300,000)
Dividend to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Audited balance as at 31st December 2020	1,171,875	4,868,314	15,626	(33,916)	757,933	381,156	7,260,968
Balance as at 01st January 2021	1,171,875	4,868,314	15,626	(33,916)	757,933	381,156	7,260,968
Comprehensive Income for the Year	-	1,000,499	-	-	-	-	1,000,499
Profit for the Year - Unaudited	-	1,000,499	-	-	-	-	1,000,499
Other Comprehensive Income for the Year, Net of Related Tax	-	-	(836,404)	-	-	-	(836,404)
Net Change in fair value of Available For Sale Financial Assets	-	-	(836,404)	-	-	-	(836,404)
Net Change in fair value of Available For Sale Financial Assets	-	-	825,224	-	-	-	825,224
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	825,224	-	-	-	825,224
Actuarial Gains on Defined Benefit Plans	-	-	-	27,302	-	-	27,302
Total Other Comprehensive Income for the Year	-	-	(11,180)	27,302	-	-	16,122
Total Comprehensive Income for the Year	-	1,000,499	(11,180)	27,302	-	-	1,016,621
Net Change in fair value of Available For Sale Financial Assets	-	-	(11,180)	27,302	-	-	16,122
Transactions with owners recorded directly in equity	-	-	-	-	(825,224)	-	(825,224)
Distributions to owners of the Company	-	(420,000)	-	-	-	-	(420,000)
Dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 31st December 2021	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,365

Stated Capital represents 150 Million Ordinary Shares as at 31st December 2021 (2020 - 150 Million).

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

Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company		
	Unaudited	Audited	Unaudited	Audited	
	2021	2020	2021	2020	
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities					
Profit Before Taxation		1,748,378	1,630,496	1,452,211	999,363
<i>Adjustments for:</i>					
Interest Income	10	(2,545,483)	(2,487,950)	(2,186,492)	(2,120,053)
Dividend Income	10	(9,791)	(5,367)	(124,628)	(5,309)
Amortisation of Intangible Assets		22,582	19,632	21,305	19,147
Depreciation of Property, Plant and Equipment		61,795	54,000	42,229	38,287
Net Depreciation of Right of Use Assets		130,759	130,693	122,825	115,293
Interest Expense of Lease Creditors		49,196	45,703	46,300	43,121
Provision for Employee Benefits		45,980	47,312	25,301	26,945
Net Realised Gains		(52,921)	(53,634)	(50,109)	(44,909)
Net Fair Value Gains		(79,128)	(17,696)	(49,484)	(12,987)
Losses/(Gains) on Disposal of Property, Plant and Equipment		220	(3,339)	289	(3,242)
Gains on Disposal of Right of Use Asset		(620)	(234)	(620)	(475)
		(629,033)	(640,384)	(700,873)	(944,819)
Net Change in Operating Assets	A	(331,137)	(362,064)	(96,044)	(48,747)
Net Change in Operating Liabilities	B	4,288,149	3,447,285	3,650,997	2,791,079
Cash Flows from Operating Activities		3,327,979	2,444,837	2,854,080	1,797,513
Gratuity Paid		(17,111)	(4,987)	(11,423)	(3,694)
Economic Service Charges (ESC) Paid		-	(6,137)	-	-
Income Tax Paid		(169,374)	(73,109)	-	-
Capital Gain Tax Paid		-	(1,213)	-	-
Net Cash Generated from Operating Activities		3,141,494	2,359,391	2,842,657	1,793,819
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(218,308,521)	(161,539,857)	(169,673,417)	(112,016,270)
Proceeds from Maturity of Financial Investments		213,902,269	156,827,276	165,602,038	108,179,859
Proceeds from Sale of Financial Investments		976,949	391,770	853,655	301,267
Interest Received		2,455,660	2,372,238	2,075,569	2,001,689
Dividend Received		9,791	5,367	124,628	5,309
Acquisition of Intangible Assets		(16,904)	(36,703)	(16,904)	(31,557)
Acquisition of Property, Plant and Equipment		(177,281)	(77,408)	(68,629)	(59,114)
Proceeds from the Disposal of Property, Plant and Equipment		2,170	19,330	1,461	18,531
Advance Paid to Right of Use Asset		(20,518)	(8,487)	(16,722)	(8,487)
Net Cash Used in Investing Activities		(1,176,385)	(2,046,474)	(1,118,321)	(1,608,773)
Cash Flows from Financing Activities					
Dividend Paid		(420,000)	(300,000)	(420,000)	(300,000)
Payment of Lease Liabilities		(130,835)	(161,318)	(121,387)	(147,090)
Net Cash Used in Financing Activities		(550,835)	(461,318)	(541,387)	(447,090)
Net Increase/(Decrease) in Cash and Cash Equivalents		1,414,274	(148,401)	1,182,949	(262,044)
Cash and Cash Equivalents at the beginning of the Year		586,806	735,207	339,618	601,662
Cash and Cash Equivalents at the end of the Year	C	2,001,080	586,806	1,522,567	339,618

