

SOLID. ENDURING.



HNB Assurance PLC

Condensed Consolidated Interim Financial Statements
30th September 2021

Statement of Financial Position

As at,	Note	Group		Company	
		Unaudited	Audited	Unaudited	Audited
		30th Sep 2021	31st Dec 2020	30th Sep 2021	31st Dec 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, Plant and Equipment		274,157	169,788	140,228	116,740
Right of Use Assets		382,517	394,437	359,386	380,105
Intangible Assets		68,696	68,858	63,033	62,240
Deferred Tax Assets		569,342	738,721	541,134	725,255
Financial Investments	3	29,280,018	26,366,608	24,544,952	22,075,265
Investment in Subsidiary		-	-	1,150,000	1,150,000
Loans to Life Policyholders		398,670	379,736	398,670	379,736
Reinsurance Receivables		1,070,247	771,776	292,653	172,699
Premium Receivables		1,052,212	1,111,594	27,108	4,988
Other Assets		744,951	864,414	515,977	582,321
Insurance Contract - Deferred Expenses		152,827	163,619	-	-
Cash and Cash Equivalents		892,692	711,111	527,128	393,522
Total Assets		34,886,329	31,740,662	28,560,269	26,042,871
Equity and Liabilities					
Equity Attributable to the Equity Holders					
Stated Capital		1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings		5,886,129	5,841,032	4,756,165	4,968,314
Available for Sale Reserve		32,347	93,754	6,622	15,626
Other Reserve		(51,520)	(51,520)	(33,916)	(33,916)
Life Policyholders' Available for Sale Reserve Fund	5	153,371	757,933	153,371	757,933
Restricted Regulatory Reserve	6	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders		7,573,358	8,194,230	6,435,273	7,260,988
Non-Controlling Interest		-	-	-	-
Total Equity		7,573,358	8,194,230	6,435,273	7,260,988
Liabilities					
Insurance Contract Liabilities - Life Insurance	7	20,157,033	17,064,089	20,157,033	17,064,089
Insurance Contract Liabilities - General Insurance	8	3,558,007	3,309,149	-	-
Employee Defined Benefit Liabilities		287,047	254,438	166,895	150,729
Current Tax Liabilities		93,827	151,093	12,301	12,301
Reinsurance Creditors		1,136,609	700,105	479,602	290,916
Lease Creditors		394,960	393,145	371,073	377,746
Other Liabilities		1,515,356	1,550,108	865,003	832,198
Bank Overdraft		170,132	124,305	73,089	53,904
Total Liabilities		27,312,971	23,546,432	22,124,996	18,781,883
Total Equity and Liabilities		34,886,329	31,740,662	28,560,269	26,042,871

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

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


Punsirini Perera
 Chief Financial Officer

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


Rose Cooray
 Chairperson


J A P M Jayasekera
 Director

Colombo, Sri Lanka
 27th October 2021

Statement of Profit or Loss and Other Comprehensive Income

Group		Group		Company		Change		
(Audited)	Year Ended	Unaudited	Unaudited	Unaudited	Unaudited	Group	Company	
31 st Dec 2020	For the Nine Months Ended 30th September,	2021	2020	2021	2020	%	%	
Rs. '000	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	%	%	
10,398,992	Gross Written Premium	9	8,960,358	7,478,883	4,993,503	3,836,357	20	30
(1,307,978)	Premium Ceded to Reinsurers		(1,173,900)	(907,912)	(256,631)	(193,532)	29	33
9,091,014	Net Written Premium		7,786,458	6,570,971	4,736,872	3,642,825	18	30
(164,257)	Net Change in Reserves for Unearned Premium		(62,292)	(149,522)	-	-	(58)	-
8,926,757	Net Earned Premium		7,724,166	6,421,449	4,736,872	3,642,825	20	30
Other Revenue								
2,493,317	Interest and Dividend Income	10	1,881,096	1,858,240	1,729,883	1,582,995	1	9
53,634	Net Realised Gains		19,717	25,991	16,905	17,352	(24)	(3)
17,696	Net Fair Value Gains/(Losses)		77,277	170	50,584	(2,443)	45,357	2,171
140,843	Fee and Commission Income		162,376	162,492	68,849	67,859	(0)	1
14,970	Other Income		12,225	13,556	2,213	5,519	(10)	(60)
2,720,460	Total Other Revenue		2,152,691	2,060,449	1,868,434	1,671,282	4	12
11,647,217	Net Income		9,876,857	8,481,898	6,605,306	5,314,107	16	24
Net Benefits, Claims and Expenses								
(3,558,641)	Net Insurance Benefits and Claims		(2,935,903)	(2,622,010)	(1,188,563)	(1,065,480)	12	12
(2,576,169)	Change in Contract Liabilities - Life Fund		(3,056,156)	(2,192,903)	(3,056,156)	(2,192,903)	39	39
(2,546,209)	Other Operating and Administration Expenses		(2,060,767)	(1,880,343)	(1,172,278)	(1,055,982)	10	11
(1,235,446)	Underwriting and Net Acquisition Costs		(1,006,342)	(881,614)	(734,789)	(619,610)	14	19
(100,256)	Finance and Other Insurance Related Costs		(86,283)	(63,419)	(61,549)	(37,465)	36	64
(10,016,721)	Total Benefits, Claims and Other Expenses		(9,145,451)	(7,640,289)	(6,213,335)	(4,971,440)	20	25
1,630,496	Profit Before Taxation		731,406	841,609	391,971	342,667	(13)	14
(455,273)	Income Tax Expense	11	(266,309)	(225,192)	(184,120)	(80,391)	18	129
1,175,223	Profit for the Period	12	465,097	616,417	207,851	262,276	(25)	(21)
Other Comprehensive Income, Net of Related Tax								
Items that are or may be reclassified to profit or loss								
709,787	- Net Change in fair value of Available For Sale Financial Assets		(673,721)	841,532	(607,692)	750,801	(180)	(181)
(53,106)	- Realised Gains transferred to Income Statement		(5,874)	(25,803)	(5,874)	(17,352)	(77)	(66)
(580,705)	- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund		604,562	(725,132)	604,562	(725,132)	183	183
(7,023)	- Related Tax	11	13,626	(8,228)	-	-	266	-
(44,995)	Actuarial Losses on Defined Benefit Plans		-	-	-	-	-	-
23,958	Total Other Comprehensive Income for the Period, Net of Related Tax		(61,407)	82,369	(9,004)	8,317	(175)	(208)
1,199,181	Total Comprehensive Income for the Period		403,690	698,786	198,847	270,593	(42)	(27)
Profit Attributable to:								
1,175,223	Equity Holders of the Company		465,097	616,417	207,851	262,276	(25)	(21)
-	Non-Controlling Interest		-	-	-	-	-	-
1,199,181	Total Comprehensive Income Attributable to:		403,690	698,786	198,847	270,593	(42)	(27)
-	Non-Controlling Interest		-	-	-	-	-	-
7.83	Basic and Diluted Earnings Per Share (Rs.)	13	3.10	4.11*	1.39	1.75*	(25)	(21)

