

ABOVE ALL
WE RISE



HNB ASSURANCE PLC
INTEGRATED ANNUAL REPORT 2022

ABOVE ALL WE RISE

At HNB Assurance, we are committed to empowering the people of our nation as they keep rising towards their hopes and dreams. We believe in their ambitions and we are honoured to be a part of their rise to prosperity.

As a trusted partner that understands the unique needs of people, and ensures that they feel safe and secure as they journey through life, our legacy is one of stability, focus and care. As we rise in our own journey, so has our legacy brought countless ambitions to reality.

We strive to continue serving the best to our stakeholders, establishing benchmarks and always renewing our aspirations. Above all, we rise.

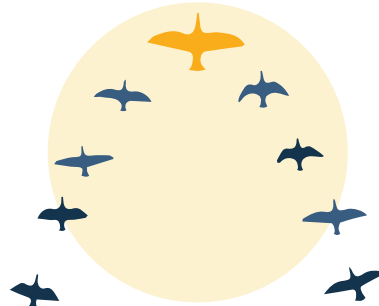


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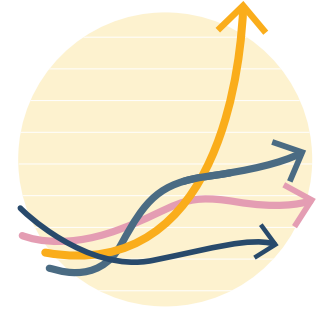
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ABOUT THE REPORT

- This Annual Report of HNB Assurance PLC aims to deliver a comprehensive and balanced view of how we create value to our stakeholders by implementing our integrated strategy. This is our 11th Annual Report prepared in line with the International Integrated Reporting Framework <IR> and the 14th report meeting the requirements of the Global Reporting Initiatives Sustainability Reporting Standards (GRI Standards).



REPORTING PRINCIPLES

Strategic focus and future orientation	Reliability and Completeness	Comparability
This report provides a clear understanding of how we execute our integrated strategy to create value for our stakeholders.	Information provided in this report have been verified by the Board of Directors, Audit Committee, other Board Sub-Committees and Group Executive Committee as applicable. Independent actuaries have confirmed the technical reserves and liability adequacy.	Comparative information is provided where relevant and any change made to be consistent with the current year's presentation have been reported.
Materiality	Assurance	Accuracy and Consistency
Included in this report is a list of material factors that have an impact on sustainable value creation process and the method of determining materiality.	External Assurance has been obtained from Messrs. KPMG, the Independent Auditors of the Group on the integrated annual report and the Financial Statements with resulting notes. The assurance reports are given on pages 16-17 and 187-189 respectively.	Content appearing in this report is supported by internal controls to support the verifiability of information. Further, unless stated otherwise all reporting concepts remain consistent with the most recent published report.

AVAILABLE MEDIUMS

This Report is available in multiple mediums and formats to meet communication requirements of our diverse stakeholder groups. The online version of the Annual Report is available on the Company website and CSE. As one of Company's eco-friendly practices we have printed only a limited number of copies.



Printed



Online PDF



Mobile Version

Available in PDF format at www.hnbassurance.com

Sinhala and Tamil Translations of Chairperson's Message, Chief Executive Officer's Review and Financial Statements.



Print
Available on request



Online
Available in PDF format at www.hnbassurance.com

SCOPE AND BOUNDARY

This report comprises both financial and non-financial performance of HNB Assurance PLC and its fully owned subsidiary HNB General Insurance Limited for the financial year ended 31st December 2022. This follows the most recent report for the year ended 31st December 2021, for which comparatives are given where applicable. The financial and non-financial reporting boundaries have been aligned to cover both entities of the Group.

