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**HNB ASSURANCE PLC**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023

# Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Jun 2023	31st Dec 2022	30th Jun 2023	31st Dec 2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>					
Property, Plant and Equipment		539,820	418,258	372,322	260,442
Right of Use Assets		390,981	376,579	348,980	343,824
Intangible Assets		57,444	61,118	54,014	57,054
Deferred Tax Assets		44,437	99,430	-	-
Financial Investments	3	38,866,573	34,624,131	33,762,693	29,844,875
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		429,669	420,914	429,669	420,914
Reinsurance Receivables		1,198,910	1,044,318	325,185	184,249
Premium Receivables		1,511,938	1,853,670	20,257	18,547
Other Assets		1,067,308	999,838	786,792	713,293
Insurance Contract - Deferred Expenses		137,829	163,995	-	-
Cash and Cash Equivalents		1,320,287	1,033,305	688,650	725,420
<b>Total Assets</b>		<b>45,565,196</b>	<b>41,095,556</b>	<b>37,938,562</b>	<b>33,718,618</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		7,689,839	7,822,715	6,362,624	6,552,433
Available for Sale Reserve		(80,761)	(322,296)	(20,429)	(138,616)
Other Reserve		22,358	22,358	3,972	3,972
Life Policyholders' Available for Sale Reserve Fund	5	(829,693)	(1,277,414)	(829,693)	(1,277,414)
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
<b>Equity Attributable to the Equity Holders</b>		<b>8,354,774</b>	<b>7,798,394</b>	<b>7,069,505</b>	<b>6,693,406</b>
Non-Controlling Interest		-	-	-	-
<b>Total Equity</b>		<b>8,354,774</b>	<b>7,798,394</b>	<b>7,069,505</b>	<b>6,693,406</b>
<b>Liabilities</b>					
Insurance Contract Liabilities - Life Insurance	7	28,568,404	24,582,641	28,568,404	24,582,641
Insurance Contract Liabilities - General Insurance	8	4,393,275	4,181,588	-	-
Employee Defined Benefit Liabilities		261,464	236,424	169,503	142,692
Current Tax Liabilities		241,119	253,810	171,266	209,338
Reinsurance Creditors		906,065	959,693	271,023	227,512
Lease Creditors		417,700	410,719	378,316	376,926
Other Liabilities		2,136,847	2,406,748	1,199,128	1,384,408
Bank Overdrafts		285,548	265,539	111,417	101,695
<b>Total Liabilities</b>		<b>37,210,422</b>	<b>33,297,162</b>	<b>30,869,057</b>	<b>27,025,212</b>
<b>Total Equity and Liabilities</b>		<b>45,565,196</b>	<b>41,095,556</b>	<b>37,938,562</b>	<b>33,718,618</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

Colombo, Sri Lanka  
31st July 2023



**Ashoka Goonesekere**  
Director

## 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 2022	Rs. '000	2023	2022	2023	2022	2023	2022	%	%
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%
15,637,736	Gross Written Premium	9,107,113	7,464,439	5,160,659	4,274,312	22	21		
(2,164,702)	Premium Ceded to Reinsurers	(1,592,982)	(1,069,296)	(280,388)	(229,700)	49	22		
13,473,034	<b>Net Written Premium</b>	<b>7,514,131</b>	<b>6,395,143</b>	<b>4,880,271</b>	<b>4,044,612</b>	17	21		
(385,557)	Net Change in Reserves for Unearned Premium	(31,603)	(111,020)	-	-	(72)	-		
13,087,477	<b>Net Earned Premium</b>	<b>7,482,528</b>	<b>6,284,123</b>	<b>4,880,271</b>	<b>4,044,612</b>	19	21		
<b>Other Revenue</b>									
4,541,682	Interest and Dividend Income	3,561,017	1,783,852	3,099,681	1,622,001	100	91		
390,099	Net Realised (Losses)/Gains	(42,569)	337,842	(4,206)	80,129	(113)	(105)		
(66,383)	Net Fair Value Losses	(69,886)	(40,944)	(1,286)	(62,419)	71	98		
272,223	Fee and Commission Income	154,820	139,082	79,169	32,089	11	147		
36,442	Other Income	6,832	1,892	6,038	623	261	869		
5,174,063	<b>Total Other Revenue</b>	<b>3,610,214</b>	<b>2,221,724</b>	<b>3,179,396</b>	<b>1,672,423</b>	62	90		
18,261,540	<b>Net Income</b>	<b>11,092,742</b>	<b>8,505,847</b>	<b>8,059,667</b>	<b>5,717,035</b>	30	41		
<b>Net Benefits, Claims and Expenses</b>									
(5,578,997)	Net Insurance Benefits and Claims	(3,202,904)	(2,695,316)	(1,315,002)	(1,085,900)	19	21		
(4,340,103)	Change in Contract Liabilities - Life Fund	(3,869,107)	(2,584,515)	(3,869,107)	(2,584,515)	50	50		
(4,000,490)	Other Operating and Administration Expenses	(2,396,205)	(1,745,881)	(1,569,762)	(1,026,582)	37	53		
(1,821,540)	Underwriting and Net Acquisition Costs	(942,379)	(822,856)	(744,204)	(621,670)	15	20		
(134,488)	Finance and Other Insurance Related Costs	(47,928)	(64,356)	(53,464)	(51,827)	(26)	3		
(15,875,618)	<b>Total Benefits, Claims and Other Expenses</b>	<b>(10,458,523)</b>	<b>(7,912,924)</b>	<b>(7,551,539)</b>	<b>(5,370,494)</b>	32	41		
2,385,922	<b>Profit Before Taxation</b>	<b>634,219</b>	<b>592,923</b>	<b>508,128</b>	<b>346,541</b>	7	47		
(555,398)	Income Tax Expense	(219,595)	(104,505)	(150,437)	(82,140)	110	83		
1,830,524	<b>Profit for the Period</b>	<b>414,624</b>	<b>488,418</b>	<b>357,691</b>	<b>264,401</b>	(15)	35		
<b>Other Comprehensive Income, Net of Related Tax</b>									
<b>Items that are or may be reclassified to profit or loss</b>									
(1,647,992)	Net Change in fair value of Available For Sale Financial Assets	721,484	(1,400,255)	543,001	(1,220,541)	152	144		
-	Realised Gains transferred to Income Statement	(3,147)	-	(876)	-	(100)	(100)		
32,893	Amortisation of AFS reserve on reclassification	23,783	10,463	23,783	10,463	127	127		
<b>Items that will never be reclassified to profit or loss</b>									
1,210,123	Net Change in fair value of Available For Sale Financial Assets	(447,721)	1,151,553	(447,721)	1,151,553	(139)	(139)		
78,671	- transferred to Life Policyholders' Available For Sale Reserve Fund	(52,864)	17,971	-	-	(394)	-		
78,671	Related Tax	-	-	-	-	-	-		
37,945	Actuarial Gains on Defined Benefit Plans	-	-	-	-	-	-		
(4,166)	Related Tax	-	-	-	-	-	-		
(292,526)	<b>Total Other Comprehensive Income for the Period, Net of Related Tax</b>	<b>241,535</b>	<b>(220,268)</b>	<b>118,187</b>	<b>(58,525)</b>	210	302		
1,537,998	<b>Total Comprehensive Income for the Period</b>	<b>656,159</b>	<b>268,150</b>	<b>475,878</b>	<b>205,876</b>	145	131		
<b>Profit Attributable to:</b>									
1,830,524	Equity Holders of the Company	414,624	488,418	357,691	264,401	(15)	35		
-	Non-Controlling Interest	-	-	-	-	-	-		
1,537,998	<b>Total Comprehensive Income Attributable to:</b>	<b>656,159</b>	<b>268,150</b>	<b>475,878</b>	<b>205,876</b>	145	131		
-	Equity Holders of the Company	-	-	-	-	-	-		
-	Non-Controlling Interest	-	-	-	-	-	-		
12.20	Basic and Diluted Earnings Per Share (Rs.)	2.76	3.26	2.38	1.76	(15)	35		