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

	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
Balance as at 01st January 2020	1,171,875	4,965,809	24,801	(6,525)	177,228	381,156	6,714,344
Comprehensive Income for the Period	-	-	-	-	-	-	-
Profit for the Period - Unaudited	-	616,417	-	-	-	-	616,417
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	807,501	-	-	-	807,501
Net Change in fair value of Available For Sale Financial Assets	-	-	(725,132)	-	-	-	(725,132)
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Period	-	-	82,369	-	-	-	82,369
Total Comprehensive Income for the Period	-	616,417	82,369	-	-	-	698,786
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	725,132	-	725,132
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent	-	(300,000)	-	-	-	-	(300,000)
Final dividend to equity holders for 2019	-	(300,000)	-	-	-	-	(300,000)
Unaudited balance as at 30th September 2020	1,171,875	5,285,226	107,170	(6,525)	902,380	381,156	7,638,262
Comprehensive Income for the Period							
Profit for the Period - Unaudited	-	558,806	-	-	-	-	558,806
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(157,843)	-	-	-	(157,843)
Net Change in fair value of Available For Sale Financial Assets	-	-	144,427	-	-	-	144,427
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	(44,995)	-	-	(44,995)
Actuarial Losses on Defined Benefit Plans	-	-	-	(44,995)	-	-	(44,995)
Total Other Comprehensive Income for the Period	-	-	(13,416)	(44,995)	-	-	(58,411)
Total Comprehensive Income for the Period	-	558,806	(13,416)	(44,995)	-	-	500,395
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(144,427)	-	(144,427)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Audited balance as at 31st December 2020	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Balance as at 01st January 2021	1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Period							
Profit for the Period-Unaudited	-	465,097	-	-	-	-	465,097
Other Comprehensive Income for the Period, Net of Related Tax							
Net Change in fair value of Available For Sale Financial Assets	-	-	(665,969)	-	-	-	(665,969)
Net Change in fair value of Available For Sale Financial Assets	-	-	604,562	-	-	-	604,562
- transferred to Life Policyholders Available For Sale Reserve Fund	-	-	-	-	-	-	-
Total Other Comprehensive Income for the Period	-	-	(61,407)	-	-	-	(61,407)
Total Comprehensive Income for the Period	-	465,097	(61,407)	-	-	-	403,690
Net Change in fair value of Available For Sale Financial Assets	-	-	-	-	(604,562)	-	(604,562)
- transferred from Available For Sale Reserve	-	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Distributions to owners of the Parent	-	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	-	(420,000)	-	-	-	-	(420,000)
Unaudited balance as at 30th September 2021	1,171,875	5,896,129	32,347	(51,520)	153,371	381,156	7,573,368

Stated Capital represents 150 Million Ordinary Shares as at 30th September 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 September,