ANY FEEDBACK TO,



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Legal and Company Secretarial Division,
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GUIDING FRAMEWORKS AND PRINCIPLES

FINANCIAL REPORTING

- Companies Act, No.7 of 2007
- Listing Rules of Colombo Stock Exchange (CSE)
- Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Regulations of Insurance Industry Act, No. 43 of 2000 and the subsequent amendments

CORPORATE GOVERNANCE

- Code of Best Practices on Corporate Governance 2017 issued by CA Sri Lanka
- Corporate Governance Framework for Insurers issued by the IRCSL
- Listing Rules of the CSE
- Companies Act, No. 07 of 2007

INTEGRATED REPORTING

- International Integrated Reporting Framework

SUSTAINABILITY REPORTING

- Global Reporting Initiative Sustainability Reporting Standards
- Sustainable Development Goals (SDGs) of United Nations
- Sustainability Guide of Colombo Stock Exchange
- Gender Parity Reporting issued by CA Sri Lanka
- Sustainability Accounting Standard by Sustainability Accounting Standards Board

CONNECTING THE DOTS

THE CAPITALS



STAKEHOLDERS



STRATEGY



TARGETED READERS

This report is primarily prepared to provide information to our Shareholders, but we have also focused on providing information on value creation to our other key stakeholders including Regulators, Employees, Customers, Business Partners and Community.

FORWARD LOOKING STATEMENTS

This Integrated Annual Report contains forward looking statements to support assessment of the Group’s ability to create value in the future. We draw attention to the relatively high levels of uncertainty associated with these statements as the country seeks to navigate past the current economic crisis. This is exacerbated by uncertainties to the global outlook as well which are outlined in the Operating Environment segment of this report. Users of this report are advised to use the latest information available at the time of assessment and adjust their assessments accordingly. All forward looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the high levels of uncertainty associated with them.

ABOVE ALL WE TRIUMPH



ABOUT HNB ASSURANCE GROUP

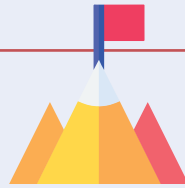
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OUR LONG TERM STRATEGY



VISION

To be Sri Lanka's most admired and trusted partner in meeting insurance needs professionally with a spirit of caring.



MISSION

Working together with a passion for excellence and a team spirit none can match, to provide innovative, customized solutions, exploring opportunities beyond conventional boundaries.



PURPOSE

Strengthening every step of your life.

Established over 2 decades ago and recognised as one of the fastest growing insurance providers in Sri Lanka, HNB Assurance PLC caters to a diverse customer base with varied Life Insurance needs. Through innovation, optimum resource allocation, customer centric approach and our competent team, we have managed to outpace the industry while maintaining stability. We also cater to all General Insurance needs of our varied customers through our fully-owned subsidiary HNB General Insurance Limited.



VALUES

- Show mutual respect in all our interactions
- Empower people to strive for excellence
- Inculcate positive thinking
- Treasure integrity and ethical conduct
- Foster diversity as a corporate strength

OUR JOURNEY TO 2022

➤ 2001

The milestone year that we embarked on a steadfast journey to serve customers beyond their expectations.

➤ 2007

We were accredited with an Insurer Financial Strength Rating of 'A(Ika)' and National Long-Term Rating of 'A' by Fitch Ratings Lanka Ltd.

➤ 2011

- Adjudged the Joint Winner of the Bronze award for Overall Excellence in Annual Financial Reporting.
- We made a successful Rights Issue of 6.25 Million shares to meet future regulatory requirements.