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,

	Note	Statad Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' ARS Reserve Fund Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
Balance as at 01st January 2022		1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Surcharge Tax	16	-	(172,489)	-	-	-	-	(172,489)
<b>Comprehensive Income for the Period</b>								
Profit for the Period - Unaudited		-	488,418	-	-	-	-	488,418
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>								
Net Change in fair value of Available For Sale Financial Assets		-	-	(1,371,621)	-	-	-	(1,371,621)
Net Change in fair value of Available For Sale Financial Assets		-	-	1,151,553	-	-	-	1,151,553
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	(220,268)	-	-	-	(220,268)
<b>Total Other Comprehensive Income for the Period</b>								
Total Comprehensive Income for the Period		-	488,418	(220,268)	-	-	-	268,150
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	(1,151,553)	-	(1,151,553)
- transferred from Available For Sale Reserve		-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>								
Distributions to owners of the Parent		-	(480,000)	-	-	-	-	(480,000)
Final dividend to equity holders for 2021		-	6,480,609	(216,259)	(11,421)	(1,216,844)	381,156	6,587,116
<b>Unaudited balance as at 30th June 2022</b>		1,171,875	6,480,609	(216,259)	(11,421)	(1,216,844)	381,156	6,587,116
<b>Comprehensive Income for the Period</b>								
Profit for the Period - Unaudited		-	1,342,106	-	-	-	-	1,342,106
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>								
Net Change in fair value of Available For Sale Financial Assets		-	-	(164,607)	-	-	-	(164,607)
Net Change in fair value of Available For Sale Financial Assets		-	-	58,570	-	-	-	58,570
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	-	33,779	-	-	33,779
Actuarial Gains on Defined Benefit Plans		-	-	(106,037)	-	-	-	(106,037)
<b>Total Other Comprehensive Income for the Period</b>								
Total Comprehensive Income for the Period		-	1,342,106	(106,037)	33,779	-	-	1,269,848
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	(58,570)	-	(58,570)
- transferred from Available For Sale Reserve		-	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,796,394
<b>Audited balance as at 31st December 2022</b>		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,796,394
Balance as at 01st January 2023		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,796,394
<b>Comprehensive Income for the Period</b>								
Profit for the Period - Unaudited		-	414,624	-	-	-	-	414,624
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>								
Net Change in fair value of Available For Sale Financial Assets		-	-	689,256	-	-	-	689,256
Net Change in fair value of Available For Sale Financial Assets		-	-	(447,721)	-	-	-	(447,721)
- transferred to Life Policyholders' Available For Sale Reserve Fund		-	-	-	-	-	-	-
<b>Total Other Comprehensive Income for the Period</b>								
Total Comprehensive Income for the Period		-	414,624	241,535	-	-	-	656,159
Net Change in fair value of Available For Sale Financial Assets		-	-	-	-	-	-	-
- transferred from Available For Sale Reserve		-	-	-	-	447,721	-	447,721
<b>Transactions with owners recorded directly in equity</b>								
Distributions to owners of the Parent		-	(547,500)	-	-	-	-	(547,500)
Final and Final Dividend to equity holders for 2022		-	7,689,839	(80,761)	22,358	(829,693)	381,156	8,354,774
<b>Unaudited balance as at 30th June 2023</b>		1,171,875	7,689,839	(80,761)	22,358	(829,693)	381,156	8,354,774

The Notes form an integral part of these Condensed Consolidated Interim Financial Statements.  
 Stated Capital represents 150 Million Ordinary Shares as at 30th June 2023 (2022 - 150 Million).

# Statement of Changes in Equity - Company

For the Period Ended 30th June,

	Stated Capital Rs. '000	Retained Earnings Rs. '000	Available for Sale Reserve Rs. '000	Other Reserve Rs. '000	Life Policyholders' ARS Reserve Rs. '000	Restricted Regulatory Reserve Rs. '000	Total Equity Rs. '000
<b>Balance as at 01st January 2022</b>	1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Comprehensive Income for the Period	-	264,401	-	-	-	-	264,401
Profit for the Period - Unaudited	-	264,401	-	-	-	-	264,401
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(1,210,078)	-	-	-	(1,210,078)
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,210,078)	-	-	-	(1,210,078)
Net Change in fair value of Available For Sale Financial Assets	-	-	(1,210,078)	-	-	-	(1,210,078)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	1,151,553	-	-	-	1,151,553
Total Other Comprehensive Income for the Period	-	-	(65,525)	-	-	-	(65,525)
Total Comprehensive Income for the Period	-	264,401	(65,525)	-	-	-	205,876
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	-	-	(1,151,553)	-	(1,151,553)
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(480,000)	-	-	-	-	(480,000)
Final dividend to equity holders for 2021	-	(480,000)	-	-	-	-	(480,000)
<b>Unaudited balance as at 30th June 2022</b>	1,171,875	5,333,214	(54,079)	(6,614)	(1,218,844)	381,156	5,806,708
Comprehensive Income for the Period	-	1,219,219	-	-	-	-	1,219,219
Profit for the Period - Unaudited	-	1,219,219	-	-	-	-	1,219,219
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	-	(143,107)	-	-	-	(143,107)
Net Change in fair value of Available For Sale Financial Assets	-	-	(143,107)	-	-	-	(143,107)
Net Change in fair value of Available For Sale Financial Assets	-	-	(143,107)	-	-	-	(143,107)
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	58,570	-	-	-	58,570
Actuarial Gains on Defined Benefit Plans	-	-	-	10,586	-	-	10,586
Total Other Comprehensive Income for the Period	-	-	(84,537)	10,586	-	-	(73,951)
Total Comprehensive Income for the Period	-	1,219,219	(84,537)	10,586	-	-	1,145,268
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	-	-	-
- transferred from Available For Sale Reserve	-	-	(138,616)	3,972	(68,570)	-	(68,570)
<b>Audited balance as at 31st December 2022</b>	1,171,875	6,852,433	(138,616)	3,972	(1,277,414)	381,156	6,893,406
Comprehensive Income for the Period	1,171,875	6,852,433	(138,616)	3,972	(1,277,414)	381,156	6,893,406
Profit for the Period - Unaudited	1,171,875	6,852,433	(138,616)	3,972	(1,277,414)	381,156	6,893,406
<b>Other Comprehensive Income for the Period, Net of Related Tax</b>	-	357,691	-	-	-	-	357,691
Net Change in fair value of Available For Sale Financial Assets	-	357,691	-	-	-	-	357,691
Net Change in fair value of Available For Sale Financial Assets	-	357,691	-	-	-	-	357,691
- transferred to Life Policyholders' Available For Sale Reserve Fund	-	-	(447,721)	-	-	-	(447,721)
Total Other Comprehensive Income for the Period	-	-	(118,187)	-	-	-	(118,187)
Total Comprehensive Income for the Period	-	357,691	(118,187)	-	-	-	447,721
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	447,721	-	447,721
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
<b>Transactions with owners recorded directly in equity</b>	-	-	-	-	-	-	-
Distributions to owners of the Company	-	(547,500)	-	-	-	-	(547,500)
First and Final Dividend to equity holders for 2022	-	(547,500)	-	-	-	-	(547,500)
<b>Unaudited balance as at 30th June 2023</b>	1,171,875	6,362,624	(20,429)	3,972	(629,693)	381,156	7,065,505