	Retained Earnings	Available For Sale Reserve	Other Reserve	Life 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	4,544,369	9,881	(6,514)	177,228	381,156	6,277,965
Comprehensive Income for the Period						
Profit for the Period - Unaudited	262,276	-	-	-	-	262,276
Other Comprehensive Income for the Period, Net of Related Tax						
Net Change in fair value of Available For Sale Financial Assets	-	733,449	-	-	-	733,449
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	(725,132)	-	-	-	(725,132)
Total Other Comprehensive Income for the Period	-	8,317	-	-	-	8,317
Total Comprehensive Income for the Period	262,276	8,317	-	-	-	270,593
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	725,132	-	725,132
Transactions with owners recorded directly in equity						
Distributions to owners of the Company	(300,000)	-	-	-	-	(300,000)
Final dividend to equity holders for 2019	4,506,645	18,198	(6,514)	902,360	381,156	6,973,720
Unaudited balance as at 30th September 2020	4,506,645	18,198	(6,514)	902,360	381,156	6,973,720
Comprehensive Income for the Period						
Profit for the Period - Unaudited	461,669	-	-	-	-	461,669
Other Comprehensive Income for the Period, Net of Related Tax						
Net Change in fair value of Available For Sale Financial Assets	-	(146,989)	-	-	-	(146,989)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	144,427	(27,402)	-	-	(27,402)
Actual Losses on Defined Benefit Plans	-	(27,402)	(27,402)	-	-	(29,974)
Total Other Comprehensive Income for the Period	-	(2,572)	(27,402)	-	-	(31,685)
Total Comprehensive Income for the Period	461,669	(2,572)	(27,402)	-	-	431,695
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	(144,427)	-	(144,427)
Audited balance as at 31st December 2020	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
Balance as at 01st January 2021	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
Comprehensive Income for the Period						
Profit for the Period - Unaudited	207,851	-	-	-	-	207,851
Other Comprehensive Income for the Period, Net of Related Tax						
Net Change in fair value of Available For Sale Financial Assets	-	(613,566)	-	-	-	(613,566)
Net Change in fair value of Available For Sale Financial Assets - transferred to Life Policyholders' Available For Sale Reserve Fund	-	604,562	-	-	-	604,562
Total Other Comprehensive Income for the Period	-	(9,004)	-	-	-	(9,004)
Total Comprehensive Income for the Period	207,851	(9,004)	-	-	-	198,847
Net Change in fair value of Available For Sale Financial Assets - transferred from Available For Sale Reserve	-	-	-	(604,562)	-	(604,562)
Transactions with owners recorded directly in equity						
Distributions to owners of the Company	(420,000)	-	-	-	-	(420,000)
Final dividend to equity holders for 2020	4,756,165	6,622	(33,916)	153,371	381,156	6,453,273
Unaudited balance as at 30th September 2021	4,756,165	6,622	(33,916)	153,371	381,156	6,453,273

Stated Capital represents 150 Million Ordinary Shares as at 30th September 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

For the Period Ended 30th September,	Group		Company		
	Note	Unaudited 2021	Unaudited 2020	Unaudited 2021	Unaudited 2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities					
Profit Before Taxation		731,406	841,609	391,971	342,667
<i>Adjustments for:</i>					
Interest Income	10	(1,873,657)	(1,854,757)	(1,607,546)	(1,579,512)
Dividend Income	10	(7,439)	(3,483)	(122,337)	(3,483)
Amortisation of Intangible Assets		16,812	14,301	15,857	13,952
Depreciation of Property, Plant and Equipment		44,788	39,837	30,992	28,324
Net Depreciation of Right of Use Assets		98,082	109,335	91,952	97,897
Interest Expense of Lease Creditors		37,271	33,622	35,163	31,657
Provision for Employee Benefits		43,828	50,705	25,379	28,795
Net Realised Gains		(19,717)	(25,991)	(16,905)	(17,352)
Net Fair Value (Gains)/Losses		(77,277)	(170)	(50,584)	2,443
Losses/(Gains) on Disposal of Property, Plant and Equipment		21	(3,308)	83	(3,313)
Gains on Disposal of Right of Use Asset		(294)	(475)	(294)	(475)
		(1,006,176)	(798,775)	(1,206,269)	(1,058,400)
Net Change in Operating Assets	A	(120,480)	(413,359)	(94,662)	(80,134)
Net Change in Operating Liabilities	B	3,736,268	2,859,889	3,314,435	2,313,515
Cash Flows from Operating Activities		2,609,612	1,647,755	2,013,504	1,174,981
Gratuity Paid		(11,219)	(4,705)	(9,213)	(3,513)
Income Tax Paid		(140,570)	(53,856)	-	-
Capital Gain Tax Paid		-	(845)	-	-
Net Cash Generated from Operating Activities		2,457,823	1,588,349	2,004,291	1,171,468
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(144,034,024)	(129,710,653)	(111,116,985)	(88,585,763)
Proceeds from Maturity of Financial Investments		140,073,801	126,359,864	107,804,519	85,965,324
Proceeds from Sale of Financial Investments		492,972	206,380	369,678	125,963
Interest Received		1,844,895	1,770,261	1,534,570	1,475,828
Dividend Received		7,439	3,483	122,337	3,483
Acquisition of Intangible Assets		(16,650)	(23,391)	(16,650)	(22,735)
Acquisition of Property, Plant and Equipment		(150,261)	(65,508)	(55,276)	(49,869)
Proceeds from the Disposal of Property, Plant and Equipment		1,083	13,122	713	12,278
Advance Paid to Right of Use Assets		(10,482)	(22,017)	(9,492)	(22,017)
Net Cash Used in Investing Activities		(1,791,227)	(1,468,459)	(1,366,586)	(1,097,508)
Cash Flows from Financing Activities					
Dividend Paid		(420,000)	(300,000)	(420,000)	(300,000)
Payment of Lease Liabilities		(110,842)	(107,898)	(103,284)	(97,395)
Net Cash Used in Financing Activities		(530,842)	(407,898)	(523,284)	(397,395)
Net Increase/(Decrease) in Cash and Cash Equivalents		135,754	(288,008)	114,421	(323,435)
Cash and Cash Equivalents at the beginning of the Period		586,806	735,207	339,618	601,662
Cash and Cash Equivalents at the end of the Period		722,560	447,199	454,039	278,227
Notes to the Cash Flow Statement					
A. Change in Operating Assets					
Decrease/(Increase) in Deferred Expenses		10,792	(32,287)	-	-
Increase in Loans to Life Policyholders		(18,934)	(49,991)	(18,934)	(49,991)
Increase in Reinsurance Receivables		(298,471)	(251,778)	(119,954)	(12,457)
Decrease/(Increase) in Premium Receivables		59,382	(78,257)	(22,120)	2,963
Decrease/(Increase) in Other Assets		126,751	(1,046)	66,346	(20,649)
Net Change in Operating Assets		(120,480)	(413,359)	(94,662)	(80,134)
B. Change in Operating Liabilities					
(Decrease)/Increase in Other Liabilities		(42,038)	127,929	32,805	(58,293)
Increase in Insurance Contract Liabilities (before tax) - Life Insurance		3,092,944	2,262,223	3,092,944	2,262,223
Increase in Insurance Contract Liabilities - General Insurance		248,858	481,426	-	-
Increase/(Decrease) in Reinsurance Creditors		436,504	(11,689)	188,686	109,585
Net Change in Operating Liabilities		3,736,268	2,859,889	3,314,435	2,313,515