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

Notes to the Statement of Cash Flows

<i>For the Year Ended 31st December,</i>	Group		Company	
	Unaudited 2021	Audited 2020	Unaudited 2021	Audited 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
A. Change in Operating Assets				
Decrease/(Increase) in Deferred Expenses	5,909	(24,997)	-	-
Increase in Loans to Life Policyholders	(23,716)	(54,429)	(23,716)	(54,429)
Increase in Reinsurance Receivables	(300,430)	(126,365)	(144,310)	(27,984)
(Increase)/Decrease in Premium Receivables	(136,403)	(164,944)	(2,834)	4,470
Decrease in Other Assets	123,503	8,671	74,816	29,196
Net Change in Operating Assets	(331,137)	(362,064)	(96,044)	(48,747)
B. Change in Operating Liabilities				
Increase in Other Liabilities	189,731	254,418	202,621	29,633
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	3,286,238	2,595,681	3,286,238	2,595,681
Increase in Insurance Contract Liabilities - General Insurance	426,773	437,733	-	-
Increase in Reinsurance Creditors	385,407	159,453	162,138	165,765
Net Change in Operating Liabilities	4,288,149	3,447,285	3,650,997	2,791,079
C. Cash and Cash Equivalents at the end of the Year				
Cash in Hand and at Bank	2,112,745	711,111	1,575,931	393,522
Bank Overdrafts	(111,665)	(124,305)	(53,364)	(53,904)
Cash and Cash Equivalents	2,001,080	586,806	1,522,567	339,618