Unaudited Capital represents 150 Million Ordinary Shares as at 30th June 2023 (2022 - 150 Million).  
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>	<b>Group</b>		<b>Company</b>		
	Unaudited 2023	Unaudited 2022	Unaudited 2023	Unaudited 2022	
	Note	Rs. '000	Rs. '000	Rs. '000	
<b>Cash Flows From Operating Activities</b>					
Profit Before Taxation		634,219	592,923	508,128	346,541
<i>Adjustments for:</i>					
Interest Income	10	(3,554,199)	(1,777,052)	(3,092,987)	(1,511,771)
Dividend Income	10	(6,818)	(6,800)	(6,694)	(110,230)
Amortisation of Intangible Assets		10,120	9,810	9,486	9,176
Depreciation of Property, Plant and Equipment		53,794	37,638	39,486	25,201
Net Depreciation of Right of Use Assets		81,492	68,122	76,357	64,012
Interest Expense of Lease Creditors		27,066	23,663	24,432	21,838
Provision for Employee Benefits		46,363	34,058	33,863	21,559
Net Realised Losses/(Gains)		42,569	(337,842)	4,206	(80,129)
Net Fair Value Losses		69,886	40,944	1,286	62,419
Gains on Disposal of Property, Plant and Equipment		(746)	(457)	(609)	(412)
		<b>(2,596,254)</b>	<b>(1,314,993)</b>	<b>(2,403,046)</b>	<b>(1,151,796)</b>
Net Change in Operating Assets	A	159,307	(200,577)	(224,517)	(161,787)
Net Change in Operating Liabilities	B	3,852,105	3,355,278	3,843,994	2,644,870
<b>Cash Flows from Operating Activities</b>		<b>1,415,158</b>	<b>1,839,708</b>	<b>1,216,431</b>	<b>1,331,287</b>
<b>Cash Flows from Investing Activities</b>					
Gratuity Paid		(21,323)	(7,519)	(7,052)	(5,507)
Surcharge Tax paid		-	(97,227)	-	(10,983)
Income Tax Paid		(230,157)	(62,224)	(188,509)	(19,871)
<b>Net Cash Generated from Operating Activities</b>		<b>1,163,678</b>	<b>1,672,738</b>	<b>1,020,870</b>	<b>1,294,926</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of Financial Investments		(51,425,008)	(173,664,398)	(37,900,697)	(142,706,382)
Proceeds from Maturity of Financial Investments		48,500,721	169,160,457	35,571,011	139,138,063
Proceeds from Sale of Financial Investments		813,008	317,670	290,856	-
Interest Received		2,052,701	2,048,636	1,774,415	1,678,277
Dividend Received		6,408	6,750	6,311	110,190
Acquisition of Intangible Assets		(6,446)	(9,026)	(6,446)	(9,026)
Acquisition of Property, Plant and Equipment		(181,782)	(93,912)	(151,366)	(60,656)
Proceeds from the Disposal of Property, Plant and Equipment		7,172	803	609	702
Advance Paid to Right of Use asset		(24,884)	(6,150)	(18,772)	(6,150)
<b>Net Cash Used in Investing Activities</b>		<b>(258,110)</b>	<b>(2,239,170)</b>	<b>(434,079)</b>	<b>(1,854,982)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid		(547,500)	(480,000)	(547,500)	(480,000)
Payment of Lease Liabilities		(91,095)	(77,106)	(85,783)	(72,802)
<b>Net Cash Used in Financing Activities</b>		<b>(638,595)</b>	<b>(557,106)</b>	<b>(633,283)</b>	<b>(552,802)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (Net of Book OD)</b>					
		266,973	(1,123,538)	(46,492)	(1,112,858)
Cash and Cash Equivalents at the beginning of the Period (Net of Book OD)		767,766	2,001,080	623,725	1,522,567
<b>Cash and Cash Equivalents at the end of the Period (Net of Book OD)</b>	C	<b>1,034,739</b>	<b>877,542</b>	<b>577,233</b>	<b>409,709</b>

## Notes to the Statement of Cash Flows

<i>For the Period Ended 30th June,</i>	Group		Company	
	Unaudited 2023	Unaudited 2022	Unaudited 2023	Unaudited 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Notes to the Cash Flow Statement</b>				
<b>A. Change in Operating Assets</b>				
Decrease/(Increase) in Deferred Expenses	26,166	(355)	-	-
Increase in Loans to Life Policyholders	(8,755)	(4,657)	(8,755)	(4,657)
Increase in Reinsurance Receivables	(154,592)	(223,778)	(140,936)	(45,520)
Decrease/(Increase) in Premium Receivables	341,732	94,908	(1,710)	(12,830)
Increase in Other Assets	(45,244)	(66,695)	(73,116)	(98,780)
<b>Net Change in Operating Assets</b>	<b>159,307</b>	<b>(200,577)</b>	<b>(224,517)</b>	<b>(161,787)</b>
<b>B. Change in Operating Liabilities</b>				
(Decrease)/Increase in Other Liabilities	(291,717)	164,798	(185,280)	(11,247)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance	3,985,763	2,574,473	3,985,763	2,574,473
Increase in Insurance Contract Liabilities - General Insurance	211,687	336,947	-	-
(Decrease)/Increase in Reinsurance Creditors	(53,628)	279,060	43,511	81,644
<b>Net Change in Operating Liabilities</b>	<b>3,852,105</b>	<b>3,355,278</b>	<b>3,843,994</b>	<b>2,644,870</b>
<b>C. Cash and Cash Equivalents at the end of the Period</b>				
Cash in Hand and at Bank	1,320,287	1,052,724	688,650	544,384
Bank Overdrafts	(285,548)	(175,182)	(111,417)	(134,675)
<b>Cash and Cash Equivalents (Net of Book OD)</b>	<b>1,034,739</b>	<b>877,542</b>	<b>577,233</b>	<b>409,709</b>