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 September,</i>							
Gross Written Premium	9	3,256,275	2,971,996	1,874,952	1,666,774	10	12
Premium Ceded to Reinsurers		(380,317)	(297,434)	(89,927)	(66,359)	28	36
Net Written Premium		2,875,958	2,674,562	1,785,025	1,600,415	8	12
Net Change in Reserves for Unearned Premium		(108,053)	(131,590)	-	-	(18)	-
Net Earned Premium		2,767,905	2,542,972	1,785,025	1,600,415	9	12
Other Revenue							
Interest and Dividend Income	10	645,176	629,129	554,941	536,975	3	3
Net Realised Gains		11,618	13,597	9,333	9,794	(15)	(5)
Net Fair Value Gains		10,930	11,865	7,057	12,663	(8)	(44)
Fee and Commission Income		37,783	65,279	7,832	23,263	(42)	(66)
Other Income		1,171	5,392	(79)	3,953	(78)	(102)
Total Other Revenue		706,678	725,262	579,084	586,648	(3)	(1)
Net Income		3,474,583	3,268,234	2,364,109	2,187,063	6	8
Net Benefits, Claims and Expenses							
Net Insurance Benefits and Claims		(1,032,080)	(1,072,754)	(463,281)	(412,838)	(4)	12
Change in Contract Liabilities - Life Fund		(1,094,139)	(970,927)	(1,094,139)	(970,927)	13	13
Other Operating and Administration Expenses		(747,066)	(678,587)	(436,414)	(402,996)	10	8
Underwriting and Net Acquisition Costs		(344,862)	(371,054)	(259,572)	(273,961)	(7)	(5)
Finance and Other Insurance Related Costs		(27,487)	(19,261)	(19,911)	(14,800)	43	35
Total Benefits, Claims and Other Expenses		(3,245,634)	(3,112,583)	(2,273,317)	(2,075,522)	4	10
Profit Before Taxation		228,949	155,651	90,792	111,541	47	(19)
Income Tax Expense	11	(48,874)	(39,200)	(21,312)	(25,235)	25	(16)
Profit for the Period	12	180,075	116,451	69,480	86,306	55	(19)
Other Comprehensive Income, Net of Related Tax							
Items that are or may be reclassified to profit or loss							
- Net Change in fair value of Available For Sale Financial Assets		(459,027)	520	(416,627)	961	(88,374)	(43,453)
- Realised Gains transferred to Income Statement		-	(13,597)	-	(9,794)	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholder's Available For Sale Reserve Fund		411,681	8,084	411,681	8,084	4,993	4,993
- Related Tax	11	4,240	424	-	-	900	-
Total Other Comprehensive Income for the Period, Net of Related tax		(43,106)	(4,569)	(4,946)	(749)	843	560
Total Comprehensive Income for the Period		136,969	111,882	64,534	85,557	22	(25)
Profit Attributable to:							
Equity Holders of the Company		180,075	116,451	69,480	86,306	55	(19)
Non-Controlling Interest		-	-	-	-	-	-
Total Comprehensive Income Attributable to:							
Equity Holders of the Company		136,969	111,882	64,534	85,557	22	(25)
Non-Controlling Interest		-	-	-	-	-	-
Basic and Diluted Earnings Per Share (Rs.)	13	1.20	0.78*	0.46	0.58*	55	(19)