➤ 2003

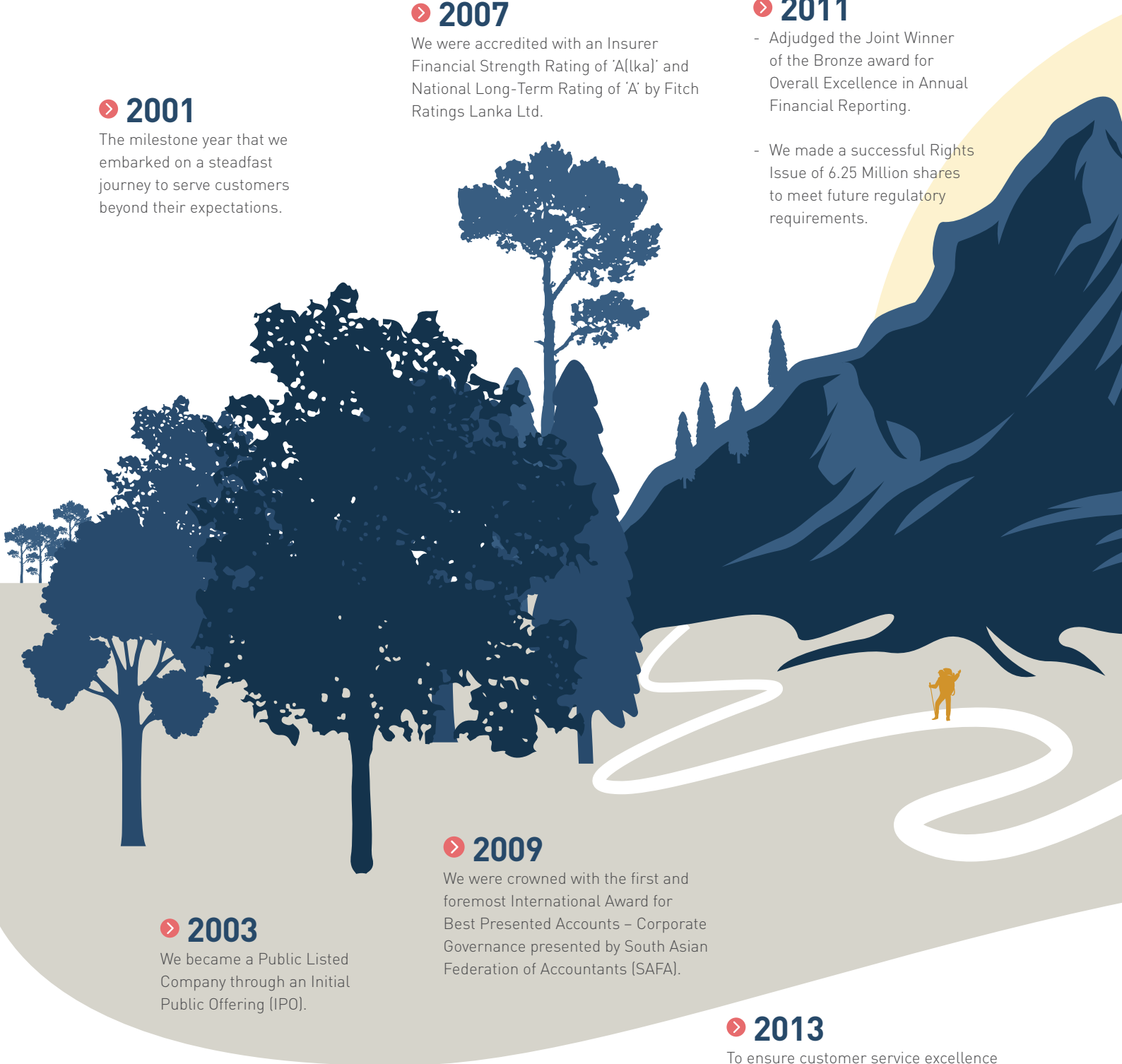
We became a Public Listed Company through an Initial Public Offering (IPO).

➤ 2009

We were crowned with the first and foremost International Award for Best Presented Accounts – Corporate Governance presented by South Asian Federation of Accountants (SAFA).

➤ 2013

To ensure customer service excellence we established a dedicated Customer Service Centre.



➤ 2015

HNBI took on our General Insurance business while we increased our focus on the Life Insurance business as we segregated the businesses as per regulations.

➤ 2020

- HNB Assurance PLC and subsidiary HNB General Insurance Limited obtained the Great Place to Work® certification and were accredited as one of the Top 40 Great Places to Work in Sri Lanka.
- We made a sub-division of our ordinary shares on 1:3 basis increasing the ordinary shares in issue from 50,000,000 to 150,000,000 with no increase in the stated capital.

➤ 2022

HNB Assurance PLC debuted at the “70 Best Workplaces in Asia™ 2022” listing becoming the only insurance company in Sri Lanka to have received this recognition.

➤ 2017

Another unique feat to add to our hallmark of fame: Gold Award for ‘Takaful Window/Unit of the Year’ for HNB General Insurance Takaful unit at the Islamic Finance Forum of South Asia.