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

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

## Statement of Profit or Loss and Other Comprehensive Income

For the Three months ended 30th June,	Note	Group		Company		Change	
		2023	2022	2023	2022	Group %	Company %
		Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Gross Written Premium	9	3,614,017	3,192,621	2,246,052	1,924,712	13	17
Premium Ceded to Reinsurers		(593,781)	(494,410)	(144,371)	(119,393)	20	21
<b>Net Written Premium</b>		<b>3,020,236</b>	<b>2,698,211</b>	<b>2,101,681</b>	<b>1,805,319</b>	<b>12</b>	<b>16</b>
Net Change in Reserves for Unearned Premium		441,954	264,453	-	-	67	-
<b>Net Earned Premium</b>		<b>3,462,190</b>	<b>2,962,664</b>	<b>2,101,681</b>	<b>1,805,319</b>	<b>17</b>	<b>16</b>
<b>Other Revenue</b>							
Interest and Dividend Income	10	1,789,680	1,016,834	1,555,659	959,396	76	62
Net Realised (Losses)/Gains		(44,568)	335,574	(5,082)	80,129	(113)	(106)
Net Fair Value Losses		(1,694)	(210,111)	(397)	(72,256)	(99)	(99)
Fee and Commission Income		35,935	76,900	9,422	8,484	(53)	11
Other Income		5,416	(1,972)	5,901	373	(375)	1,482
<b>Total Other Revenue</b>		<b>1,784,769</b>	<b>1,217,225</b>	<b>1,565,503</b>	<b>976,126</b>	<b>47</b>	<b>60</b>
<b>Net Income</b>		<b>5,246,959</b>	<b>4,179,889</b>	<b>3,667,184</b>	<b>2,781,445</b>	<b>26</b>	<b>32</b>
<b>Net Benefits, Claims and Expenses</b>							
Net Insurance Benefits and Claims		(1,551,068)	(1,338,968)	(594,929)	(559,167)	16	6
Change in Contract Liabilities - Life Fund		(1,602,854)	(1,167,900)	(1,602,854)	(1,167,900)	37	37
Other Operating and Administration Expenses		(1,288,318)	(916,939)	(846,373)	(523,359)	41	62
Underwriting and Net Acquisition Costs		(457,370)	(386,631)	(360,153)	(275,113)	18	31
Finance and Other Insurance Related Costs		(32,518)	(34,831)	(28,149)	(26,332)	(7)	7
<b>Total Benefits, Claims and Other Expenses</b>		<b>(4,932,128)</b>	<b>(3,845,269)</b>	<b>(3,432,458)</b>	<b>(2,551,871)</b>	<b>28</b>	<b>35</b>
<b>Profit Before Taxation</b>		<b>314,831</b>	<b>334,620</b>	<b>234,726</b>	<b>229,574</b>	<b>(6)</b>	<b>2</b>
Income Tax Expense	11	(102,364)	(81,674)	(69,886)	(54,537)	25	28
<b>Profit for the Period</b>	12	<b>212,467</b>	<b>252,946</b>	<b>164,840</b>	<b>175,037</b>	<b>(16)</b>	<b>(6)</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		564,340	(384,857)	426,701	(296,431)	247	244
Realised Gains transferred to Income Statement		(3,147)	-	(876)	-	(100)	(100)
Amortisation of AFS reserve on reclassification		12,051	10,463	12,051	10,463	15	15
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholder's Available For Sale Reserve Fund		(344,243)	257,213	(344,243)	257,213	(234)	(234)
Related Tax	11	(40,611)	8,842	-	-	(559)	-
<b>Total Other Comprehensive Income for the Period, Net of Related tax</b>		<b>188,390</b>	<b>(108,339)</b>	<b>93,633</b>	<b>(28,755)</b>	<b>274</b>	<b>426</b>
<b>Total Comprehensive Income for the Period</b>		<b>400,857</b>	<b>144,607</b>	<b>258,473</b>	<b>146,282</b>	<b>177</b>	<b>77</b>
<b>Profit Attributable to:</b>							
Equity Holders of the Company		212,467	252,946	164,840	175,037	(16)	(6)
Non-Controlling Interest		-	-	-	-	-	-
<b>Total Comprehensive Income Attributable to:</b>							
Equity Holders of the Company		400,857	144,607	258,473	146,282	177	77
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	1.42	1.69	1.10	1.17	(16)	(6)

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 2023		31st December 2022	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
<b>Assets</b>				
Property, Plant and Equipment	372,322	167,498	260,442	157,816
Right of Use Assets	348,980	42,001	343,824	32,755
Intangible Assets	54,014	3,430	57,054	4,064
Deferred Tax Assets	-	44,437	-	99,430
Financial Investments	33,762,693	5,103,880	29,844,875	4,779,256
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	429,669	-	420,914	-
Reinsurance Receivables	325,185	873,725	184,249	860,069
Premium Receivables	20,257	1,491,681	18,547	1,835,123
Other Assets	786,792	310,327	713,293	308,361
Insurance Contract - Deferred Expenses	-	137,829	-	163,995
Cash and Cash Equivalents	688,650	631,637	725,420	307,885
<b>Total Assets</b>	<b>37,938,562</b>	<b>8,806,445</b>	<b>33,718,618</b>	<b>8,548,754</b>
<b>Liabilities</b>				
Insurance Contract Liabilities - Life Insurance	28,568,404	-	24,582,641	-
Insurance Contract Liabilities - General Insurance	-	4,393,275	-	4,181,588
Employee Defined Benefit Liabilities	169,503	91,961	142,692	93,732
Current Tax Liabilities	171,266	69,853	209,338	44,472
Reinsurance Creditors	271,023	635,042	227,512	732,181
Lease Creditors	378,316	39,384	376,926	33,793
Other Liabilities	1,199,128	967,530	1,384,408	1,044,156
Bank Overdrafts	111,417	174,131	101,695	163,844
<b>Total Liabilities</b>	<b>30,869,057</b>	<b>6,371,176</b>	<b>27,025,212</b>	<b>6,293,766</b>

## Operating Segment Information - Profitability

For the Period Ended,	Unaudited		Unaudited	
	30th June 2023		30th June 2022	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	5,160,659	4,031,697	4,274,312	3,258,535
Premium Ceded to Reinsurers	(280,388)	(1,312,594)	(229,700)	(839,596)
<b>Net Written Premium</b>	<b>4,880,271</b>	<b>2,719,103</b>	<b>4,044,612</b>	<b>2,418,939</b>
Net Change in Reserves for Unearned Premium	-	(31,603)	-	(111,020)
<b>Net Earned Premium</b>	<b>4,880,271</b>	<b>2,687,500</b>	<b>4,044,612</b>	<b>2,307,919</b>
<b>Other Revenue</b>				
Interest and Dividend Income	3,099,681	461,336	1,622,001	265,351
Net Realised (Losses)/Gains	(4,206)	(38,363)	80,129	257,713
Net Fair Value (Losses)/Gains	(1,286)	(68,600)	(62,419)	21,475
Fee and Commission Income	79,169	90,769	32,089	120,440
Other Income	6,038	794	623	1,269
<b>Total Other Revenue</b>	<b>3,179,396</b>	<b>445,936</b>	<b>1,672,423</b>	<b>666,248</b>
<b>Net Income</b>	<b>8,059,667</b>	<b>3,133,436</b>	<b>5,717,035</b>	<b>2,974,167</b>
<b>Net Benefits, Claims and Expenses</b>				
Net Insurance Benefits and Claims	(1,315,002)	(1,888,324)	(1,085,900)	(1,609,687)
Change in Contract Liabilities - Life Fund	(3,869,107)	-	(2,584,515)	-
Other Operating and Administration Expenses	(1,569,762)	(918,511)	(1,026,582)	(794,870)
Underwriting and Net Acquisition Cost	(744,204)	(206,046)	(621,670)	(207,199)
Finance and Other Insurance Related Costs	(53,464)	5,536	(51,827)	(12,529)
<b>Total Benefits, Claims and other Expenses</b>	<b>(7,551,539)</b>	<b>(3,007,345)</b>	<b>(5,370,494)</b>	<b>(2,624,285)</b>
<b>Profit Before Taxation</b>	<b>508,128</b>	<b>126,091</b>	<b>346,541</b>	<b>349,882</b>
Income Tax Expense	(150,437)	(69,158)	(82,140)	(22,365)
<b>Profit for the Period</b>	<b>357,691</b>	<b>56,933</b>	<b>264,401</b>	<b>327,517</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

HNB Assurance PLC ("the Company") is a public limited liability Company incorporated on 23rd August 2001 and domiciled in Sri Lanka. The registered office of the Company is situated at No. 479, T B Jayah Mawatha, Colombo 10 and the principal place of business is situated at No. 30, Iceland Business Centre, Sri 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.

### 1.2 Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 31st July 2023.

Figures in these Condensed Consolidated Interim Financial Statements for the Period ended 30th June 2023 are provisional and unaudited.

## 2 BASIS OF PREPARATION

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

These Condensed Consolidated Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31st December 2022. The same accounting policies have been followed in preparation of these interim financial statements as stated in the Audited Financial Statements for the year ended 31st December 2022.

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

### 2.1 Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) which provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2025.

Having considered the above, since HNB Assurance PLC and HNB General Insurance Limited are predominantly carrying out Insurance activities, both Companies continue to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for the annual periods beginning before 01st January 2025.