*Basic and Diluted Earnings Per Share of 30th September 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 30th September 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 September 2021		31st December 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Assets				
Property, Plant and Equipment	140,228	133,929	116,740	53,048
Right of Use Assets	359,386	23,131	380,105	14,332
Intangible Assets	63,033	5,663	62,240	6,618
Deferred Tax Assets	541,134	28,208	725,255	13,466
Financial Investments	24,544,952	4,735,066	22,075,265	4,291,343
Investment in Subsidiary	1,150,000	-	1,150,000	-
Loans to Life Policyholders	398,670	-	379,736	-
Reinsurance Receivables	292,653	777,594	172,699	599,077
Premium Receivables	27,108	1,025,104	4,988	1,106,606
Other Assets	515,977	241,041	582,321	289,379
Insurance Contract - Deferred Expenses	-	152,827	-	163,619
Cash and Cash Equivalents	527,128	365,564	393,522	317,589
Total Assets	28,560,269	7,488,127	26,042,871	6,855,077
Liabilities				
Insurance Contract Liabilities - Life Insurance	20,157,033	-	17,064,089	-
Insurance Contract Liabilities - General Insurance	-	3,558,007	-	3,309,149
Employee Defined Benefit Liabilities	166,895	120,152	150,729	103,709
Current Tax Liabilities	12,301	81,526	12,301	138,792
Reinsurance Creditors	479,602	657,007	290,916	409,189
Lease Creditors	371,073	23,887	377,746	15,399
Other Liabilities	865,003	662,420	832,198	725,196
Bank Overdraft	73,089	97,043	53,904	70,401
Total Liabilities	22,124,996	5,200,042	18,781,883	4,771,835

Operating Segment Information - Profitability

For the Nine Months Ended,	Unaudited		Unaudited	
	30th September 2021		30th September 2020	
	Life Insurance Rs. '000	General Insurance Rs. '000	Life Insurance Rs. '000	General Insurance Rs. '000
Gross Written Premium	4,993,503	4,042,466	3,836,357	3,710,714
Premium Ceded to Reinsurers	(256,631)	(917,269)	(193,532)	(714,380)
Net Written Premium	4,736,872	3,125,197	3,642,825	2,996,334
Net Change in Reserves for Unearned Premium	-	(62,292)	-	(149,522)
Net Earned Premium	4,736,872	3,062,905	3,642,825	2,846,812
Other Revenue				
Interest and Dividend Income	1,729,883	266,213	1,582,995	275,245
Net Realised Gains	16,905	2,812	17,352	8,639
Net Fair Value Gains/(Losses)	50,584	26,693	(2,443)	2,613
Fee and Commission Income	68,849	118,548	67,859	116,045
Other Income	2,213	10,012	5,519	8,037
Total Other Revenue	1,868,434	424,278	1,671,282	410,579
Net Income	6,605,306	3,487,183	5,314,107	3,257,391
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims	(1,188,563)	(1,748,841)	(1,065,480)	(1,556,572)
Change in Contract Liabilities - Life Fund	(3,056,156)	-	(2,192,903)	-
Other Operating and Administration Expenses	(1,172,278)	(973,004)	(1,055,982)	(900,883)
Underwriting and Net Acquisition Costs	(734,789)	(286,169)	(619,610)	(275,040)
Finance and Other Insurance Related Costs	(61,549)	(24,734)	(37,465)	(25,954)
Total Benefits, Claims and other Expenses	(6,213,335)	(3,032,748)	(4,971,440)	(2,758,449)
Profit Before Taxation	391,971	454,435	342,667	498,942
Income Tax Expense	(184,120)	(82,189)	(80,391)	(144,801)
Profit for the Period	207,851	372,246	262,276	354,141

Notes to the Condensed Consolidated Interim Financial Statements

1 CORPORATE INFORMATION

a). Reporting Entity

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

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

b). Approval of Financial Statements

The Condensed Consolidated Interim Financial Statements were authorised for issue by the Board of Directors on 27th October 2021.

Figures in these Condensed Consolidated Interim Financial Statements for the period ended 30th September 2021 are provisional and unaudited.

2 BASIS OF PREPARATION

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

The same accounting policies and methods of computation as stated in the Audited Financial Statements - 2020 have been followed in preparation of these Condensed Consolidated Interim Financial Statements.

2a) Temporary Exemption for Application of SLFRS 09

SLFRS 9 addresses the accounting for financial instruments and is effective for annual periods beginning on or after 01st January 2018. However, for an insurer that meets the criteria in paragraph 20B of SLFRS 4 (Amended) which provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 01st January 2023.

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

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

3 FINANCIAL INVESTMENTS

As at,	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	30th Sep 2021	31st Dec 2020	30th Sep 2021	31st Dec 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and Receivables	21,062,887	18,252,174	17,457,619	15,060,717
Available for Sale Financial Assets	7,433,041	7,170,930	6,497,122	6,313,997
Financial Assets at Fair Value Through Profit or Loss	784,090	943,504	590,211	700,551
Total Financial Investments	29,280,018	26,366,608	24,544,952	22,075,265

4 THE ACCOUNTING POLICY FOR CONSOLIDATION OF SUBSIDIARY

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

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 Sep 2021 Rs. '000	31st Dec 2020 Rs. '000	30th Sep 2021 Rs. '000	31st Dec 2020 Rs. '000	
Balance at the end of the period	(Note 6b)	381,156	381,156	381,156	381,156

6a) Nature and Purpose of Reserve

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

- 6b) As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 01st January 2016. According to the Risk Based Capital rules, all Insurers are required to value Life Insurance Policy Liabilities as per the Gross Premium Valuation (GPV) method and valuation rules and methodologies stipulated by the IRCSL. The change in the valuation method from NPV to GPV resulted in a release in Life Policyholder Liabilities of the Company as of 01st January 2016.

