

# SOLID. ENDURING.



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements  
30<sup>th</sup> June 2021

# Statement of Financial Position


As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th June 2021	31st Dec 2020	30th June 2021	31st Dec 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		196,425	169,788	132,873	116,740
Right of Use Assets		398,990	394,437	373,821	380,105
Intangible Assets		64,356	68,858	58,371	62,240
Deferred Tax Assets		585,422	738,721	562,447	725,255
Financial Investments	3	28,107,556	26,366,608	23,327,955	22,075,265
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		389,587	379,736	389,587	379,736
Reinsurance Receivables		867,648	771,776	235,768	172,699
Premium Receivables		977,380	1,111,594	16,737	4,988
Other Assets		1,269,717	864,414	952,868	582,321
Insurance Contract - Deferred Expenses		134,726	163,619	-	-
Cash and Cash Equivalents		795,166	711,111	452,520	393,522
<b>Total Assets</b>		<b>33,786,973</b>	<b>31,740,662</b>	<b>27,652,947</b>	<b>26,042,871</b>
<b>Equity and Liabilities</b>					
<b>Equity Attributable to the Equity Holders</b>					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		5,706,054	5,841,032	4,686,685	4,968,314
Available for Sale Reserve		75,453	93,754	11,568	15,626
Other Reserve		(51,520)	(51,520)	(33,916)	(33,916)
Life Policyholders' Available for Sale Reserve Fund	5	565,052	757,933	565,052	757,933
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
<b>Equity Attributable to the Equity Holders</b>		<b>7,848,070</b>	<b>8,194,230</b>	<b>6,782,420</b>	<b>7,260,988</b>
Non-Controlling Interest		-	-	-	-
<b>Total Equity</b>		<b>7,848,070</b>	<b>8,194,230</b>	<b>6,782,420</b>	<b>7,260,988</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	7	19,071,471	17,064,089	19,071,471	17,064,089
Insurance Contract Liabilities - General Insurance	8	3,321,045	3,309,149	-	-
Employee Defined Benefit Liabilities		273,710	254,438	159,564	150,729
Current Tax Liabilities		154,328	151,093	12,301	12,301
Reinsurance Creditors		1,048,244	700,105	398,753	290,916
Lease Creditors		421,110	393,145	395,441	377,746
Other Liabilities		1,409,616	1,550,108	727,264	832,198
Bank Overdraft		239,379	124,305	105,733	53,904
<b>Total Liabilities</b>		<b>25,938,903</b>	<b>23,546,432</b>	<b>20,870,527</b>	<b>18,781,883</b>
<b>Total Equity and Liabilities</b>		<b>33,786,973</b>	<b>31,740,662</b>	<b>27,652,947</b>	<b>26,042,871</b>

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

  
**J A P M Jayasekera**  
 Director

Colombo, Sri Lanka  
 02nd August 2021

## Statement of Profit or Loss and Other Comprehensive Income

Group				Group		Company		Change	
(Audited)	Year Ended	For the Six Months Ended 30th June,		Unaudited	Unaudited	Unaudited	Unaudited	Group	Company
31 <sup>st</sup> Dec 2020	Rs. '000	Note	2021	2020	2021	2020	Rs. '000	%	%
10,398,992	Gross Written Premium	9	5,704,083	4,506,887	3,118,551	2,169,583		27	44
(1,307,978)	Premium Ceded to Reinsurers		(793,583)	(610,478)	(166,704)	(127,173)		30	31
9,091,014	<b>Net Written Premium</b>		<b>4,910,500</b>	<b>3,896,409</b>	<b>2,951,847</b>	<b>2,042,410</b>		26	45
(164,257)	Net Change in Reserves for Unearned Premium		45,761	(17,932)	-	-		355	-
8,926,757	<b>Net Earned Premium</b>		<b>4,956,261</b>	<b>3,878,477</b>	<b>2,951,847</b>	<b>2,042,410</b>		28	45
<b>Other Revenue</b>									
2,493,317	Interest and Dividend Income	10	1,235,920	1,229,111	1,174,942	1,046,020		1	12
53,634	Net Realised Gains		8,099	12,394	7,572	7,558		(35)	0.2
17,696	Net Fair Value Gains/(Losses)		66,347	(11,695)	43,527	(15,106)		667	388
140,843	Fee and Commission Income		124,593	97,213	61,017	44,596		28	37
14,970	Other Income		11,054	8,164	2,292	1,566		35	46
2,720,460	<b>Total Other Revenue</b>		<b>1,446,013</b>	<b>1,335,187</b>	<b>1,289,350</b>	<b>1,084,634</b>		8	19
11,647,217	<b>Net Income</b>		<b>6,402,274</b>	<b>5,213,664</b>	<b>4,241,197</b>	<b>3,127,044</b>		23	36
<b>Net Benefits, Claims and Expenses</b>									
(3,558,641)	Net Insurance Benefits and Claims		(1,903,823)	(1,549,256)	(725,282)	(652,642)		23	11
(2,576,169)	Change in Contract Liabilities - Life Fund		(1,962,017)	(1,221,976)	(1,962,017)	(1,221,976)		61	61
(2,546,209)	Other Operating and Administration Expenses		(1,313,701)	(1,201,756)	(735,864)	(652,986)		9	13
(1,235,446)	Underwriting and Net Acquisition Costs		(661,480)	(510,560)	(475,217)	(345,649)		30	37
(100,256)	Finance and Other Insurance Related Costs		(58,796)	(44,158)	(41,638)	(22,665)		33	84
(10,016,721)	<b>Total Benefits, Claims and Other Expenses</b>		<b>(5,899,817)</b>	<b>(4,527,706)</b>	<b>(3,940,018)</b>	<b>(2,895,918)</b>		30	36
1,630,496	<b>Profit Before Taxation</b>		<b>502,457</b>	<b>685,958</b>	<b>301,179</b>	<b>231,126</b>		(27)	30
(455,273)	Income Tax Expense	11	(217,435)	(185,992)	(162,808)	(55,156)		17	195
1,175,223	<b>Profit for the Period</b>	12	<b>285,022</b>	<b>499,966</b>	<b>138,371</b>	<b>175,970</b>		(43)	(21)
<b>Other Comprehensive Income, Net of Related Tax</b>									
<b>Items that are or may be reclassified to profit or loss</b>									
709,787	- Net Change in fair value of Available For Sale Financial Assets		(214,694)	841,012	(191,065)	749,840		(126)	(125)
(53,106)	- Realised Gains transferred to Income Statement		(5,874)	(12,206)	(5,874)	(7,558)		(52)	(22)
(580,705)	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		192,881	(733,216)	192,881	(733,216)		126	126
(7,023)	- Related Tax	11	9,386	(8,652)	-	-		208	-
(44,995)	<b>Actuarial Losses on Defined Benefit Plans</b>		-	-	-	-		-	-
23,958	<b>Total Other Comprehensive Income for the Period, Net of Related Tax</b>		<b>(18,301)</b>	<b>86,938</b>	<b>(4,058)</b>	<b>9,066</b>		(121)	(145)
1,199,181	<b>Total Comprehensive Income for the Period</b>		<b>266,721</b>	<b>586,904</b>	<b>134,313</b>	<b>185,036</b>		(55)	(27)
<b>Profit Attributable to:</b>									
1,175,223	Equity Holders of the Company		285,022	499,966	138,371	175,970		(43)	(21)
-	Non-Controlling Interest		-	-	-	-		-	-
1,199,181	<b>Total Comprehensive Income Attributable to:</b>		<b>266,721</b>	<b>586,904</b>	<b>134,313</b>	<b>185,036</b>		(55)	(27)
-	Non-Controlling Interest		-	-	-	-		-	-
7.83	Basic and Diluted Earnings Per Share (Rs.)	13	1.90	3.33*	0.92	1.17*		(43)	(21)