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

## 3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th June 2023	31st Dec 2022	30th June 2023	31st Dec 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Held to Maturity Financial Assets	10,403,593	10,240,933	10,347,046	10,055,448
Loans and Receivables	17,198,906	14,910,327	14,663,893	12,097,076
Available for Sale Financial Assets	10,924,168	9,389,628	8,536,721	7,610,970
Financial Assets at Fair Value Through Profit or Loss	339,906	83,243	215,033	81,381
<b>Total Financial Investments</b>	<b>38,866,573</b>	<b>34,624,131</b>	<b>33,762,693</b>	<b>29,844,875</b>

### 3.1 Reclassification of Treasury Bond Portfolio From AFS to HTM Category

The Company has reclassified part of its treasury bond portfolio from Available For Sale (AFS) financial asset category to Held to Maturity (HTM) due to change in intention of "holding or selling to "hold until maturity" after assessing the projected business plans and the need for liquidity. Accordingly, after considering the business requirements and liability maturity mix, the Company has decided to reclassify a portfolio of Treasury Bond investments under Life Fund with specific criteria from AFS to HTM.

## Notes to the Condensed Consolidated Interim Financial Statements

As per LKAS 39, reclassification to Held to Maturity is permitted when the entity has the ability and intention to hold financial assets until maturity. At the reclassification date, the market value of the Treasury Bonds become its new cost or amortized cost and subsequently, HTM assets are measured at amortized cost. Further, for a financial asset with a fixed maturity reclassified out of the 'AFS' category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the asset using the EIR (Effective Interest Rate). Such amortization has been recognized under Interest income line in the profit or loss.

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

Description	Available For Sale (AFS) - Life Fund Rs. ('000)	Held to Maturity (HTM) - Life Fund Rs. ('000)
Carrying Value of Treasury Bonds Portfolio as at 01st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds - Reclassified	(2,659,168)	2,659,168
New Carrying Value of TB Portfolio as at 01st April 2022	2,737,862	3,787,140
AFS Reserve to be amortized to P&L over the remaining life of assets		(703,985)
Amortization recognized during the Period		23,783

#### 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.

#### 5 LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

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

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

#### 6 RESTRICTED REGULATORY RESERVE

As at,	Note	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Balance at the end of the Period	6.2	<b>381,156</b>	381,156	<b>381,156</b>	381,156

#### 6.1 Nature and Purpose of Reserve

The Insurance Regulatory Commission of Sri Lanka (IRCSL) has issued Direction No. 16 on 20th March 2018 on "Identification and Treatment of One-off Surplus" and has instructed all Life Insurance Companies to comply with the Direction. Based on the Direction, Life Insurance Companies are allowed to transfer One-off surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund. The transfer has been presented as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with the Direction above. The distribution of One-off Surplus to Shareholders as dividend shall remain restricted until the requirements disclosed in Note (6.4) are met. As required by the said Direction, the Company received the approval for this transfer on 11th May 2018.

## Notes to the Condensed Consolidated Interim Financial Statements

6.2 As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

The IRCSL had directed insurance Companies to maintain this One-off Surplus arising from change in the policy liability valuation within the Long-Term Insurance Fund/Insurance Contract Liabilities separately in the name of "Surplus created due to change in valuation method from NPV to GPV" and not to transfer/distribute any part of the surplus until specific instructions are issued in this regard.

### Surplus created due to Change in Valuation Method

Description		Participating Fund Rs. '000	Non Participating Fund Rs. '000	Total Rs. '000
Value of Insurance contract liability based on NPV as at 31st December 2015	A	2,988,500	3,856,964	6,845,464
Value of Insurance contract liability based on GPV as at 31st December 2015	B	3,015,001	3,475,808	6,490,809
Zerorisation of Negative Surplus as per Direction No. 16	C	26,501	-	26,501
Surplus created due to Change in Valuation Method				
- One-off Surplus as at 01st January 2016	A-B+C	-	381,156	381,156

The One-off surplus in the Shareholder's Fund will remain invested in Term Deposits as disclosed in Note 6.3 as per the Direction of IRCSL.

The financial ratios presented in these Condensed Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally, the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be held within the Participating Fund as part of the unallocated valuation surplus and may only be transferred to the Shareholder Fund by means of bonuses to Policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

### 6.3 Composition of Investments Supporting the Restricted Regulatory Reserve as at 30th June 2023

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 June 2023 Rs. '000
As at,	
Term Deposits	384,893

### 6.4 Distribution of One-off Surplus

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

## 7 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

As at,	Note	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Life Insurance Fund	7.1	28,232,737	24,363,630	28,232,737	24,363,630
Claims Outstanding		335,667	219,011	335,667	219,011
<b>Total Insurance Contract Liabilities</b>		<b>28,568,404</b>	<b>24,582,641</b>	<b>28,568,404</b>	<b>24,582,641</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 7.1 INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Note	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
<b>The Movement in the Life Insurance Fund is as follows:</b>					
Balance as at the beginning of the Period		<b>24,363,630</b>	20,062,535	<b>24,363,630</b>	20,062,535
Surcharge Tax	16	-	(21,966)	-	(21,966)
<b>Change in Contract Liabilities Life Fund</b>					
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		<b>3,869,107</b>	5,620,103	<b>3,869,107</b>	5,620,103
Surplus Distributed to Shareholders		-	(1,280,000)	-	(1,280,000)
Increase in Life Insurance Fund		<b>3,869,107</b>	4,340,103	<b>3,869,107</b>	4,340,103
Effect of Taxation on surplus/Bonus transferred to Policyholders		-	(17,042)	-	(17,042)
<b>Balance as at the end of the Period</b>		<b>28,232,737</b>	24,363,630	<b>28,232,737</b>	24,363,630

## 7.2 Liability Adequacy Test

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out internally by the Chief Actuary Officer, as at 30th June 2023 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The valuation is based on internationally accepted actuarial methods and is performed semi-annually. Accordingly, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 30th June 2023. No additional provision was required against the LAT as at 30th June 2023.

## 8 INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

As at,	Group		Company	
	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Reserves for Net Unearned Premium	<b>2,772,490</b>	2,735,501	-	-
Reserves for Title Insurance	<b>51,673</b>	57,059	-	-
Reserves for Gross Outstanding Claims	<b>1,569,112</b>	1,389,028	-	-
<b>Total Insurance Contract Liabilities</b>	<b>4,393,275</b>	4,181,588	-	-

8.1 Valuation of IBNR/IBNER was carried out internally by the Chief Actuary Officer as at 30th June 2023 and have ensured that adequate provisions have been made in these Condensed Consolidated Interim Financial Statements.

## 8.2 Liability Adequacy Test

A Liability Adequacy Test ("LAT") for the General Insurance Contract Liability is performed semi-annually. As at 30th June 2023, LAT was performed internally by the Chief Actuary Officer as required by SLFRS 4 - Insurance Contracts. Accordingly, HNB General Insurance Ltd adequately satisfies the LAT requirement as at 30th June 2023. No additional provision is required against LAT as at 30th June 2023.

# Notes to the Condensed Consolidated Interim Financial Statements

## 9 GROSS WRITTEN PREMIUM

Group		Group			
		Group		Company	
		Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Audited For the Year Ended 31st Dec 2022 Rs. '000	<i>For the Six Months Ended,</i>				
<b>Life Insurance</b>					
8,484,220	Individual Policies	4,959,567	4,101,796	4,959,567	4,101,796
427,240	Corporate Policies	201,092	172,516	201,092	172,516
(36,509)	Adjustment for Inter Company Premiums	(26,700)	(22,152)	-	-
<u>8,874,951</u>	<b>Gross Written Premium - Life Insurance</b>	<u>5,133,959</u>	<u>4,252,160</u>	<u>5,160,659</u>	<u>4,274,312</u>
<b>General Insurance</b>					
965,140	Fire	850,627	535,106	-	-
4,217,856	Motor	2,156,813	1,974,696	-	-
158,297	Marine	69,673	48,450	-	-
1,479,718	Miscellaneous	954,584	700,283	-	-
(58,226)	Adjustment for Inter Company Premiums	(58,543)	(46,256)	-	-
<u>6,762,785</u>	<b>Gross Written Premium - General Insurance</b>	<u>3,973,154</u>	<u>3,212,279</u>	<u>-</u>	<u>-</u>
<u>15,637,736</u>	<b>Total Gross Written Premium</b>	<u>9,107,113</u>	<u>7,464,439</u>	<u>5,160,659</u>	<u>4,274,312</u>