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

Surplus created due to Change in Valuation Method

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

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

The financial ratios presented in these Condensed Consolidated Interim Financial Statements have been determined in accordance with Sri Lanka Accounting Standards. Additionally the Company has voluntarily presented financial ratios without One-off Surplus impact. As per the Direction One-off Surplus in respect of Participating business is to be held within 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 September 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 Sep 2021 (Rs. '000)
As at,	
Term Deposits	391,281

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 Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Life Insurance Fund	(Note 7a) 19,889,206	16,833,050	19,889,206	16,833,050
Claims Outstanding	267,827	231,039	267,827	231,039
Total Insurance Contract Liabilities	20,157,033	17,064,089	20,157,033	17,064,089

7a) INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE FUND

As at,	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
The Movement in the Life Insurance Fund is as follows:				
Balance as at the beginning of the Period	16,833,050	14,269,182	16,833,050	14,269,182
Change in Contract Liabilities Life Fund				
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders	3,056,156	3,188,372	3,056,156	3,188,372
Surplus Distributed to Shareholders	-	(612,203)	-	(612,203)
Increase in Life Insurance Fund	3,056,156	2,576,169	3,056,156	2,576,169
Effect of Taxation on surplus/Bonus transferred to Policyholders	-	(12,301)	-	(12,301)
Balance as at the end of the Period	19,889,206	16,833,050	19,889,206	16,833,050

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	Audited	Unaudited	Audited
	30th Sep 2021 Rs. '000	31st Dec 2020 Rs. '000	30th Sep 2021 Rs. '000	31st Dec 2020 Rs. '000
Reserves for Net Unearned Premium	2,165,728	2,108,020	-	-
Reserves for Title Insurance	61,316	56,731	-	-
Reserves for Gross Outstanding Claims	1,330,963	1,144,398	-	-
Total Insurance Contract Liabilities	3,558,007	3,309,149	-	-

8a) Valuation of the IBNR/IBNER was carried by the Consultant Actuary, Ms. Sipika Tandon Mathur, FIA, as at 30th September 2021 for and on behalf of Willis Towers Watson India Private Limited (2020 - valuation was carried by Mr. Matthew Kung-Chuong Tiong, FIA, 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, FIA, 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

31st Dec 2020 Rs. '000	Group	For the Nine Months Ended,	Group		Company	
			Unaudited	Unaudited	Unaudited	Unaudited
			30th Sep 2021 Rs. '000	30th Sep 2020 Rs. '000	30th Sep 2021 Rs. '000	30th Sep 2020 Rs. '000
	Life Insurance					
5,422,151	Individual Policies		4,899,245	3,789,418	4,899,245	3,789,418
64,888	Corporate Policies		94,258	46,939	94,258	46,939
(48,196)	Adjustment for Inter Company Premiums		(38,538)	(32,822)	-	-
<u>5,438,843</u>	Gross Written Premium - Life Insurance		<u>4,954,965</u>	<u>3,803,535</u>	<u>4,993,503</u>	<u>3,836,357</u>
	General Insurance					
647,789	Fire		574,810	470,550	-	-
3,583,061	Motor		2,828,348	2,767,034	-	-
54,682	Marine		42,704	23,799	-	-
712,196	Miscellaneous		596,604	449,331	-	-
(37,579)	Adjustment for Inter Company Premiums		(37,073)	(35,366)	-	-
<u>4,960,149</u>	Gross Written Premium - General Insurance		<u>4,005,393</u>	<u>3,675,348</u>	<u>-</u>	<u>-</u>
<u>10,398,992</u>	Total Gross Written Premium		<u>8,960,358</u>	<u>7,478,883</u>	<u>4,993,503</u>	<u>3,836,357</u>

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
	Life Insurance			
Individual Policies	1,846,946	1,649,583	1,846,946	1,649,583
Corporate Policies	28,006	17,191	28,006	17,191
Adjustment for Inter Company Premiums	(12,678)	(12,947)	-	-
Gross Written Premium - Life Insurance	1,862,274	1,653,827	1,874,952	1,666,774
General Insurance				
Fire	170,118	143,135	-	-
Motor	1,094,466	1,069,816	-	-
Marine	16,951	10,624	-	-
Miscellaneous	115,942	97,996	-	-
Adjustment for Inter Company Premiums	(3,476)	(3,402)	-	-
Gross Written Premium - General Insurance	1,394,001	1,318,169	-	-
Total Gross Written Premium	3,256,275	2,971,996	1,874,952	1,666,774

10 INTEREST AND DIVIDEND INCOME

<i>For the Nine Months Ended,</i>	Group		Company	
	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
	2,487,950 Interest Income		1,873,657	1,854,757
5,367 Dividend Income		7,439	3,483	122,337
2,493,317 Total		1,881,096	1,858,240	1,729,883

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
	Interest Income	643,286	628,137	553,052
Dividend Income	1,890	992	1,889	992
Total	645,176	629,129	554,941	536,975

11 INCOME TAX EXPENSE

<i>For the Nine Months Ended,</i>	Group		Company	
	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
	(190,310) Income Tax Charge		(83,304)	(150,740)
(151) Over Provision of Income Taxes in respect of prior Period		-	-	-
(263,967) Deferred Income Tax - Recognised through Profit or Loss		(183,005)	(73,607)	(184,120)
(845) Capital Gain Tax for the Period		-	(845)	-
(455,273) Total Tax charge in Profit or Loss		(266,309)	(225,192)	(184,120)
Deferred Income Tax - Recognised through Other				
(7,023) - Comprehensive Income		13,626	(8,228)	-
(7,023) Total Tax charge in Other Comprehensive Income		13,626	(8,228)	-