\*Basic and Diluted Earnings Per Share of 30th June 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 30th June 2021.

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

## Statement of Changes in Equity - Group

For the Period Ended 30th June,

	Retained Earnings	Available for Sale Reserve	Other Reserve	Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2020	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Comprehensive Income for the Period	-	-	-	-	-	-
Profit for the Period - Unaudited	499,966	-	-	-	-	499,966
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	820,154	-	-	-	820,154
Net Change in fair value of Available For Sale Financial Assets	-	(733,216)	-	-	-	(733,216)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	86,938	-	-	-	86,938
Total Other Comprehensive Income for the Period	-	86,938	-	-	-	86,938
Total Comprehensive Income for the Period	499,966	-	-	-	-	499,966
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	733,216	-	733,216
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-
Distributions to owners of the Parent	(300,000)	-	-	-	-	(300,000)
Final dividend to equity holders for 2019	5,165,775	111,739	(6,525)	910,444	381,156	7,734,464
<b>Unaudited balance as at 30th June 2020</b>	1,177,875	111,739	(6,525)	910,444	381,156	7,734,464
<b>Comprehensive Income for the Period</b>	-	-	-	-	-	-
Profit for the Period - Unaudited	675,257	-	-	-	-	675,257
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	(170,496)	-	-	-	(170,496)
Net Change in fair value of Available For Sale Financial Assets	-	152,511	-	-	-	152,511
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	(44,985)	-	-	-	(44,985)
Actuarial Losses on Defined Benefit Plans	-	(7,965)	-	-	-	(7,965)
Total Other Comprehensive Income for the Period	-	(17,965)	-	-	-	(17,965)
Total Comprehensive Income for the Period	675,257	(17,965)	(44,985)	-	-	612,277
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	93,754	(51,520)	(152,511)	-	(152,511)
<b>Audited balance as at 31st December 2020</b>	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Balance as at 01st January 2021	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
<b>Comprehensive Income for the Period</b>	-	-	-	-	-	-
Profit for the Period - Unaudited	285,022	-	-	-	-	285,022
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	-	-	-	-
Net Change in fair value of Available For Sale Financial Assets	-	(211,182)	-	-	-	(211,182)
Net Change in fair value of Available For Sale Financial Assets	-	192,881	-	-	-	192,881
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	(18,301)	-	-	-	(18,301)
Total Other Comprehensive Income for the Period	-	(18,301)	-	-	-	(18,301)
Total Comprehensive Income for the Period	285,022	(18,301)	-	-	-	266,721
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	(192,881)	-	(192,881)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-
Distributions to owners of the Parent	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	5,706,054	75,453	(51,520)	665,062	381,156	7,846,070
<b>Unaudited balance as at 30th June 2021</b>	1,177,875	75,453	(51,520)	665,062	381,156	7,846,070

Unaudited balance as at 30th June 2021 (31st December 2020 - 150 Million Ordinary Shares)