Group		Group			
		Group		Company	
		Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
<i>For the Three Months Ended,</i>					
<b>Life Insurance</b>					
	Individual Policies	2,199,128	1,885,493	2,199,128	1,885,493
	Corporate Policies	46,924	39,219	46,924	39,219
	Adjustment for Inter Company Premiums	(12,575)	(11,614)	-	-
	<b>Gross Written Premium - Life Insurance</b>	<u>2,233,477</u>	<u>1,913,098</u>	<u>2,246,052</u>	<u>1,924,712</u>
<b>General Insurance</b>					
	Fire	289,219	241,373	-	-
	Motor	921,381	814,981	-	-
	Marine	33,049	44,694	-	-
	Miscellaneous	142,840	181,697	-	-
	Adjustment for Inter Company Premiums	(5,949)	(3,222)	-	-
	<b>Gross Written Premium - General Insurance</b>	<u>1,380,540</u>	<u>1,279,523</u>	<u>-</u>	<u>-</u>
	<b>Total Gross Written Premium</b>	<u>3,614,017</u>	<u>3,192,621</u>	<u>2,246,052</u>	<u>1,924,712</u>

## 10 INTEREST AND DIVIDEND INCOME

Group		Group			
		Group		Company	
		Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Audited For the Year Ended 31st Dec 2022 Rs. '000	<i>For the Six Months Ended,</i>				
4,533,060	Interest Income	3,554,199	1,777,052	3,092,987	1,511,771
8,622	Dividend Income	6,818	6,800	6,694	110,230
<u>4,541,682</u>	<b>Total</b>	<u>3,561,017</u>	<u>1,783,852</u>	<u>3,099,681</u>	<u>1,622,001</u>

## Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
	Interest Income	1,786,575	1,013,441	1,552,581
Dividend Income	3,105	3,393	3,078	106,851
<b>Total</b>	<b>1,789,680</b>	<b>1,016,834</b>	<b>1,555,659</b>	<b>959,396</b>

### 11 INCOME TAX EXPENSE

<i>For the Six Months Ended, 31st Dec 2022 Rs. '000</i>	Group	Group		Company	
	Audited For the Year Ended	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
	(288,436)	Income Tax Charge	(217,466)	(25,184)	(150,437)
(55)	Under Provision of Income Taxes in respect of prior Period	-	-	-	-
(266,907)	Deferred Income Tax - Recognised through Profit or Loss	(2,129)	(79,321)	-	(82,140)
<b>(555,398)</b>	<b>Total Tax charge in Profit or Loss</b>	<b>(219,595)</b>	<b>(104,505)</b>	<b>(150,437)</b>	<b>(82,140)</b>
	<b>Deferred tax related to items charged or credited directly to other comprehensive income</b>				
	Deferred tax on net change in debt instruments categorised under Available for Sale	78,671	17,971	-	-
(4,166)	Deferred tax on actuarial gain/(loss) on defined benefit plans	-	-	-	-
<b>74,505</b>	<b>Total Tax charge in Other Comprehensive Income</b>	<b>(52,864)</b>	<b>17,971</b>	<b>-</b>	<b>-</b>

<i>For the Three Months Ended,</i>	Group	Group		Company	
	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	
	Income Tax Charge	(100,910)	(25,184)	(69,886)	-
Deferred Income Tax - Recognised through Profit or Loss	(1,454)	(56,490)	-	(54,537)	
<b>Total Tax charge in Profit or Loss</b>	<b>(102,364)</b>	<b>(81,674)</b>	<b>(69,886)</b>	<b>(54,537)</b>	
Deferred tax on net change in debt instruments categorised under Available for Sale	(40,611)	8,842	-	-	
<b>Total Tax charge in Other Comprehensive Income</b>	<b>(40,611)</b>	<b>8,842</b>	<b>-</b>	<b>-</b>	

#### Income Tax Rates

As per the Inland Revenue (Amendment) Act No 45 of 2022 (certified on 19th December 2022) income tax rates applicable to Company and Subsidiary increased from 24% to 30% with effect from 01st October 2022. Accordingly, tax liability of the Company and subsidiary was calculated and accounted at the rate of 30% for the period ended 30th June 2023.

#### Recoverability of Deferred Tax Assets

As per Section 67 of Inland Revenue Act No. 24 of 2017 which came into effect on 1st April 2018, the Company was eligible to claim its brought forward tax losses against its taxable income within a period of 6 years commencing 1st April 2018. Accordingly, a Deferred tax asset of Rs. 1,454.5 Million was recognised during the year of 2018 arising from brought forward tax losses as at 31st March 2018 after assessing the availability of future taxable profits. However, as at 31st December 2022, company utilised total amount of brought forward tax losses against taxable income. Further, Company has charged an income tax expense of Rs. 150 Million for the period since brought forward tax losses are not available for recoverability.

## Notes to the Condensed Consolidated Interim Financial Statements

### 12 PROFIT FOR THE PERIOD

Audited For the Year Ended 31st Dec 2022 Rs. '000	<i>For the Six Months Ended,</i>	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
<b>Company - HNB Assurance PLC</b>			
1,280,000	Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
713,666	Profit from Life Shareholders' Fund	508,128	346,541
(510,046)	Reversal of Deferred Tax Asset	(150,437)	(82,140)
1,483,620	<b>Profit for the Period</b>	<b>357,691</b>	<b>264,401</b>
<b>Subsidiary - HNB General Insurance Ltd</b>			
495,756	Profit Before Tax	126,091	349,882
(45,352)	Income Tax and Deferred Tax Expense	(69,158)	(22,365)
450,404	<b>Profit for the Period</b>	<b>56,933</b>	<b>327,517</b>
(103,500)	Elimination of Intercompany Dividend	-	(103,500)
<u>1,830,524</u>	<b>Profit for the Period - Group</b>	<u><b>414,624</b></u>	<u><b>488,418</b></u>

<i>For the Three Months Ended,</i>	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
<b>Company - HNB Assurance PLC</b>		
Profit from Life Shareholders' Fund	234,726	229,574
Reversal of Deferred Tax Asset	(69,886)	(54,537)
<b>Profit for the Period</b>	<b>164,840</b>	<b>175,037</b>
<b>Subsidiary - HNB General Insurance Ltd</b>		
Profit Before Tax	80,105	208,546
Income Tax and Deferred Tax Expense	(32,478)	(27,137)
<b>Profit for the Period</b>	<b>47,627</b>	<b>181,409</b>
Elimination of Intercompany Dividend	-	(103,500)
<b>Profit for the Period - Group</b>	<u><b>212,467</b></u>	<u><b>252,946</b></u>

Currently General Insurance Companies in Sri Lankan industry, including HNB General Insurance Ltd, remit 12% of Motor Insurance Strike, Riot, Civil Commotion & Terrorism (SRCC & T) Premium to National insurance Trust Fund (NITF) under an excess of Loss Reinsurance arrangement. Recently, discussions were held between the NITF, Insurance Regulatory Commission (IRCSL) and Insurance Association of Sri Lanka (IASL) to remit 100% of Motor Insurance premium on SRCC & T to the NITF and final outcome is not yet finalized as at the reporting date. If General Insurance Companies are required to remit 100% of the said premium to NITF w.e.f. 1st January 2023, the subsidiary HNB General Insurance Ltd, would also have to comply with the same. If such remittance is required from 1st January 2023, the profit after Tax of the subsidiary and Group will decrease by Rs. 34 Million for the six month period ended 30th June 2023.