Notes to the Condensed Consolidated Interim Financial Statements

<i>For the Three Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Income Tax Charge	(28,553)	(16,625)	-	-
Deferred Income Tax - Recognised through Profit or Loss	(20,321)	(22,195)	(21,312)	(25,235)
Capital Gain Tax for the Period	-	(380)	-	-
Total Tax charge in Profit or Loss	(48,874)	(39,200)	(21,312)	(25,235)
Deferred Income Tax - Recognised through Other				
- Comprehensive Income	4,240	424	-	-
Total Tax charge in Other Comprehensive Income	4,240	424	-	-

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 Nine Months Ended,</i>	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Company - HNB Assurance PLC		
612,203 Surplus Transferred from Life Policyholders' Fund to Shareholders' Fund	-	-
387,160 Profit from Life Shareholders' Fund	391,971	342,667
(275,418) Reversal of Deferred Tax Asset	(184,120)	(80,391)
723,945 Profit for the Period	207,851	262,276
Subsidiary - HNB General Insurance Ltd		
631,133 Profit Before Tax	454,435	498,942
(179,855) Income Tax and Deferred Tax Expense	(82,189)	(144,801)
451,278 Profit for the Period	372,246	354,141
- Elimination of Intercompany Dividend	(115,000)	-
1,175,223 Profit for the Period - Group	465,097	616,417

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 was reduced by Rs.99.87 Million due to the reversal of Deferred Tax Asset. Profit after tax of the subsidiary was increased by Rs. 29.5 Million due to 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 was reduced by Rs. 70.37 Million.

<i>For the Three Months Ended,</i>	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Company - HNB Assurance PLC		
Profit from Life Shareholders' Fund	90,792	111,541
Reversal of Deferred Tax Asset	(21,312)	(25,235)
Profit for the Period	69,480	86,306
Subsidiary - HNB General Insurance Ltd		
Profit Before Tax	138,156	44,110
Income Tax and Deferred Tax Expense	(27,561)	(13,965)
Profit for the Period	110,595	30,145
Profit for the Period - Group	180,075	116,451

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 Nine Months Ended,	Unaudited 30th Sep 2021	Unaudited 30th Sep 2020	Unaudited 30th Sep 2021	Unaudited 30th Sep 2020
1,175,223	Profit for the Period (Rs. '000)	465,097	616,417	207,851	262,276
150,000	Weighted average number of ordinary shares ('000) (Note 13a)	150,000	150,000	150,000	150,000
7.83	Basic and Diluted Earnings Per Share (Rs.)	3.10	4.11*	1.39	1.75*

		Group		Company	
		Unaudited 30th Sep 2021	Unaudited 30th Sep 2020	Unaudited 30th Sep 2021	Unaudited 30th Sep 2020
<i>For the Three Months Ended,</i>					
Profit for the Period (Rs. '000)		180,075	116,451	69,480	86,306
Weighted average number of ordinary shares ('000) (Note 13a)		150,000	150,000	150,000	150,000
Basic and Diluted Earnings Per Share (Rs.)		1.20	0.78*	0.46	0.58*

*Basic and Diluted Earnings Per Share of 30th September 2020 have been restated based on the post subdivision weighted average number of ordinary shares as at 30th September 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 <i>For the Nine Months Ended,</i>	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Insurance Premium	52,073	1,972	-	-
Claims Incurred	10,866	20,147	-	-
Investment Income	63,625	61,180	46,569	45,854
Administration Expenses	256,142	227,618	177,657	152,614
Rent and other Operational Expenses	11,151	8,067	6,853	5,146
Dividend Paid	251,941	179,958	251,941	179,958

Outstanding Balances <i>As at,</i>	Group		Company	
	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Investments Balance (Includes Deposits and Debentures)	710,483	893,788	459,218	664,043
Cash at Bank Balances	608,512	560,336	433,050	328,230
Premium Receivable	-	56	-	-
Administration Expenses Payable	43,666	54,063	26,330	41,653
Rent and Other Operational Expenses Payable	459	181	286	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 Nine Months Ended,	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Insurance Premium	38,538	32,822
Insurance Expenses	37,073	35,366
Claims Received	1,501	42
Claims Paid	5,000	1,200
Reimbursement Expenses Relating to Employees	69,306	78,689
Other Reimbursement Expenses	135,434	130,754
Fund Management Fee	10,405	8,376
Profit Commission Expense	14,616	13,036
Dividend Received	115,000	-
Outstanding Balances As at,	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Receivable from HNB General Insurance Ltd	12,067	7,286

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

Name of the Company For the Nine Months Ended,	Transactions	Group		Company	
		Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Sithma Development (Pvt) Ltd	Insurance Premium	10,998	(4,567)	-	-
HNB Finance PLC	Insurance Premium	10,058	10,144	-	-
	Claims Incurred	876	1,799	-	-
	Administration Expenses	4,279	4,385	51	47
	Interest Income	17,967	18,025	17,967	18,025