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

# Statement of Changes in Equity - Company

For the Period Ended 30th June,

	Retained Earnings	Available for Sale Reserve	Other Reserve	Policyholders' AFS Reserve	Restricted Regulatory Reserve	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st January 2020</b>	4,544,369	9,881	(6,514)	177,228	381,156	6,277,965
<b>Comprehensive Income for the Period</b>						
Profit for the Period - Unaudited	175,970	-	-	-	-	175,970
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>						
Net Change in fair value of Available For Sale Financial Assets	-	742,282	-	-	-	742,282
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	(733,216)	-	-	-	(733,216)
<b>Total Other Comprehensive Income for the Period</b>						
Total Comprehensive Income for the Period	175,970	9,066	-	-	-	185,036
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	733,216	-	733,216
<b>Transactions with owners recorded directly in equity</b>						
<b>Distributions to owners of the Company</b>						
Final dividend to equity holders for 2019	(300,000)	-	-	-	-	(300,000)
<b>Unaudited balance as at 30th June 2020</b>	4,420,339	18,947	(6,514)	910,444	381,156	6,966,247
<b>Comprehensive Income for the Period</b>						
Profit for the Period-Unaudited	547,975	-	-	-	-	547,975
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>						
Net Change in fair value of Available For Sale Financial Assets	-	(155,832)	-	-	-	(155,832)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	152,511	-	-	-	152,511
Actuarial Losses on Defined Benefit Plans	-	-	(27,402)	-	-	(27,402)
<b>Total Other Comprehensive Income for the Period</b>						
Total Comprehensive Income for the Period	547,975	(3,321)	(27,402)	-	-	(30,723)
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	(152,511)	-	(152,511)
<b>Audited balance as at 31st December 2020</b>	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
<b>Comprehensive Income for the Period</b>						
Profit for the Period - Unaudited	138,371	-	-	-	-	138,371
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>						
Net Change in fair value of Available For Sale Financial Assets	-	(196,939)	-	-	-	(196,939)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	192,881	-	-	-	192,881
<b>Total Other Comprehensive Income for the Period</b>						
Total Comprehensive Income for the Period	138,371	(4,058)	-	-	-	(4,058)
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	(192,881)	-	(192,881)
<b>Transactions with owners recorded directly in equity</b>						
<b>Distributions to owners of the Company</b>						
Final dividend to equity holders for 2020	(420,000)	-	-	-	-	(420,000)
<b>Unaudited balance as at 30th June 2021</b>	4,686,685	11,568	(33,916)	565,052	381,156	6,782,420

Stated Capital represents 150 Million Ordinary Shares as at 30th June 2021 (31st December 2020 - 150 Million Ordinary Shares).

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

# Statement of Cash Flows

<i>For the Period Ended 30th June ,</i>	Group		Company	
	Unaudited	Unaudited	Unaudited	Unaudited
	2021	2020	2021	2020
Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Flows From Operating Activities</b>				
Profit Before Taxation	502,457	685,958	301,179	231,126
<i>Adjustments for:</i>				
Interest Income	10 (1,230,370)	(1,226,620)	(1,054,494)	(1,043,529)
Dividend Income	10 (5,550)	(2,491)	(120,448)	(2,491)
Amortisation of Intangible Assets	10,955	9,300	10,322	9,084
Depreciation of Property, Plant and Equipment	29,010	26,064	20,149	18,521
Net Depreciation of Right of Use Assets	64,973	67,994	60,881	60,527
Interest Expense of Lease Creditors	25,102	22,351	23,690	20,985
Provision for Employee Benefits	28,196	26,234	16,696	14,734
Net Realised Gains	(8,099)	(12,394)	(7,572)	(7,558)
Net Fair Value (Gains)/Losses	(66,347)	11,695	(43,527)	15,106
Gains on Disposal of Property, Plant and Equipment	(133)	(49)	(117)	(45)
Gains on Disposal of Right of Use Asset	(294)	-	(294)	-
	(650,100)	(391,958)	(793,535)	(683,540)
Net Change in Operating Assets	A (340,432)	(337,361)	(455,053)	(45,075)
Net Change in Operating Liabilities	B 2,219,639	1,513,850	2,010,285	1,254,615
<b>Cash Flows from Operating Activities</b>	1,229,107	784,531	761,697	526,000
Gratuity Paid	(8,924)	(4,362)	(7,861)	(2,972)
Income Tax Paid	(51,516)	(23,409)	-	-
<b>Net Cash Generated from Operating Activities</b>	1,168,667	756,760	753,836	523,028
<b>Cash Flows from Investing Activities</b>				
Acquisition of Financial Investments	(85,720,644)	(94,738,033)	(66,521,341)	(64,190,243)
Proceeds from maturity of Financial Investments	83,407,812	92,982,536	64,818,314	62,758,233
Proceeds from sale of Financial Investments	270,723	120,615	209,715	60,590
Interest Received	1,385,410	1,329,751	1,149,277	1,111,197
Dividend Received	5,350	1,855	120,286	1,855
Acquisition of Intangible Assets	(6,453)	(11,734)	(6,453)	(11,446)
Acquisition of Property, Plant and Equipment	(56,353)	(30,622)	(36,879)	(26,564)
Proceeds from the Disposal of Property, Plant and Equipment	839	431	714	427
Advance Paid to Right of Use asset	(6,162)	(4,527)	(5,172)	(4,527)
<b>Net Cash Used in Investing Activities</b>	(719,478)	(349,728)	(271,539)	(300,478)
<b>Cash Flows from Financing Activities</b>				
Dividend Paid	(420,000)	-	(420,000)	-
Payment of Lease Liabilities	(60,208)	(71,635)	(55,128)	(64,726)
<b>Net Cash Used in Financing Activities</b>	(480,208)	(71,635)	(475,128)	(64,726)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>	(31,019)	335,397	7,169	157,824
Cash and Cash Equivalents at the beginning of the Period	586,806	735,207	339,618	601,662
<b>Cash and Cash Equivalents at the end of the Period</b>	555,787	1,070,604	346,787	759,486
<b>Notes to the Cash Flow Statement</b>				
<b>A. Change in Operating Assets</b>				
Decrease/(Increase) in Deferred Expenses	28,893	(9,975)	-	-
Increase in Loans to Life Policyholders	(9,851)	(40,129)	(9,851)	(40,129)
Increase in Reinsurance Receivables	(95,872)	(16,629)	(63,069)	(25,908)
Decrease/(Increase) in Premium Receivables	134,214	(327,465)	(11,749)	2,430
(Increase)/Decrease in Other Assets	(397,816)	56,837	(370,384)	18,532
<b>Net Change in Operating Assets</b>	(340,432)	(337,361)	(455,053)	(45,075)
<b>B. Change in Operating Liabilities</b>				
(Decrease)/Increase in Other Liabilities	(147,778)	24,654	(104,934)	(158,785)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	2,007,382	1,310,501	2,007,382	1,310,501
Increase in Insurance Contract Liabilities - General Insurance	11,896	54,411	-	-
Increase in Reinsurance Creditors	348,139	124,284	107,837	102,899
<b>Net Change in Operating Liabilities</b>	2,219,639	1,513,850	2,010,285	1,254,615