## 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 For the Year Ended 31st Dec 2022	For the Six Months Ended,	Unaudited 30th June 2023	Unaudited 30th June 2022	Unaudited 30th June 2023	Unaudited 30th June 2022
1,830,524	Profit for the Year/Period (Rs. '000)	<b>414,624</b>	488,418	<b>357,691</b>	264,401
150,000	Weighted average number of shares ('000)	<b>150,000</b>	150,000	<b>150,000</b>	150,000
<u>12.20</u>	Basic and Diluted Earnings Per Share (Rs.)	<u><b>2.76</b></u>	3.26	<u><b>2.38</b></u>	1.76

		Group		Company	
		Unaudited 30th June 2023	Unaudited 30th June 2022	Unaudited 30th June 2023	Unaudited 30th June 2022
<i>For the Three Months Ended,</i>					
Profit for the Period (Rs. '000)		<b>212,467</b>	252,946	<b>164,840</b>	175,037
Weighted average number of shares ('000)		<b>150,000</b>	150,000	<b>150,000</b>	150,000
Basic and Diluted Earnings Per Share (Rs.)		<u><b>1.42</b></u>	1.69	<u><b>1.10</b></u>	1.17

### 14 RELATED PARTY DISCLOSURES

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

Transactions	Group		Company	
	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
<i>For the Six Months Ended,</i>				
Insurance Premium	<b>175,132</b>	100,408	<b>31,414</b>	31,131
Claims Incurred	<b>45,190</b>	16,020	<b>25,850</b>	500
Investment Income	<b>272,231</b>	159,126	<b>222,565</b>	113,930
Administration Expenses	<b>242,144</b>	218,947	<b>174,751</b>	153,743
Rent and Other Operational Expenses	<b>10,721</b>	9,075	<b>7,219</b>	5,509
Dividend Paid	<b>328,423</b>	287,933	<b>328,423</b>	287,933

Outstanding Balances	Group		Company	
	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
<i>As at,</i>				
Investment Balance (Include Deposits & Debentures)	<b>2,888,020</b>	2,369,855	<b>2,452,921</b>	1,872,110
Cash at Bank Balances	<b>993,141</b>	533,376	<b>566,345</b>	436,195
Premium Receivable	<b>3,679</b>	1,066	-	-
Administration Expenses Payable	<b>50,679</b>	72,076	<b>34,348</b>	55,163
Rent and Other Operational Expenses Payable	<b>680</b>	141	<b>473</b>	90

## Notes to the Condensed Consolidated Interim Financial Statements

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

Transactions For the Six Months Ended,	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Insurance Premium	26,700	22,152
Insurance Expenses	58,543	46,256
Claims Received	422	271
Claims Paid	4,400	9,000
Reimbursement Expenses Relating to Employees	57,342	52,595
Other Reimbursement Expenses	117,968	108,662
Fund Management Fee	7,247	7,434
Profit Commission Expense	7,871	6,013
Dividend Received	-	103,500
<b>Outstanding Balances As at,</b>	<b>Unaudited 30th June 2023 Rs. '000</b>	<b>Audited 31st Dec 2022 Rs. '000</b>
Premium Payable to HNB General Insurance Ltd	2,198	-
Receivable from HNB General Insurance Ltd	29,811	21,816

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

Name of the Company	Transactions	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	50,237	15,471	-	-
HNB Finance PLC	Insurance Premium	108,587	30,641	80,639	13,942
	Claims Incurred	2,541	378	-	-
	Administration Expense	15,494	5,201	5,918	34
	Interest Income	9,987	16,738	9,987	16,738
Name of the Company	Outstanding Balances	Group		Company	
As at,		Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
Sithma Development (Pvt) Ltd	Premium Receivable	148	-	-	-
HNB Finance PLC	Investment in Term Deposits	-	125,868	-	125,868
	Investment in Debentures	133,273	125,090	133,273	125,090
	Cash at Bank Balances	121	88	121	88
	Premium Receivable	5,435	3,185	5,050	-
	Administration Expenses Payable	1,611	9,922	396	5,954

### 14.4 Transactions and Outstanding Balances with other Related Entities

Name of the Company	Transactions	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Acuity Partners (Pvt) Ltd	Insurance Premium	1,073	540	608	-
	Claims incurred	-	378	-	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	716	717	-	-
	Claims incurred	243	56	-	-
Acuity Securities Ltd	Insurance Premium	4,797	2,727	-	-
	Claims incurred	211	286	-	-
	Custodian Fee	-	184	-	152
	Investment Income from REPO	72,961	94,635	54,225	81,031

## Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000	Unaudited 30th June 2023 Rs. '000	Audited 31st Dec 2022 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	565	526	-	312
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	768	366	-	-
Acuity Securities Ltd	Premium Receivable	680	506	-	-
	Investment In REPO	50,228	1,380,579	-	918,083

### 14.5 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 2023 Rs. '000	Unaudited 30th June 2022 Rs. '000
Director Fee	15,079	12,500
Short-term and Post Employment Benefits	53,600	35,493
Insurance Premium	1,689	1,624
Claims Paid including Maturities	196	371

#### Appointment of the Board of Directors

Mr. Dinesh Dharmadasa was appointed as a Director of HNB General Insurance Limited w.e.f. 17th February 2023.

Mr. Richard Annesley Ebell was appointed as a Director of HNB Assurance PLC w.e.f. 16th June 2023.

#### Retirement/Resignation of the Board of Directors

Dr. Sivakumar Selliah has retired from the office of senior Independent Non-Executive Director of HNB Assurance PLC w.e.f. 16th June 2023.

Dr. Thalpapwila Kankanange Don Aruna Prasad Samarasinghe has resigned from his office as Alternate Director to Mr. L U D Fernando of HNB Assurance PLC and HNB General Insurance Limited w.e.f. 6th June 2023.

#### Change of Board Secretary

Mrs. Sitari Jayasundara who functioned as the Board Secretary of HNB Assurance PLC has resigned w.e.f. 31st May 2023 and Mrs. Kurugalage Yoga Sajeewani Gunadasa was appointed as the new Board Secretary w.e.f. 01st June 2023.

The nature of the related party transactions in the current period was similar to those reported in the Audited Financial Statements for the year ended 31st December 2022, except for the above changes.

### 15 RELATED IMPLICATIONS OF FOREIGN EXCHANGE, INTEREST AND INFLATION RATES

Sri Lanka has been facing foreign exchange crisis with the prevailing economic situation in the country and the deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios.

Further, Group does not hold any investments in Sri Lanka Development Bonds (SLDBs) and International Sovereign Bonds (ISBs).

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

However, Sri Lanka was able to reach a preliminary agreement with the International Monetary Fund (IMF) for an Extended Fund Facility. Accordingly, a debt restructuring plan was approved by the Parliament in an attempt to overcome economic crisis.

## Notes to the Condensed Consolidated Interim Financial Statements

Following is the overview of proposed Domestic Debt Optimisation (DDO) plan.

- Local currency bonds held by superannuation funds, including pension funds, will be exchanged for longer maturity bonds.
- CBSL holdings of treasury bills would be converted to treasury bonds with a longer maturity period.
- Treasury bills and treasury bond holdings of the banking sector (including insurance) have been excluded from the domestic debt restructuring considering the significant stress on the banking sector at present due to increasing non-performing loans, impact of external debt restructure and high taxation.

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

### 16 SURCHARGE TAX

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

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

	Surcharge Tax Liability (Rs. Mn)	1st Installment - paid on 20th April 2022 (Rs. Mn)	2nd Installment - paid on 20th July 2022 (Rs. Mn)
HNBA	22	11	11
HNBGI	172	86	86
<b>Total</b>	<b>194</b>	<b>97</b>	<b>97</b>

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1st April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1st January 2021 and HNBGI Financial Statements have been adjusted accordingly. However, HNBA accounted relevant tax expense to the opening balance of the life fund due to taxable income arising from surplus attributable to life policy holders (Participating policies).