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

Statement of Profit or Loss and Other Comprehensive Income

	Note	Group		Company		Change	
		2021	2020	2021	2020	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
<i>For the Three months ended 31st December,</i>							
Gross Written Premium	9	3,686,589	2,920,109	2,097,967	1,650,682	26	27
Premium Ceded to Reinsurers		(474,961)	(400,066)	(98,906)	(71,632)	19	38
Net Written Premium		3,211,628	2,520,043	1,999,061	1,579,050	27	27
Net Change in Reserves for Unearned Premium		(179,960)	(14,735)	-	-	1,121	-
Net Earned Premium		3,031,668	2,505,308	1,999,061	1,579,050	21	27
Other Revenue							
Interest and Dividend Income	10	674,178	635,077	581,237	542,367	6	7
Net Realised Gains		33,204	27,643	33,204	27,557	20	20
Net Fair Value Gains/(Losses)		1,851	17,526	(1,100)	15,430	(89)	(107)
Fee and Commission Income		63,362	23,729	8,176	12,464	167	(34)
Other Income		1,109	1,414	553	228	(22)	143
Total Other Revenue		773,704	705,389	622,070	598,046	10	4
Net Income		3,805,372	3,210,697	2,621,131	2,177,096	19	20
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,287,387)	(936,631)	(457,525)	(428,701)	37	7
Change in Contract Liabilities - Life Fund		(193,200)	(383,266)	(193,200)	(383,266)	(50)	(50)
Other Operating and Administration Expenses		(832,057)	(711,244)	(521,740)	(420,138)	17	24
Underwriting and Net Acquisition Costs		(449,916)	(353,832)	(363,418)	(268,917)	27	35
Finance and Other Insurance Related Costs		(25,840)	(36,837)	(25,008)	(19,378)	(30)	29
Total Benefits, Claims and Other Expenses		(2,788,400)	(2,421,810)	(1,560,891)	(1,520,400)	15	3
Profit Before Taxation		1,016,972	788,887	1,060,240	656,696	29	61
Income Tax Expense	11	(258,421)	(230,081)	(267,592)	(195,027)	12	37
Profit for the Period	12	758,551	558,806	792,648	461,669	36	72
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		(240,487)	(131,745)	(219,222)	(119,696)	83	83
- Realised Gains transferred to Income Statement		(3,616)	(27,303)	(3,616)	(27,303)	(87)	(87)
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		220,662	144,427	220,662	144,427	53	53
- Related Tax	11	(4,897)	1,205	-	-	(506)	-
Items that will never be reclassified to profit or loss							
- Actuarial Gains/(Losses) on Defined Benefit Plans		44,140	(44,995)	27,302	(27,402)	198	200
- Related Tax	11	(4,041)	-	-	-	(100)	-
Total Other Comprehensive Income for the Period, Net of Related tax		11,761	(58,411)	25,126	(29,974)	120	184
Total Comprehensive Income for the Period		770,312	500,395	817,774	431,695	54	89
Profit Attributable to:							
Equity Holders of the Company		758,551	558,806	792,648	461,669	36	72
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		770,312	500,395	817,774	431,695	54	89
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	5.06	3.73	5.28	3.08	36	72

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 2021		31st December 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	141,390	141,494	116,740	53,048
Right of Use Assets	362,336	32,812	380,105	14,332
Intangible Assets	57,839	5,341	62,240	6,618
Deferred Tax Assets	273,543	18,289	725,255	13,466
Financial Investments	24,667,102	4,426,983	22,075,265	4,291,343
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	403,452	-	379,736	-
Reinsurance Receivables	317,009	755,197	172,699	599,077
Premium Receivables	7,822	1,240,175	4,988	1,106,606
Other Assets	507,528	253,966	582,321	289,379
Insurance Contract - Deferred Expenses	-	157,710	-	163,619
Cash and Cash Equivalents	1,575,931	536,814	393,522	317,589
Total Assets	29,463,952	7,568,781	26,042,871	6,855,077
Liabilities				
Insurance Contract Liabilities - Life Insurance	20,342,757	-	17,064,089	-
Insurance Contract Liabilities - General Insurance	-	3,735,922	-	3,309,149
Employee Defined Benefit Liabilities	137,328	101,839	150,729	103,709
Current Tax Liabilities	19,871	42,297	12,301	138,792
Reinsurance Creditors	453,054	632,458	290,916	409,189
Lease Creditors	390,374	31,464	377,746	15,399
Other Liabilities	1,034,819	725,877	832,198	725,196
Bank Overdrafts	53,364	58,301	53,904	70,401
Total Liabilities	22,431,567	5,328,158	18,781,883	4,771,835