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	
		2021	2020	2021	2020	Group	Company
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
<i>For the Three Months Ended 30th June,</i>							
Gross Written Premium	9	2,481,127	2,177,953	1,451,921	1,062,643	14	37
Premium Ceded to Reinsurers		(365,948)	(290,794)	(87,324)	(59,088)	26	48
<b>Net Written Premium</b>		<b>2,115,179</b>	<b>1,887,159</b>	<b>1,364,597</b>	<b>1,003,555</b>	<b>12</b>	<b>36</b>
Net Change in Reserves for Unearned Premium		288,197	25,914	-	-	1,012	-
<b>Net Earned Premium</b>		<b>2,403,376</b>	<b>1,913,073</b>	<b>1,364,597</b>	<b>1,003,555</b>	<b>26</b>	<b>36</b>
<b>Other Revenue</b>							
Interest and Dividend Income	10	620,215	614,033	647,229	523,557	1	24
Net Realised Gains		-	12,206	-	7,558	(100)	(100)
Net Fair Value Gains		18,580	6,229	14,185	9,077	198	56
Fee and Commission Income		30,511	45,915	6,961	19,675	(34)	(65)
Other Income		6,515	6,604	2,107	1,480	(1)	42
<b>Total Other Revenue</b>		<b>675,821</b>	<b>684,987</b>	<b>670,482</b>	<b>561,347</b>	<b>(1)</b>	<b>19</b>
<b>Net Income</b>		<b>3,079,197</b>	<b>2,598,060</b>	<b>2,035,079</b>	<b>1,564,902</b>	<b>19</b>	<b>30</b>
<b>Net Benefits, Claims and Expenses</b>							
Net Insurance Benefits and Claims		(878,704)	(707,524)	(305,349)	(368,653)	24	(17)
Change in Contract Liabilities - Life Fund		(926,933)	(610,501)	(926,933)	(610,501)	52	52
Other Operating and Administration Expenses		(676,491)	(596,384)	(371,175)	(301,733)	13	23
Underwriting and Net Acquisition Costs		(298,322)	(238,518)	(206,510)	(159,887)	25	29
Finance and Other Insurance Related Costs		(27,906)	(24,183)	(20,454)	(10,786)	15	90
<b>Total Benefits, Claims and Other Expenses</b>		<b>(2,808,356)</b>	<b>(2,177,110)</b>	<b>(1,830,421)</b>	<b>(1,451,560)</b>	<b>29</b>	<b>26</b>
<b>Profit Before Taxation</b>		<b>270,841</b>	<b>420,950</b>	<b>204,658</b>	<b>113,342</b>	<b>(36)</b>	<b>81</b>
Income Tax Expense	11	(82,464)	(116,958)	(36,764)	(26,711)	(29)	38
<b>Profit for the Period</b>	12	<b>188,377</b>	<b>303,992</b>	<b>167,894</b>	<b>86,631</b>	<b>(38)</b>	<b>94</b>
<b>Other Comprehensive Income, Net of Related Tax</b>							
<b>Items that are or may be reclassified to profit or loss</b>							
- Net Change in fair value of Available For Sale Financial Assets		(42,155)	792,268	(35,875)	707,861	(105)	(105)
- Realised Gains transferred to Income Statement		-	(12,206)	-	(7,558)	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		34,223	(691,042)	34,223	(691,042)	105	105
- Related Tax	11	628	(7,976)	-	-	108	-
<b>Total Other Comprehensive Income for the Period, Net of Related tax</b>		<b>(7,304)</b>	<b>81,044</b>	<b>(1,652)</b>	<b>9,261</b>	<b>(109)</b>	<b>(118)</b>
<b>Total Comprehensive Income for the Period</b>		<b>181,073</b>	<b>385,036</b>	<b>166,242</b>	<b>95,892</b>	<b>(53)</b>	<b>73</b>
<b>Profit Attributable to:</b>							
Equity Holders of the Company		188,377	303,992	167,894	86,631	(38)	94
Non-Controlling Interest		-	-	-	-	-	-
<b>Total Comprehensive Income Attributable to:</b>		<b>181,073</b>	<b>385,036</b>	<b>166,242</b>	<b>95,892</b>	<b>(53)</b>	<b>73</b>
Equity Holders of the Company		181,073	385,036	166,242	95,892	(53)	73
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	1.26	2.03*	1.12	0.58*	(38)	94

\*Basic and Diluted Earnings Per Share of 30th June 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 30th June 2021.