➤ 2021

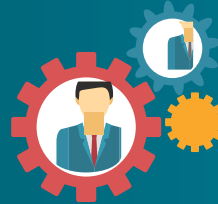
Insurer Financial Strength Rating of both HNB Assurance PLC and HNB General Insurance Limited was upgraded to A+ (Ika) with a Stable Outlook by Fitch Ratings Lanka Ltd.

A REVIEW OF 2022

Only Insurance Company in Sri Lanka to be in the Top 70 workplaces in Asia



Best Bancassurance Provider - Life Insurance



Best Digital Marketing Insurance Brand



National Gold Award at CNCI Awards



Market Share - HNBA
6.5%



Industry
NNOP*
26% ↓

HNBA
NNOP
16% ↑



ROE: 23%
8% ↑



Life NBP: Rs. 2,269 Mn.
30% ↑



PAT: Rs. 1,831 Mn.
50% ↑



GWP: Rs. 15,638 Mn.
24% ↑



Market Share - HNBGI
5.9%

* New Number of Policies (NNOP)

GROUP PERFORMANCE HIGHLIGHTS

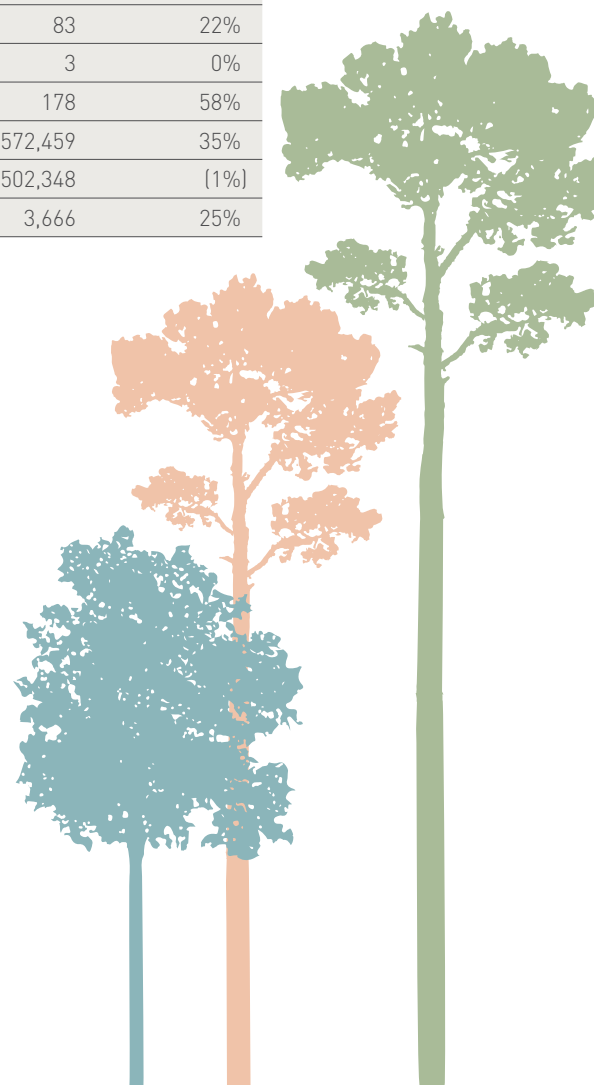
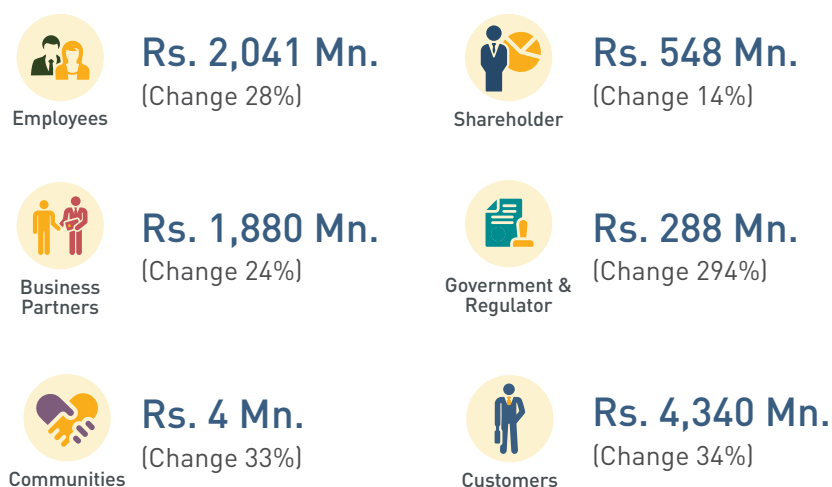
FINANCIAL HIGHLIGHTS