Operating Segment Information - Profitability

For the Year Ended,	Unaudited		Audited	
	31st December 2021		31st December 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	7,091,470	5,648,578	5,487,039	4,997,728
Premium Ceded to Reinsurers	(355,537)	(1,293,324)	(265,164)	(1,042,814)
Net Written Premium	6,735,933	4,355,254	5,221,875	3,954,914
Net Change in Reserves for Unearned Premium	-	(242,252)	-	(164,257)
Net Earned Premium	6,735,933	4,113,002	5,221,875	3,790,657
Other Revenue				
Interest and Dividend Income	2,311,120	359,154	2,125,362	367,955
Net Realised Gains	50,109	2,812	44,909	8,725
Net Fair Value Gains	49,484	29,644	12,987	4,709
Fee and Commission Income	77,025	181,325	34,945	137,055
Other Income	2,766	10,568	5,747	9,223
Total Other Revenue	2,490,504	583,503	2,223,950	527,667
Net Income	9,226,437	4,696,505	7,445,825	4,318,324
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,646,088)	(2,578,755)	(1,494,181)	(2,064,502)
Change in Contract Liabilities - Life Fund	(3,249,356)	-	(2,576,169)	-
Other Operating and Administration Expenses	(1,694,018)	(1,304,301)	(1,430,742)	(1,212,747)
Underwriting and Net Acquisition Cost	(1,098,207)	(376,716)	(888,527)	(366,529)
Finance and Other Insurance Related Costs	(86,557)	(25,566)	(56,843)	(43,413)
Total Benefits, Claims and other Expenses	(7,774,226)	(4,285,338)	(6,446,462)	(3,687,191)
Profit Before Taxation	1,452,211	411,167	999,363	631,133
Income Tax Expense	(451,712)	(73,018)	(275,418)	(179,855)
Profit for the Year	1,000,499	338,149	723,945	451,278

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 Uttararanda 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 14th February 2022.

Figures in these Condensed Consolidated Interim Financial Statements for the Year ended 31st December 2021 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 - 2020 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 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	Audited	Unaudited	Audited
	31st Dec 2021 Rs. '000	31st Dec 2020 Rs. '000	31st Dec 2021 Rs. '000	31st Dec 2020 Rs. '000
Held to Maturity Financial Assets	313,465	-	313,465	-
Loans and Receivables	20,246,541	18,252,174	16,953,973	15,060,717
Available for Sale Financial Assets	8,198,911	7,170,930	7,261,326	6,313,997
Financial Assets at Fair Value Through Profit or Loss	335,168	943,504	138,338	700,551
Total Financial Investments	29,094,085	26,366,608	24,667,102	22,075,265

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 Dec 2021	31st Dec 2020	31st Dec 2021	31st Dec 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the end of the year	(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 December 2021

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 Dec 2021 (Rs. '000)
As at,	
Term Deposits	396,174

6d) Distribution of One-off Surplus

The distribution of one-off surplus to shareholders as dividends shall remain restricted until a company develops appropriate policies and procedures for effective management of its business, as listed below.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly participating and Non-participating.
- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy.
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further, IRCSL will consider the distribution of One-off Surplus when the RBC rules are revised.

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case by case basis.

7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Life Insurance Fund	(Note 7a) 20,062,535	16,833,050	20,062,535	16,833,050
Claims Outstanding	280,222	231,039	280,222	231,039
Total Insurance Contract Liabilities	20,342,757	17,064,089	20,342,757	17,064,089

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Year	16,833,050	14,269,182	16,833,050	14,269,182
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	4,229,356	3,188,372	4,229,356	3,188,372
Surplus Distributed to Shareholders	(980,000)	(612,203)	(980,000)	(612,203)
Increase in Life Insurance Fund	3,249,356	2,576,169	3,249,356	2,576,169
Effect of Taxation on surplus/Bonus transferred to Policyholders	(19,871)	(12,301)	(19,871)	(12,301)
Balance as at the end of the Year	20,062,535	16,833,050	20,062,535	16,833,050

Notes to the Condensed Consolidated Interim Financial Statements

7b) Valuation of the Life Insurance Contract Liabilities for the year ended 31st December 2021 was carried out by the Consultant Actuary, Mr. Abhishek Chadha, FIA, for and on behalf of Willis Towers Watson India Private Limited (2020 - valuation was carried by Mr. Hassan Scott Odierno, FSA, for and on behalf of M/S Actuarial Partners Consulting Sdn Bhd) 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. 980 Million for the year ended 31st December 2021 (31st December 2020 - Rs. 612.2 Million) from the Life Insurance Business based on the recommendations made by the Life Insurance Consultant Actuary.