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



## Operating Segment Information - Assets and Liabilities

As at,	Unaudited		Audited	
	30th June 2021		31st December 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	132,873	63,552	116,740	53,048
Right of Use Assets	373,821	25,169	380,105	14,332
Intangible Assets	58,371	5,985	62,240	6,618
Deferred Tax Assets	562,447	22,975	725,255	13,466
Financial Investments	23,327,955	4,779,601	22,075,265	4,291,343
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	389,587	-	379,736	-
Reinsurance Receivables	235,768	631,880	172,699	599,077
Premium Receivables	16,737	960,643	4,988	1,106,606
Other Assets	952,868	329,411	582,321	289,379
Insurance Contract - Deferred Expenses	-	134,726	-	163,619
Cash and Cash Equivalents	452,520	342,646	393,522	317,589
<b>Total Assets</b>	<b>27,652,947</b>	<b>7,296,588</b>	<b>26,042,871</b>	<b>6,855,077</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	19,071,471	-	17,064,089	-
Insurance Contract Liabilities - General Insurance	-	3,321,045	-	3,309,149
Employee Defined Benefit Liabilities	159,564	114,146	150,729	103,709
Current Tax Liabilities	12,301	142,027	12,301	138,792
Reinsurance Creditors	398,753	649,491	290,916	409,189
Lease Creditor	395,441	25,669	377,746	15,399
Other Liabilities	727,264	694,914	832,198	725,196
Bank Overdraft	105,733	133,646	53,904	70,401
<b>Total Liabilities</b>	<b>20,870,527</b>	<b>5,080,938</b>	<b>18,781,883</b>	<b>4,771,835</b>

## Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	30th June 2021		30th June 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	3,118,551	2,644,989	2,169,583	2,389,143
Premium Ceded to Reinsurers	(166,704)	(626,879)	(127,173)	(483,305)
<b>Net Written Premium</b>	<b>2,951,847</b>	<b>2,018,110</b>	<b>2,042,410</b>	<b>1,905,838</b>
Net Change in Reserves for Unearned Premium	-	45,761	-	(17,932)
<b>Net Earned Premium</b>	<b>2,951,847</b>	<b>2,063,871</b>	<b>2,042,410</b>	<b>1,887,906</b>
<b>Other Revenue</b>				
Interest and Dividend Income	1,174,942	175,978	1,046,020	183,091
Net Realised Gains	7,572	527	7,558	4,836
Net Fair Value Gains/(Losses)	43,527	22,820	(15,106)	3,411
Fee and Commission Income	61,017	80,033	44,596	67,269
Other Income	2,292	8,762	1,566	6,598
<b>Total Other Revenue</b>	<b>1,289,350</b>	<b>288,120</b>	<b>1,084,634</b>	<b>265,205</b>
<b>Net Income</b>	<b>4,241,197</b>	<b>2,351,991</b>	<b>3,127,044</b>	<b>2,153,111</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(725,282)	(1,180,042)	(652,642)	(896,627)
Change in Contract Liabilities - Life Fund	(1,962,017)	-	(1,221,976)	-
Other Operating and Administration Expenses	(735,864)	(642,640)	(652,986)	(605,960)
Underwriting and Net Acquisition Cost	(475,217)	(195,873)	(345,649)	(174,199)
Finance and Other Insurance Related Costs	(41,638)	(17,158)	(22,665)	(21,493)
<b>Total Benefits, Claims and other Expenses</b>	<b>(3,940,018)</b>	<b>(2,035,713)</b>	<b>(2,895,918)</b>	<b>(1,698,279)</b>
<b>Profit Before Taxation</b>	<b>301,179</b>	<b>316,278</b>	<b>231,126</b>	<b>454,832</b>
Income Tax Expense	(162,808)	(54,627)	(55,156)	(130,836)
<b>Profit for the Period</b>	<b>138,371</b>	<b>261,651</b>	<b>175,970</b>	<b>323,996</b>



# Notes to the Condensed Consolidated Interim Financial Statements

## 1 CORPORATE INFORMATION

### a). Reporting Entity

HNB Assurance PLC (“the Company”) is a public limited liability Company incorporated on 23rd August 2001 and domiciled in Sri Lanka. The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri Uttaranda Mawatha, Colombo 03. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE).

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

### b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 02nd August 2021.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th June 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.

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.

### 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 30th June 2021	Audited 31st Dec 2020	Unaudited 30th June 2021	Audited 31st Dec 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	17,855,598	18,252,174	14,757,176	15,060,717
Available for Sale Financial Assets	9,266,762	7,170,930	7,837,307	6,313,997
Financial Assets at Fair Value Through Profit or Loss	985,196	943,504	733,472	700,551
<b>Total Financial Investments</b>	<b>28,107,556</b>	<b>26,366,608</b>	<b>23,327,955</b>	<b>22,075,265</b>

## 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.

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.

## Notes to the Condensed Consolidated Interim Financial Statements

### 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	
	30th June 2021 Rs. '000	31st Dec 2020 Rs. '000	30th June 2021 Rs. '000	31st Dec 2020 Rs. '000	
Balance at the end of the Period	(Note 6b)	<b>381,156</b>	381,156	<b>381,156</b>	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 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".

## Notes to the Condensed Consolidated Interim Financial Statements

### 6c) Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th June 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 30th Jun 2021 (Rs. '000)
As at,	
Term Deposits	381,648

### 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 Shareholder's Fund and the Policyholder's Fund as well as between different lines of business within the Policyholder's 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 Policyholder's Fund to Shareholder's 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 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Life Insurance Fund	(Note 7a) 18,795,067	16,833,050	18,795,067	16,833,050
Claims Outstanding	276,404	231,039	276,404	231,039
<b>Total Insurance Contract Liabilities</b>	<b>19,071,471</b>	<b>17,064,089</b>	<b>19,071,471</b>	<b>17,064,089</b>

### 7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<b>The Movement in the Life Insurance Fund is as follows:</b>				
Balance as at the beginning of the Period	16,833,050	14,269,182	16,833,050	14,269,182
<b>Change in Contract Liabilities Life Fund</b>				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	1,962,017	3,188,372	1,962,017	3,188,372
Surplus Distributed to Shareholders	-	(612,203)	-	(612,203)
Increase in Life Insurance Fund	1,962,017	2,576,169	1,962,017	2,576,169
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(12,301)	-	(12,301)
<b>Balance as at the end of the Period</b>	<b>18,795,067</b>	<b>16,833,050</b>	<b>18,795,067</b>	<b>16,833,050</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 7b) Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance Contract Liability was carried out by Mr. Abhishek Chadha, FIA, on behalf of Willis Towers Watson India Private Limited, as at 30th June 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 30th June 2021. No additional provision was required against the LAT as at 30th June 2021.