Name of the Company As at,	Outstanding Balances	Group		Company	
		Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
Sithma Development (Pvt) Ltd	Premium Receivable	-	3,152	-	-
HNB Finance PLC	Investment in Term Deposits	50,061	50,076	50,061	50,076
	Investment in Debentures	137,432	125,090	137,432	125,090
	Cash at Bank Balances	76	66	76	66
	Premium Receivable	-	397	-	-
	Administration Expenses Payable	952	928	1	4

14d) Transactions and Outstanding Balances with other Related Entities

Name of the Company For the Nine Months Ended,	Transactions	Group		Company	
		Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Acuity Partners (Pvt) Ltd	Insurance Premium	490	439	(3)	-
	Claims incurred	2,466	234	2,000	-
Acuity Stockbrokers (Pvt) Ltd	Insurance Premium	2,442	472	-	-
	Claims incurred	345	87	-	-
Acuity Securities Ltd	Insurance Premium	464	468	-	-
	Claims incurred	413	362	-	-
	Custodian Fee	348	-	277	-
	Investment Income from REPO	96,236	88,610	75,988	58,900

Notes to the Condensed Consolidated Interim Financial Statements

Name of the Company	Outstanding Balances	Group		Company	
		Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000	Unaudited 30th Sep 2021 Rs. '000	Audited 31st Dec 2020 Rs. '000
<i>As at,</i>					
Acuity Partners (Pvt) Ltd	Premium Receivable	-	305	-	-
Acuity Stockbrokers (Pvt) Ltd	Premium Receivable	8	83	-	-
Acuity Securities Ltd	Premium Receivable	29	164	-	-
	Investment In REPO	2,763,958	2,827,050	2,313,720	2,011,243

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

Transactions For the Nine Months Ended,	Unaudited 30th Sep 2021 Rs. '000	Unaudited 30th Sep 2020 Rs. '000
Director Fee	17,745	18,230
Short-term and Post Employment Benefits	54,823	56,634
Insurance Premium	2,428	1,801
Claims Paid including Maturities	-	1,363

Appointment to the Board of Directors

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

Resignation from the Board of Directors

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

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. 1.87 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 09th November 2021. As the Company is of the strong view that the company has followed the due process and acted in accordance with the prevailing laws in its tax submission and therefore, the probability of the Company having to settle any of these tax assessments are very low. Hence, 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.

Measurement of Contingent Impact to the Company						
Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Tax in Default (Rs.Mn)	Penalty (Rs.Mn)	Total (Rs.Mn)
2014.01.01-2014.12.31	2018.07.10	Pending decision from	VAT	21.06	10.53	31.59
		Tax Appeals Commission	NBT	N/A	N/A	N/A
2015.01.01-2015.12.31	2019.04.08	Pending decision from	VAT	17.55	12.98	30.53
		Tax Appeals Commission	NBT	2.83	1.41	4.24
2016.01.01-2016.12.31	2019.04.08	Pending decision from	VAT	24.86	12.43	37.29
		Tax Appeals Commission	NBT	4.01	2.00	6.01
Total				70.31	39.35	109.66

18c) The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/2018. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006. Further, 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
Total				1,156

18d) The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, 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 tax assessments and penalties 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 Financial Statements.

Share Information

Top 20 Shareholders

Name of the Shareholder

	30th September 2021	
	Shareholding	% on Issued Shares
1 Hatton National Bank PLC A/c No 1	89,979,000	59.99
2 Ceylon Guardian Investment Trust PLC A/c No # 2	6,945,224	4.63
3 Employees Trust Fund Board	3,793,014	2.53
4 Ceylon Investment PLC A/c No # 2	1,712,174	1.14
5 Mr. M. F. Hashim	1,530,000	1.02
6 Mrs. A. 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 Investments (Pvt) Ltd	1,350,000	0.90
10 Arunodhaya (Pvt) Ltd	1,350,000	0.90
11 Seylan Bank PLC/Janashakthi Capital Limited	1,117,002	0.74
12 Andysel (Pvt) Ltd	750,000	0.50
13 Corporate Holdings (Pvt) Ltd. A/c No.1	735,309	0.49
14 Mr. V. Sharda	609,000	0.41
15 Dr. S. Selliah	600,000	0.40
16 Corporate Holdings (Pvt) Ltd. A/c No.2	573,969	0.38
17 Mrs . M. R. P. Balendra	554,196	0.37
18 Suktam Holdings (Pvt) Ltd	533,302	0.36
19 Commercial Bank Of Ceylon PLC/Janashakthi Capital Limited	500,000	0.33
20 Mr. A.A.A. Rifkee	500,000	0.33

Public Shareholding

30th September 2021

* Float Adjusted Market Capitalisation (Rs.)	2,327,541,861
Percentage of Shares held by the Public	35.186%
Number of Public Shareholders	4,469

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

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

Share Information (Contd.)

Shareholdings of Directors and Chief Executive Officer

Name	No. of Shares 30th Sep 2021
Mrs. M A R C Cooray	94,235
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 September 2021 - Group	50.49
Net Asset Value Per Share as at 30th September 2021 - Company	42.90
Net Asset Value Per Share as at 30th September 2021 without Restricted Regulatory Reserve - Group	47.95
Net Asset Value Per Share as at 30th September 2021 without Restricted Regulatory Reserve - Company	40.36
Highest Price Per Share for the Interim Period	52.40
Lowest Price Per Share for the Interim Period	43.80
Last Traded Price Per Share as at 30th September 2021	44.10