7c) Effect of Taxation on surplus/Bonus transferred to Policyholders

According to the Section 67 (2) of Inland Revenue Act No 24 of 2017 which is effective from 01 April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. However, due to the completion of stipulated concessionary period, Company will be liable to tax at the rate of 24% on bonus/surplus transferred to policyholders from the year 2021 onwards. As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 82.8 Million (2020 - Rs. 87.9 Million) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 19.87 Million (2020 - Rs. 12.3 Million) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

7d) 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 (2020 - valuation was carried by Mr. Hassan Scott Odierno, FSA, for and on behalf of Messers Actuarial Partners Consulting Sdn Bhd). 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 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 December 2021.

8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Reserves for Net Unearned Premium	2,343,472	2,108,020	-	-
Reserves for Title Insurance	63,531	56,731	-	-
Reserves for Gross Outstanding Claims	1,328,919	1,144,398	-	-
Total Insurance Contract Liabilities	3,735,922	3,309,149	-	-

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2021 for and on behalf of Willis Towers Watson India Private Limited (2020 - valuation was carried by Mr. Matthew Kung-Chuong Tiong, FIAA, for and on behalf of NMG Consulting) and have 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 Consultant 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 (2020 - LAT was carried by Mr. Matthew Kung-Chuong Tiong, FIAA, for and on behalf of NMG Consulting). The valuation is based on internationally accepted actuarial methods and is performed semi-

Notes to the Condensed Consolidated Interim Financial Statements

annually. According to the Consultant 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 December 2021.

9 GROSS WRITTEN PREMIUM

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Life Insurance				
Individual Policies	6,962,285	5,422,151	6,962,285	5,422,151
Corporate Policies	129,185	64,888	129,185	64,888
Adjustment for Inter Company Premiums	(54,769)	(48,196)	-	-
Gross Written Premium - Life Insurance	7,036,701	5,438,843	7,091,470	5,487,039
General Insurance				
Fire	759,119	647,789	-	-
Motor	3,865,286	3,583,061	-	-
Marine	81,874	54,682	-	-
Miscellaneous	942,299	712,196	-	-
Adjustment for Inter Company Premiums	(38,332)	(37,579)	-	-
Gross Written Premium - General Insurance	5,610,246	4,960,149	-	-
Total Gross Written Premium	12,646,947	10,398,992	7,091,470	5,487,039

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000
Life Insurance				
Individual Policies	2,063,040	1,632,733	2,063,040	1,632,733
Corporate Policies	34,927	17,949	34,927	17,949
Adjustment for Inter Company Premiums	(16,231)	(15,374)	-	-
Gross Written Premium - Life Insurance	2,081,736	1,635,308	2,097,967	1,650,682
General Insurance				
Fire	184,309	177,239	-	-
Motor	1,036,938	816,025	-	-
Marine	39,170	30,883	-	-
Miscellaneous	345,695	262,866	-	-
Adjustment for Inter Company Premiums	(1,259)	(2,212)	-	-
Gross Written Premium - General Insurance	1,604,853	1,284,801	-	-
Total Gross Written Premium	3,686,589	2,920,109	2,097,967	1,650,682

10 INTEREST AND DIVIDEND INCOME

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Interest Income	2,545,483	2,487,950	2,186,492	2,120,053
Dividend Income	9,791	5,367	124,628	5,309
Total	2,555,274	2,493,317	2,311,120	2,125,362

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000
	Interest Income	671,826	633,193	578,946
Dividend Income	2,352	1,884	2,291	1,826
Total	674,178	635,077	581,237	542,367