### 8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Reserves for Net Unearned Premium	2,059,221	2,108,020	-	-
Reserves for Title Insurance	59,770	56,731	-	-
Reserves for Gross Outstanding Claims	1,202,054	1,144,398	-	-
<b>Total Insurance Contract Liabilities</b>	<b>3,321,045</b>	<b>3,309,149</b>	<b>-</b>	<b>-</b>

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Mr.Varadaprasad Jagannathan, FIA, as at 30th June 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, Mr.Varadaprasad Jagannathan, FIA, as at 30th June 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-annually. According to the Consultant Actuary's report, HNB General Insurance Ltd adequately satisfies the LAT as at 30th June 2021. No additional provision is required against LAT as at 30th June 2021.

### 9 GROSS WRITTEN PREMIUM

Group	Group		Company		
	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	
<b>Life Insurance</b>					
5,422,151	Individual Policies	3,052,299	2,139,835	3,052,299	2,139,835
64,888	Corporate Policies	66,252	29,748	66,252	29,748
(48,196)	Adjustment for Inter Company Premiums	(25,860)	(19,875)	-	-
<b>5,438,843</b>	<b>Gross Written Premium - Life Insurance</b>	<b>3,092,691</b>	<b>2,149,708</b>	<b>3,118,551</b>	<b>2,169,583</b>
<b>General Insurance</b>					
647,789	Fire	404,692	327,414	-	-
3,583,061	Motor	1,733,882	1,697,218	-	-
54,682	Marine	25,753	13,176	-	-
712,196	Miscellaneous	480,662	351,335	-	-
(37,579)	Adjustment for Inter Company Premiums	(33,597)	(31,964)	-	-
4,960,149	Gross Written Premium - General Insurance	2,611,392	2,357,179	-	-
<b>10,398,992</b>	<b>Total Gross Written Premium</b>	<b>5,704,083</b>	<b>4,506,887</b>	<b>3,118,551</b>	<b>2,169,583</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 GROSS WRITTEN PREMIUM

	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<i>For the Three Months Ended,</i>				
<b>Life Insurance</b>				
Individual Policies	1,412,437	1,045,295	1,412,437	1,045,295
Corporate Policies	39,484	17,348	39,484	17,348
Adjustment for Inter Company Premiums	(13,265)	(12,684)	-	-
Gross Written Premium - Life Insurance	<b>1,438,656</b>	<b>1,049,959</b>	<b>1,451,921</b>	<b>1,062,643</b>
<b>General Insurance</b>				
Fire	187,102	169,671	-	-
Motor	709,256	862,437	-	-
Marine	14,175	3,789	-	-
Miscellaneous	134,637	93,796	-	-
Adjustment for Inter Company Premiums	(2,699)	(1,699)	-	-
Gross Written Premium - General Insurance	<b>1,042,471</b>	<b>1,127,994</b>	<b>-</b>	<b>-</b>
<b>Total Gross Written Premium</b>	<b>2,481,127</b>	<b>2,177,953</b>	<b>1,451,921</b>	<b>1,062,643</b>

## 10 INTEREST AND DIVIDEND INCOME

	Group	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<i>For the Six Months Ended,</i>					
2,487,950	Interest Income	1,230,370	1,226,620	1,054,494	1,043,529
5,367	Dividend Income	5,550	2,491	120,448	2,491
<b>2,493,317</b>	<b>Total</b>	<b>1,235,920</b>	<b>1,229,111</b>	<b>1,174,942</b>	<b>1,046,020</b>

	Group	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<i>For the Three Months Ended,</i>					
Interest Income		617,429	614,014	529,482	523,538
Dividend Income		2,786	19	117,747	19
<b>Total</b>		<b>620,215</b>	<b>614,033</b>	<b>647,229</b>	<b>523,557</b>

## 11 INCOME TAX EXPENSE

	Group	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<i>For the Six Months Ended,</i>					
(190,310)	Income Tax Charge	(54,751)	(134,115)	-	-
(151)	Over Provision of Income Taxes in respect of Prior Period	-	-	-	-
(263,967)	Deferred Income Tax - Recognised through Profit or Loss	(162,684)	(51,412)	(162,808)	(55,156)
(845)	Capital Gain Tax for the Period	-	(465)	-	-
<b>(455,273)</b>	<b>Total Tax charge in Profit or Loss</b>	<b>(217,435)</b>	<b>(185,992)</b>	<b>(162,808)</b>	<b>(55,156)</b>
	Deferred Income Tax - Recognised through Other				
(7,023)	Comprehensive Income	9,386	(8,652)	-	-
<b>(7,023)</b>	<b>Total Tax charge in Other Comprehensive Income</b>	<b>9,386</b>	<b>(8,652)</b>	<b>-</b>	<b>-</b>

## Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
	Income Tax Charge	(47,158)	(91,722)	-
Deferred Income Tax - Recognised through Profit or Loss	(35,306)	(24,771)	(36,764)	(26,711)
Capital Gain Tax for the Period	-	(465)	-	-
<b>Total Tax charge in Profit or Loss</b>	<b>(82,464)</b>	<b>(116,958)</b>	<b>(36,764)</b>	<b>(26,711)</b>
Deferred Income Tax - Recognised through Other Comprehensive Income	628	(7,976)	-	-
<b>Total Tax charge in Other Comprehensive Income</b>	<b>628</b>	<b>(7,976)</b>	<b>-</b>	<b>-</b>