Financial Performance	Unit	2022	2021	2020	Change in 2022
Gross Written Premium (GWP)	Rs. Mn.	15,638	12,647	10,399	24%
Investment Income	Rs. Mn.	4,865	2,687	2,565	81%
Profit After Tax	Rs. Mn.	1,831	1,224	1,175	50%
Funds Under Management	Rs. Mn.	35,392	31,095	26,953	14%
Market Capitalization	Rs. Mn.	6,435	7,260	8,730	(11%)
Returns to Investors					
Return on Equity	%	23%	15%	16%	8%
Earnings per share	Rs.	12.20	8.16	7.83	50%
Dividends per share	Rs.	3.65	3.20	2.80	14%
Market Price per share	Rs.	42.90	48.40	58.20	(11%)
P/E Ratio	Times	3.52	5.93	7.43	(41%)
Life Insurance					
Market Share	%	6.5%	5.7%	5.3%	0.8%
GWP	Rs. Mn.	8,911	7,091	5,487	26%
Life Fund	Rs. Mn.	24,364	20,063	16,833	21%
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	306%	277%	338%	29%
New Policies	Count	39,934	34,357	24,635	16%
Branches	Count	64	62	62	3%
Lapse Ratio	%	48%	43%	41%	5%
Premium Persistency Ratio	%	83%	87%	76%	(4%)
Claim Ratio (with Maturities)	%	26%	24%	29%	2%
Claim Ratio (without Maturities)	%	11%	10%	9%	1%
Expense Ratio	%	47%	42%	45%	5%
General Insurance					
Market Share	%	5.9%	5.5%	4.4%	0.4%
GWP	Rs. Mn.	6,821	5,649	4,998	21%
General Fund	Rs. Mn.	4,182	3,736	3,309	12%
Capital Adequacy Ratio (Statutory minimum threshold 120%)	%	239%	260%	255%	(21%)
New Policies	Count	65,122	70,483	64,441	(8%)
Branches	Count	57	57	55	0%
Claim Ratio	%	72%	63%	55%	9%
Expense Ratio	%	38%	37%	39%	1%
Combined Ratio	%	110%	100%	94%	10%
Distribution of Economic Value Added					
Employees	Rs. Mn.	2,041	1,596	1,404	28%
Business Partners	Rs. Mn.	1,880	1,512	1,293	24%
Policyholders	Rs. Mn.	4,340	3,249	2,576	34%
Shareholders	Rs. Mn.	548	480	420	14%
Government	Rs. Mn.	288	73	191	294%
Community	Rs. Mn.	4	3	3	33%
Retained in Business	Rs. Mn.	1,853	1,479	1,227	25%

NON – FINANCIAL HIGHLIGHTS

	Unit	2022	2021	2020	Change in 2022
Employees	Count	1,328	1,217	1,145	9%
GWP per Employee	Rs. Mn.	11.78	10.39	9.08	13%
Profit per Employee	Rs. Mn.	1.38	1.01	1.03	37%
Training Hours per Employee	Hours	12.82	7.08	11.08	81%
Employee Turnover	%	22%	17%	13%	[5%]
Advisors	Count	3,989	3,108	2,473	28%
Commissions Paid	Rs. Mn.	1,495	1,291	1,087	16%
Brokers	Count	65	62	60	5%
Assessors	Count	69	73	91	[5%]
Acquisition cost as a % of GWP	%	12%	12%	12%	-
Claims and Benefits	Rs. Mn.	5,579	4,223	3,559	32%
% of Customer Complaints Settled	%	90%	98%	97%	[7%]
Bonus for Policyholders	Rs. Mn.	57	83	88	[31%]
Rate of Dividend for Non-Participatory Policyholders	%	8.5%	7.0%	7.25%	1.5%
Micro Insurance Policies	Count	4,583	3,160	1,874	45%
School Water Projects Completed	Count	70	66	66	6%
CSR Activities	Rs. Mn.	3	2	3	50%
Capital Expenditure	Rs. Mn.	236	194	83	22%
New Products/Riders	Count	1	1	3	0%
Investment in Digital Capital	Rs. Mn.	334	211	178	58%
Fuel Consumption	Litres	858,664	633,975	572,459	35%
Electricity Consumption	Units	1,409,737	1,427,769	1,502,348	[1%]
Paper Recycled	kg	12,958	10,436	3,666	25%