11 INCOME TAX EXPENSE

<i>For the Year Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
	Income Tax Charge	(99,902)	(190,310)	-
Over/(Under) Provision of Income Taxes in respect of prior Year	26,750	(151)	-	-
Deferred Income Tax - Recognised through Profit or Loss	(451,578)	(263,967)	(451,712)	(275,418)
Capital Gain Tax for the Year	-	(845)	-	-
Total Tax charge in Profit or Loss	(524,730)	(455,273)	(451,712)	(275,418)

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	(7,023)	-	-
Deferred tax on actuarial gain/(loss) on defined benefit plans	(4,041)	-	-	-
Total Tax charge in Other Comprehensive Income	4,688	(7,023)	-	-

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000
	Income Tax Charge	(16,598)	(39,569)	-
Over/(Under) Provision of Income Taxes in respect of prior Period	26,750	(151)	-	-
Deferred Income Tax - Recognised through Profit or Loss	(268,573)	(190,361)	(267,592)	(195,027)
Capital Gain Tax for the Period	-	-	-	-
Total Tax charge in Profit or Loss	(258,421)	(230,081)	(267,592)	(195,027)

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	(4,897)	1,205	-	-
Deferred tax on actuarial gain/(loss) on defined benefit plans	(4,041)	-	-	-
Total Tax charge in Other Comprehensive Income	(8,938)	1,205	-	-

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.

Notes to the Condensed Consolidated Interim Financial Statements

12 PROFIT FOR THE YEAR

<i>For the Year Ended,</i>	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Company -HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	980,000	612,203
Profit from Life Shareholders' Fund	472,211	387,160
Reversal of Deferred Tax Asset	<u>(451,712)</u>	<u>(275,418)</u>
Profit for the Year	1,000,499	723,945
Subsidiary -HNB General Insurance Ltd		
Profit Before Tax	411,167	631,133
Income Tax and Deferred Tax Expense	<u>(73,018)</u>	<u>(179,855)</u>
Profit for the Year	338,149	451,278
Elimination of Intercompany Dividend	<u>(115,000)</u>	<u>-</u>
Profit for the Year - Group	1,223,648	1,175,223

For the Three Months Ended,

<i>For the Three Months Ended,</i>	Unaudited 31st Dec 2021 Rs. '000	Unaudited 31st Dec 2020 Rs. '000
Company - HNB Assurance PLC		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	980,000	612,203
Profit from Life Shareholders' Fund	80,240	44,493
Reversal of Deferred Tax Asset	<u>(267,592)</u>	<u>(195,027)</u>
Profit for the Period	792,648	461,669
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	(43,268)	132,191
Income Tax and Deferred Tax Expense	9,171	(35,054)
Profit for the Period	(34,097)	97,137
Profit for the Period - Group	758,551	558,806

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 2021	Audited 31st Dec 2020	Unaudited 31st Dec 2021	Audited 31st Dec 2020
Profit for the Year (Rs. '000)	1,223,648	1,175,223	1,000,499	723,945
Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	<u>8.16</u>	<u>7.83</u>	<u>6.67</u>	<u>4.83</u>
<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 31st Dec 2021	Unaudited 31st Dec 2020	Unaudited 31st Dec 2021	Unaudited 31st Dec 2020
Profit for the Period (Rs. '000)	758,551	558,806	792,648	461,669
Weighted average number of ordinary shares ('000)	150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)	<u>5.06</u>	<u>3.73</u>	<u>5.28</u>	<u>3.08</u>