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

### 12 PROFIT FOR THE PERIOD

<i>For the Six Months Ended,</i>	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<b>Audited</b> 31st Dec 2020 Rs. '000		
<b>Company -HNB Assurance PLC</b>		
612,203 Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
387,160 Profit from Life Shareholders' Fund	301,179	231,126
(275,418) Reversal of Deferred Tax Asset	(162,808)	(55,156)
723,945 <b>Profit for the Period</b>	<b>138,371</b>	<b>175,970</b>
<b>Subsidiary -HNB General Insurance Ltd</b>		
631,133 Profit Before Tax	316,278	454,832
(179,855) Income Tax and Deferred Tax Expense	(54,627)	(130,836)
451,278 <b>Profit for the Period</b>	<b>261,651</b>	<b>323,996</b>
- Elimination of Intercompany Dividend	(115,000)	-
1,175,223 <b>Profit for the Period - Group</b>	<b>285,022</b>	<b>499,966</b>

During the period, applicable income tax rate of Group and Company were changed from 28% to 24%. As a result of that, Company profit after tax reduced by Rs.99.87 Million due to the reversal of Deferred Tax Asset. Profit after tax of the subsidiary increased by Rs.29.5 Million with the decrease of income tax expense by Rs.32.97 Million and decrease in deferred tax asset by Rs.3.47 Million. Accordingly, the Group profit after tax reduced by Rs.70.37 Million.

<i>For the Three Months Ended,</i>	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
<b>Company - HNB Assurance PLC</b>		
Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
Profit from Life Shareholders' Fund	204,658	113,342
Reversal of Deferred Tax Asset	(36,764)	(26,711)
<b>Profit for the Period</b>	<b>167,894</b>	<b>86,631</b>
<b>Subsidiary - HNB General Insurance Ltd</b>		
Profit Before Tax	181,183	307,608
Income Tax and Deferred Tax Expense	(45,700)	(90,247)
<b>Profit for the Period</b>	<b>135,483</b>	<b>217,361</b>
Elimination of Intercompany Dividend	(115,000)	-
<b>Profit for the Period - Group</b>	<b>188,377</b>	<b>303,992</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 13 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

Group		Group		Company	
Audited 31st Dec 2020	For the Six Months Ended,	Unaudited 30th June 2021	Unaudited 30th June 2020	Unaudited 30th June 2021	Unaudited 30th June 2020
1,175,223	Profit for the Period (Rs. '000)	<b>285,022</b>	499,966	<b>138,371</b>	175,970
150,000	Weighted average number of ordinary shares ('000)(Note 13a)	<b>150,000</b>	150,000	<b>150,000</b>	150,000
<u>7.83</u>	Basic and Diluted Earnings Per Share (Rs.)	<u><b>1.90</b></u>	<u>3.33*</u>	<u><b>0.92</b></u>	<u>1.17*</u>

For the Three Months Ended,		Group		Company	
		Unaudited 30th June 2021	Unaudited 30th June 2020	Unaudited 30th June 2021	Unaudited 30th June 2020
	Profit for the Period (Rs. '000)	<b>188,377</b>	303,992	<b>167,894</b>	86,631
	Weighted average number of ordinary shares ('000)(Note 13a)	<b>150,000</b>	150,000	<b>150,000</b>	150,000
	Basic and Diluted Earnings Per Share (Rs.)	<u><b>1.26</b></u>	<u>2.03*</u>	<u><b>1.12</b></u>	<u>0.58*</u>

\*Basic and Diluted Earnings Per Share of 30th June 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 30th June 2021.

### 13a) Weighted Average Number Of Ordinary Shares

At the meeting of the Board of Directors of the Company held on 05 November 2020, the Board of Directors approved a sub division of the Company shares, whereby one (1) existing share was sub divided to three (3), thereby increasing the ordinary shares in issue from 50,000,000 to 150,000,000 ordinary shares. This has not altered the stated capital of the Company.

### 14 RELATED PARTY DISCLOSURES

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

Transactions	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
Insurance Premium	<b>52,043</b>	927	-	-
Claims Incurred	<b>7,795</b>	13,795	-	-
Investment Income	<b>42,842</b>	39,845	<b>31,841</b>	28,834
Administration Expenses	<b>154,056</b>	116,506	<b>102,485</b>	73,497
Rent and Other Operational Expenses	<b>7,463</b>	5,594	<b>4,684</b>	3,560
Dividend Paid/ Payable	<b>251,941</b>	179,958	<b>251,941</b>	179,958

Outstanding Balances	Group		Company	
	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Investments Balance (Includes Deposits and Debentures)	<b>575,173</b>	893,788	<b>324,551</b>	664,043
Cash at Bank Balances	<b>471,244</b>	560,336	<b>335,220</b>	328,230
Premium Receivable	<b>35</b>	56	-	-
Administration Expenses Payable	<b>30,058</b>	54,063	<b>17,538</b>	41,653
Rent and Other Operational Expenses Payable	<b>386</b>	181	<b>257</b>	79



## Notes to the Condensed Consolidated Interim Financial Statements

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

Transactions For the Six Months Ended,	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
Insurance Premium	25,860	19,875
Insurance Expenses	33,597	31,964
Claims Received	1,501	13
Claims Paid	3,200	-
Reimbursement Expenses Relating to Employees	46,419	49,336
Other Reimbursement Expenses	95,329	82,287
Fund Management Fee	6,847	5,364
Profit Commission Expense	9,610	9,288
Dividend Received	115,000	-
<b>Outstanding Balances</b>	<b>Unaudited</b>	<b>Audited</b>
<i>As at,</i>	<i>30th June 2021</i>	<i>31st Dec 2020</i>
	Rs. '000	Rs. '000
Receivable from HNB General Insurance Ltd	12,562	7,286

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

Name of the Company	Transactions	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	11,346	(4,567)	-	-
HNB Finance PLC	Insurance Premium	9,770	8,701	-	-
	Claims Incurred	868	1,341	-	-
	Administration Expenses	3,337	2,841	35	23
	Interest Income	11,914	11,972	11,914	11,972