DISTRIBUTION OF ECONOMIC VALUE ADDED



PERFORMANCE HIGHLIGHTS

SUSTAINABILITY HIGHLIGHTS

Our commitment towards social and environmental sustainability is embedded in our corporate strategy. The industry is facing unprecedented ambiguities fuelled by demographic trends, social and economic disparities, impacts of climate change and technological transformation. Our goal is to support the journey towards an equitable society and a greener environment, moving towards the aspirations of the Sustainable Development Goals (SDGs) of the United Nations.



Protection

To our customers (Refer pages 65-66, 82-91)

- 166,686 Life Insurance Covers (2021:158,202)
- 178,304 General Insurance Covers (2021:176,702)
- No. of ex-gratia claims paid by Group 791 (2021:671)
- 4,468 Life Insurance policies for customers of HNB PLC who have obtained Micro Loans (2021: 3,160)

Health and Wellbeing

To our customers (Refer pages 70-71, 82-91)

- 435 COVID-19 related claims paid despite the exclusion of pandemics (2021: 2,015)
- 24 Medical Insurance Riders offered (2021: 23)
- Medical claims settled Rs. 950.8 Mn. (2021: Rs. 757.5 Mn.)

To the Community (Refer pages 86,87,91)

- Social Media campaign to raise awareness of road safety
- Installation of water filters in 4 schools
- Donation of urgently needed medicine to Trincomalee District Hospital
- Donation to the Thalassemia Unit affiliated to North Colombo Teaching Hospital
- Total investment in community development Rs. 2.2 Mn.

Environment

To our customers (Refer pages 71,91)

- Introduction of an all-risk bicycle policy to encourage the concept of moving away from fossil fuel for daily commute
- Actively promoting motor insurance covers for hybrid vehicles. More than 9,500 policies covering hybrid and electric vehicles (2021: 10,239)
- Claims in excess of Rs. 185 Mn. paid on renewable energy related project during the year (2021: Nil)

To the Community (Refer page 87)

- A pilot project launched in Kataragama to help protect Sri Lankan crocodiles as well as humans by creating awareness of the crocodile habitats and warn people to avoid such waterways
- Total Investment Rs. 0.3 Mn.

Education and Sports

To the Community (Refer pages 86-87)

- A special cash grant to Ms. Rashmi Nimesha who obtained outstanding results at the G.C.E. Advanced Level Examination, despite being physically challenged
- Donation of school supplies to the students of the Galapitiya School in Meegalawa.
- Total Investment Rs. 0.7 Mn.
- Providing a Special Insurance Cover and Cash Grant to Ms. Nethmi Ahinsa Fernando, the youngest Sri Lankan medalist at the Commonwealth Games for wrestling

AWARDS & ACCOLADES

HNB ASSURANCE

- 'The Best Bancassurance Provider Sri Lanka 2022' Award at the Global Banking and Finance Awards 2022
- 'The Best Life Insurance Company of the Year - Special Recognition Award' at the 3rd ICC Emerging Asia Insurance Awards organized by the Indian Chamber of Commerce
- National Gold Award in the Extra-Large Service Sector category at CNCI Achiever Awards 2022 organized by the Ceylon National Chamber of Industries
- 'Best Digital Marketing Brand - Insurance Sri Lanka 2022' award, by Global Business Outlook
- Sri Lanka's Top 50 Best Workplaces by Great Place to Work
- Top 70 Best Workplaces in Asia by Great Place to Work
- Honourably Mentioned as One of Sri Lanka's Women Friendly Workplaces
- 'Bronze Award – Insurance Sector (Gross Premium Above 10Bn) at TAGS Awards 2022 by CA Sri Lanka