### 17 EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events that occurred after the reporting date that require adjustments or disclosure in these Condensed Consolidated Interim Financial Statements.

### 18 CAPITAL COMMITMENTS

The Group has committed an expense of Rs. 181 Million as at 30th June 2023 for purchase of computer software and other equipment (As at 31st December 2022 – Rs. 353.52 Million for the purchase of computer hardware, software and Other equipment).

## Notes to the Condensed Consolidated Interim Financial Statements

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.

### 19 CONTINGENCIES

#### 19.1 Income Tax

The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019 and 2019/2020. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. Subsidiary Company HNB General Insurance Limited also received Income Tax Assessments for the taxable periods 2018/2019 and 2019/2020.

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

Year of Assessment	Date of Assessment/ Intimation	Status of Assessment	Contingent impact to the company	Total Additional Liability (Rs. Million)
<b>HNB Assurance PLC</b>				
2011/2012	2014.11.20	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	434
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	536
2019/2020	2022.05.23	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	279
<b>Total - HNB Assurance PLC</b>				<b>1,971</b>

## Notes to the Condensed Consolidated Interim Financial Statements

<b>HNB General Insurance Limited</b>				
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	138
2019/2020	2023.05.26	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	151
<b>Total - HNB General Insurance Limited</b>				<b>289</b>
<b>Total for Group</b>				<b>2,260</b>

### 19.2 VAT & NBT on Financial Services

The Company received Six Notice of Assessments on VAT and NBT on Financial Services (FS) for the taxable periods 01.01.2014 to 31.12.2014, 01.01.2015 to 31.12.2015, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017, 01.01.2018 to 31.12.2018 and 01.01.2019 to 31.12.2019. Further, subsidiary Company HNB General Insurance Limited also received Notice of Assessments for taxable periods 01.01.2018 to 31.12.2018 and 01.01.2019 to 31.12.2019. Company and Subsidiary have duly appealed for all assessments as the Group's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs. Mn)	Penalty (Rs. Mn)	Total (Rs. Mn)
<b>HNB Assurance PLC</b>						
2014.01.01-2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT	21.06	10.53	31.59
			NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT	17.55	12.98	30.53
			NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from Tax Appeals Commission	VAT	24.86	12.43	37.29
			NBT	4.01	2.00	6.01
2017.01.01-2017.12.31	2022.01.18	Pending decision from Commissioner General of Inland Revenue	VAT	42.56	21.28	63.84
			NBT	N/A	N/A	N/A
2018.01.01-2018.12.31	2022.01.21	Pending decision from Commissioner General of Inland Revenue	VAT	65.91	32.95	98.86
			NBT	N/A	N/A	N/A
2019.01.01-2019.12.31	2022.10.31	Pending decision from Commissioner General of Inland Revenue	VAT	62.48	31.24	93.72
			NBT	N/A	N/A	N/A
<b>Total - HNB Assurance PLC</b>				<b>241.26</b>	<b>124.82</b>	<b>366.08</b>
<b>HNB General Insurance Limited</b>						
2018.01.01-2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT	10.41	5.20	15.61
			NBT	N/A	N/A	N/A
2019.01.01-2019.12.31	2022.12.20	Pending decision from Commissioner General of Inland Revenue	VAT	11.37	5.70	17.07
			NBT	N/A	N/A	N/A
<b>Total - HNB General Insurance Limited</b>				<b>21.78</b>	<b>10.90</b>	<b>32.68</b>
<b>Total - Group</b>				<b>263.04</b>	<b>135.72</b>	<b>398.76</b>

## Notes to the Condensed Consolidated Interim Financial Statements

### 19.3 Value Added Tax

The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, Company has not received any communication from IRD yet. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 507.86 Million on VAT returns filed and the subsidiary has duly appealed against the assessments.

### 19.4 Value Added Tax (VAT) On Reinsurance

The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with Company's Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the case is yet to be determined by the Court. Total tax in dispute and penalty for the Assessment on Value Added Tax (VAT) on Reinsurance Claims amounts to Rs. 21.99 Million.

Management and the Company's/Subsidiary's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company's/Subsidiary's having to settle any of above tax assessments detailed under Note 19.1 to 19.4 is very low. 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	30th June 2023		31st March 2023	
	Shareholding	% on Issued Shares	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/C No 1	89,979,000	59.99	89,979,000	59.99
2 Ceylon Guardian Investment Trust PLC A/C # 02	7,018,794	4.68	7,018,794	4.68
3 Employees Trust Fund Board	3,942,964	2.63	3,942,964	2.63
4 Ceylon Investment Plc A/C # 02	1,712,174	1.14	1,712,174	1.14
5 Mr. M.F.Hashim	1,634,167	1.09	1,634,167	1.09
6 Mrs.A.Kailasapillai	1,500,000	1.00	1,500,000	1.00
7 Mrs.A.Selliah	1,500,000	1.00	1,500,000	1.00
8 Arunodhaya Investments (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
9 Arunodhaya Industries (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90	1,350,000	0.90
11 Rubber Investment Trust Ltd A/C No 01	1,337,058	0.89	1,337,058	0.89
12 Andysel (Pvt) Ltd	750,000	0.50	750,000	0.50
13 Corporate Holdings (Pvt) Ltd A/C No.01	735,309	0.49	735,309	0.49
14 Merchant Bank Of Sri Lanka & Finance PLC/S.A.A. Hasitha	723,214	0.48	719,059	0.48
15 Mr.V.Sharda	609,000	0.41	609,000	0.41
16 Dr.S.Selliah	600,000	0.40	600,000	0.40
17 Corporate Holdings (Pvt) Ltd A/C No.02	573,969	0.38	573,969	0.38
18 Suktam Holdings (Pvt) Ltd	526,302	0.35	526,302	0.35
19 Buildmart Lanka (Pvt) Ltd	500,000	0.33	500,000	0.33
20 Mr.A.A.A.Rifkee	500,000	0.33	500,000	0.33

### Public Shareholding

	30th June 2023	31st December 2022
Float Adjusted Market Capitalisation (Rs.) *	2,809,374,428	2,273,778,850
Percentage of Shares held by the Public	39.849%	35.335%
Number of Public Shareholders	4,393	4,478

The Company complies the minimum public Shareholding requirement under option 4 of section 7.14.1 (a) of the Listing Rules as at 30th June 2023. (As at 31/12/2022 - Complied under option 5)

\* 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 2023	No. of Shares 31st Dec 2022
Mrs. M A R C Cooray	112,624	112,624
Mr. D P N Rodrigo	48,454	540
Mr. D R Abeyesuriya	5,000	5,000
Mr. L U D Fernando	Nil	Nil
Mr. S A Chapman	500	500
Mr. A Goonesekere	Nil	Nil
Mr. R A Ebell*	80,000	N/A
Dr. S Selliah**	N/A	600,000
Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)***	N/A	Nil
Mr. P H L N Wimalaratne (Chief Executive Officer)	Nil	Nil

\* Mr. R A Ebell was appointed with effect from 16th June 2023.

\*\*Dr. S Selliah retired with effect from 16th June 2023.

\*\*\*Mr. T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando) resigned with effect from 6th June 2023.

### 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

As at,	30th June 2023 Rs.	31st Dec 2022 Rs.
Net Asset Value Per Share - Group	55.70	51.99
Net Asset Value Per Share - Company	47.13	44.62
Net Asset Value Per Share without Restricted Regulatory Reserve - Group	53.16	49.45
Net Asset Value Per Share without Restricted Regulatory Reserve - Company	44.59	42.08
<b>For the three months ended 30th June,</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
Highest Price Per Share	48.50	41.00
Lowest Price Per Share	42.00	28.00
Last Traded Price Per Share	47.00	33.00