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 For the Year Ended,	Group		Company	
	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Insurance Premium	84,119	10,888	-	-
Claims Incurred	16,529	22,836	-	-
Investment Income	84,246	84,826	60,807	64,266
Administration Expenses	399,485	334,218	287,773	229,114
Rent and other Operational Expenses	15,282	10,337	9,309	6,525
Dividend Paid	251,941	179,958	251,941	179,958
Outstanding Balances	Group		Company	
As at,	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Investments Balance (Includes Deposits and Debentures)	1,008,586	893,788	650,501	664,043
Cash at Bank Balances	448,493	560,336	279,857	328,230
Premium Receivable	65	56	-	-
Administration Expenses Payable	64,422	54,063	49,278	41,653
Rent and Other Operational Expenses Payable	433	181	245	79

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

Transactions For the Year Ended,	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Insurance Premium	54,769	48,196
Insurance Expenses	38,332	37,579
Claims Received	1,553	42
Claims Paid	7,400	3,600
Reimbursement Expenses Relating to Employees	96,175	100,729
Other Reimbursement Expenses	185,017	171,091
Fund Management Fee	13,947	11,547
Profit Commission Expense	18,665	19,610
Dividend Received	115,000	-
Outstanding Balances	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Receivable from HNB General Insurance Ltd	13,548	7,286

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

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	10,998	(2,783)	-	-
HNB Finance PLC	Insurance Premium	18,874	10,921	-	-
	Claims Incurred	886	1,933	-	-
	Administration Expenses	5,650	5,828	87	66
	Interest Income	24,375	24,079	24,375	24,079

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Sithma Development (Pvt) Ltd	Premium Receivable	-	3,152	-	-
HNB Finance PLC	Investment in Term Deposits	175,434	50,076	175,434	50,076
	Investment in Debentures	125,090	125,090	125,090	125,090
	Cash at Bank Balances	139	66	139	66
	Premium Receivable	9,506	397	-	-
	Administration Expenses Payable	2,192	928	26	4

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>For the Year Ended,</i>					
Acuity Partners (Pvt) Ltd	Insurance Premium	1,064	991	300	297
	Claims incurred	2,466	313	2,000	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	2,630	537	-	-
	Claims incurred	520	209	-	-
Acuity Securities Ltd	Insurance Premium	715	618	-	-
	Claims incurred	413	609	-	-
	Custodian Fee	602	-	469	-
	Investment Income from REPO	139,463	114,089	109,772	75,843

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 31st Dec 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	307	305	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	188	83	-	-
Acuity Securities Ltd	Premium Receivable	284	164	-	-
	Investment In REPO	2,718,453	2,827,050	2,296,523	2,011,243

14e) 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 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Director Fee	23,715	24,560
Short-term and Post Employment Benefits	70,091	68,511
Insurance Premium	2,699	2,559
Claims Paid including Maturities	-	1,805

Appointment to the Board of Directors

Mrs. Lorainne Chiranthi Cooray was appointed as a Director of HNB General Insurance Limited w.e.f. 17th March 2021.

Mr. Ashoka Goonesekere was appointed to the Board of HNB Assurance PLC as a Director with effect from 31st December 2021.

Retirement and Resignation from the Board of Directors

Mr. Dilshan Rodrigo, a Director of HNB General Insurance Limited has resigned from being a Director of HNB General Insurance Limited w.e.f 17th March 2021.

Mr. JAPM Jayasekera, a Director of HNB Assurance PLC has resigned from being a Director of HNB Assurance PLC w.e.f 03rd December 2021.

Notes to the Condensed Consolidated Interim Financial Statements

Retirement of Chief Executive Officer

Mr. Prasantha Fernando, Chief Executive Officer of HNB Assurance PLC and HNB General Insurance Limited has retired w.e.f. 31st December 2021.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements - 2020 except for the above changes.

15 COVID-19 Pandemic and Related Implications

As of the reporting date the effects of COVID-19 continues to affect businesses both locally and globally. The Company and Subsidiary have implemented a work from home concept and necessary technological support and infrastructure to ensure business continuity. The Group continues 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 on the Group. The Board has assessed the potential implications of COVID-19 on the profitability, solvency and liquidity position of the Group. The Company/ Group will not have any limitation in meeting future obligations and business continuity.