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Sithma Development (Pvt) Ltd	Premium Receivable	-	3,152	-	-
HNB Finance PLC	Investment in Term Deposits	50,045	50,076	50,045	50,076
	Investment in Debentures	133,273	125,090	133,273	125,090
	Cash at Bank Balances	733	66	733	66
	Premium Receivable	20	397	-	-
	Administration Expenses Payable	573	928	1	4

### 14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
Acuity Partners (Pvt) Ltd	Insurance Premium	470	439	-	-
	Claims incurred	2,250	-	2,000	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	501	467	-	-
	Claims incurred	316	87	-	-
Acuity Securities Ltd	Insurance Premium	481	459	-	-
	Claims incurred	413	362	-	-
	Custodian Fee	236	-	187	-
	Investment Income from REPO	67,842	62,271	52,734	42,148

## Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th June 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	481	305	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	530	83	-	-
Acuity Securities Ltd	Premium Receivable	523	164	-	-
	Investment In REPO	3,678,391	2,827,050	2,793,294	2,011,243

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

Transactions For the Six Months Ended,	Unaudited 30th June 2021 Rs. '000	Unaudited 30th June 2020 Rs. '000
Director Fee	11,845	12,075
Short-term and Post Employment Benefits	39,555	33,688
Insurance Premium	1,674	1,112
Claims Paid including Maturities	-	1,246

### Appointment to the Board of Directors

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

### Resignation from the Board of Directors

Mr. D P N 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.

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

The COVID 19 pandemic has affected businesses globally as well as locally. Following this outbreak, the business operations and activities of the Company/Group were temporary impacted. In the backdrop of the developments which followed by various challenges faced by many sectors in the economy and the restrictions brought on people's movements due to COVID 19, the Group's operations were also affected considerably. The Group carried out an exercise to identify and ascertain the emerging risks attributable to COVID 19, its impact and consequences. Accordingly, a response plan has been activated intensifying the work from home concept aimed at maintaining the financial impact at a minimal level. The Group has taken various precautionary measures to protect employees, their families, and the eco system in which they interact based on instructions issued by the Government, while at the same time ensuring business continuity. The Group operations will continue in compliance with health and safety guidelines issued by the Government of Sri Lanka and Insurance Regulatory Commission of Sri Lanka ( IRCSL).The Board is regularly monitoring the impact of COVID 19 on profitability and liquidity of the Company/Group. The Board is of the view that the Company/ Group has adequate liquidity position considering the cash in hand and other liquid investments. Accordingly, the Company/Group will not have any limitations in meeting the future obligations and ensuring business continuity.

### 16 EVENTS OCCURRING AFTER THE REPORTING DATE

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. 6.75 Million for purchase of computer software (2020 – Rs. 24.1 Million for the purchase of computer software and equipment).

As at end of the financial period, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the Condensed Consolidated Interim Financial Statements.

### 18 CONTINGENCIES

**18a)** The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with the 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 this matter was fixed by Court of Appeal on 12th October 2021. As the Company is of the strong view that no additional Tax liabilities will arise due to this assessment, 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 TAC	VAT	21.06	10.53	31.59
			NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending reasons for the determination from CGIR	VAT	17.55	12.98	30.53
			NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending reasons for the determination from CGIR	VAT	24.86	12.43	37.29
			NBT	4.01	2.00	6.01
<b>Total</b>				<b>70.31</b>	<b>39.35</b>	<b>109.66</b>

**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, these Income Tax Assessments have been common Assessments 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 submission and therefore, the probability of the Company having to settle any of these tax assessments are very low. Therefore, no additional provision has been 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
<b>Total</b>				<b>1,156</b>

**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, we have 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 a tax assessment and penalty amounting to Rs. 11.24 Million on VAT returns filed and the subsidiary has duly appealed against the assessment. As such no provisions are made in these the Financial Statements.

## Share Information

### Top 20 Shareholders

#### Name of the Shareholder

	30th June 2021	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No 1	89,979,000	59.99
2 Mr. S.N.P. Palihena	6,000,000	4.00
3 Ceylon Guardian Investment Trust PLC A/c No # 2	5,678,400	3.79
4 Employees Trust Fund Board	2,584,045	1.72
5 Mr. M. F. Hashim	1,530,000	1.02
6 Mrs. A. Selliah	1,500,000	1.00
7 Mrs. A. Kailasapillai	1,500,000	1.00
8 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90
9 Arunodhaya (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya Investments (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 Mr. K. Aravinthan	600,000	0.40
16 Dr. S. Selliah	600,000	0.40
17 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
18 Mrs . M. R. P. Balendra	554,196	0.37
19 Suktam Holdings (Pvt) Ltd	533,302	0.36
20 Mr. A.A.A. Rifkee	500,000	0.33

### Public Shareholding

**30th June 2021**

* Float Adjusted Market Capitalisation (Rs.)	2,744,753,804
Percentage of Shares held by the Public	35.189%
Number of Public Shareholders	4,115

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 30th June 2021
Mrs. M A R C Cooray	89,235
Mr. J A P M Jayasekera	174,000
Mr. D P N Rodrigo	540
Mrs. S N Wickramasinghe	67,500
Dr. S Selliah	600,000
Mr. D R Abeyseriya	5,000
Mr. L U D Fernando	Nil
Mr. S A Chapman	500
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil
Mr. P Fernando (Chief Executive Officer)	Nil

### 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 30th June 2021 - Group	52.32
Net Asset Value Per Share as at 30th June 2021 - Company	45.22
Net Asset Value Per Share as at 30th June 2021 without Restricted Regulatory Reserve - Group	49.78
Net Asset Value Per Share as at 30th June 2021 without Restricted Regulatory Reserve - Company	42.68
Highest Price Per Share for the Interim Period	59.90
Lowest Price Per Share for the Interim Period	52.00
Last Traded Price Per Share as at 30th June 2021	52.00