The Insurance Regulatory Commission of Sri Lanka (IRCSL) continues to monitor insurance companies through monthly monitoring of solvency related ratios. As per Direction 1 of 2021 issued by the IRCSL on 10th March 2021 and subsequent amendments, the Board of Directors of insurance companies are required to provide a confirmation to the IRCSL that COVID-19 impacts have been considered under stress scenarios along with solvency and other factors as specified in the Direction prior to declaration of any dividends.

16 EVENTS OCCURRING AFTER THE REPORTING DATE

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.

Subsequent Tax Assessments

Subsequent to the reporting date Company received two tax assessments for VAT on Financial Services for the periods of 01.01.2017 to 31.12.2017 and 01.01.2018. to 31.12.2018 amounting to Rs. 63.84 million and Rs. 98.86 million respectively including penalties.

Surcharge Tax

The Bill governing the imposition and administration of the Surcharge Tax was published in the Gazette on 07th February 2022. The Surcharge Tax was proposed in the Budget 2022, as a one-time tax. Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold as specified in the Bill. There shall be levied a Surcharge Tax any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on April 1, 2020, at the rate of twenty five per centum on the taxable income of such individual, partnership or company, for such year of assessment. The proposed surcharge tax has not been accounted for in these financial statements of the Company and the Group as at 31st December 2021 as the said Bill is not considered to be substantially enacted as per LKAS – 12 as at the reporting date.

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.

Notes to the Condensed Consolidated Interim Financial Statements

17 CAPITAL COMMITMENTS

The Group has committed an expense of Rs.49.1 Million for purchase of computer software, computer hardware and other equipment (2020 - Rs. 24.1Million for the purchase of computer 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.

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 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 three 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 and 01.01.2016 to 31.12.2016. The Company has duly appealed for all three 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. 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	VAT	21.06	10.53	31.59
		Tax Appeals Commission	NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from	VAT	17.55	12.98	30.53
		Tax Appeals Commission	NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from	VAT	24.86	12.43	37.29
		Tax Appeals Commission	NBT	4.01	2.00	6.01
Total				70.31	39.35	109.66

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.

Notes to the Condensed Consolidated Interim 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	Pending decision from Tax Appeals Commission	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 December 2021	
	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	1,530,000	1.02
6 Mrs. A. Kailasapillai	1,500,000	1.00
7 Mrs. A. Selliah	1,500,000	1.00
8 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90
9 Arunodhaya Industries (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 Andysel (Pvt) Ltd	750,000	0.50
13 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
14 Mr. V. Sharda	609,000	0.41
15 Dr. S. Selliah	600,000	0.40
16 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
17 Mrs. M. R. P. Balendra	554,196	0.37
18 Suktam Holdings (Pvt) Ltd	543,302	0.36
19 Commercial Bank of Ceylon PLC/Janashakthi Capital Limited	500,000	0.33
20 Mr. A.A.A. Rifkee	500,000	0.33

Public Shareholding

31st December 2021

* Float Adjusted Market Capitalisation (Rs.)	2,562,911,987
Percentage of Shares held by the Public	35.302%
Number of Public Shareholders	4,437

The Company complies the minimum public Shareholding requirement under option 4 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 Dec 2021
Mrs. M A R C Cooray	94,235
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	67,500
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 Fernando (Chief Executive Officer)*	Nil

*Mr. P Fernando retried with effect from 31st December 2021.

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 December 2021 - Group	54.15
Net Asset Value Per Share as at 31st December 2021 - Company	46.88
Net Asset Value Per Share as at 31st December 2021 without Restricted Regulatory Reserve - Group	51.61
Net Asset Value Per Share as at 31st December 2021 without Restricted Regulatory Reserve - Company	44.34
Highest Price Per Share for the Interim Period	49.50
Lowest Price Per Share for the Interim Period	42.30
Last Traded Price Per Share as at 31st December 2021	48.40