HNB General Insurance

- 'The Best General Insurance Company of the Year - Special Recognition Award' at the 3rd ICC Emerging Asia Insurance Awards organized by the Indian Chamber of Commerce
- 'Best Insurance Company Claims Management Team Sri Lanka 2022' by Global Banking and Finance Review
- National Silver Award in the Extra-Large Service Sector category at CNCI Achiever Awards 2022 organized by the Ceylon National Chamber of Industries



INDEPENDENT EXTERNAL ASSURANCE



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Independent Limited Assurance Report to the Directors of HNB Assurance PLC

We have been engaged by the Directors of HNB Assurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31st December 2022. (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

BASIS FOR CONCLUSION

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

OUR CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

LIMITED ASSURANCE INTEGRATED REPORT

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2022, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

BOARD OF DIRECTORS AND MANAGEMENT'S RESPONSIBILITY

The Board of Directors and Management are responsible for:

- determining that the criteria is appropriate to meet the needs of intended users, being the company's members and any other intended users.
- Preparing and presenting of the Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice

- identifying stakeholders and stakeholder requirements;
- identifying material issues and reflecting those in the Company's Integrated Report; and
- preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Process to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

P. Y. S. Perera FCA
W. J. C. Perera FCA
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R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

C. P. Jayatilake FCA
Ms. S. Joseph FCA
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Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T. J. S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS, Ms. F.R Ziyad FCMA (UK), FTII



OUR RESPONSIBILITY

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

LIMITED ASSURANCE ON THE INTEGRATED REPORT

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company’s stakeholders, how the Company creates value, the Company’s

- external environment, strategy, approaches to putting members first, governance and reporting.
3. Reviewing the description of the Company’s strategy and how the Company creates value in the Report and enquiring of management as to whether the description accurately reflects their understanding;
 4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Report;
 5. Assessing of the alignment between the Company’s strategy, the disclosures on how the Company creates value and what matters most to the Company’s stakeholders.
 6. Reviewing Board minutes to ensure consistency with the content of the Report.
 7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
 8. Obtaining a letter of representation from management dated 17th February 2023 on the content of the Company’s Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

LIMITATIONS OF OUR REVIEW

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance

on the assumptions and achievability of prospective information in the Integrated Report.

PURPOSE OF OUR REPORT

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company’s Integrated Report is prepared in accordance with the IIRC’s International <IR> Framework and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.



Chartered Accountants
Colombo

17th February 2023

CHAIRPERSON'S MESSAGE



Dear Stakeholder,

The results set out in the report are testimony to the indomitable spirit of a young team led by two new Chief Executive Officers who stepped up to the extraordinary challenges in 2022 to deliver growth in market share and profitability while preserving financial stability. I am pleased to report that HNB Assurance PLC and its subsidiary, HNB General Insurance Limited have delivered a strong and holistic performance that is well above the industry while shifting gears to a new growth trajectory.

UNPRECEDENTED UNCERTAINTY

The year commenced with an imminent foreign currency liquidity crisis, inflation beginning its meteoric ascent at 14% and a shortage of gas and other commodities. The pressure built up over the first quarter, culminating in island-wide social unrest as fuel shortages and power outages added to the woes. Food inflation was a key concern throughout the year, starting the year at 25% to peak at 94.9% in September 2022, straining household budgets and eroding their capacity for saving or building safety nets. The year also witnessed the gradual withdrawal of energy and fuel subsidies, exerting pressure on non-food inflation which also increased during the year.

The Country's escalating economic woes led to the introduction of several policy measures, including tightening monetary policy. Policy interest rates were revised upwards by 700 basis points in April 2022, which was the sharpest spike in history, with 950 basis points added during the year to curb inflation and contract demand. The Sri Lankan rupee devalued sharply by 82% during the year, commencing with a sharp devaluation of 46% in March 2022. In April 2022, Sri Lanka temporarily halted the repayment of its external debt as debt levels were unsustainable, resulting in a further deterioration of the sovereign credit rating. A staff-level agreement was reached by the Government with the IMF on a 48-month Extended Fund Facility

The Profit After Tax grew by 50% to Rs.1.83 Billion even after the adverse effect of the income tax rates increasing from 24% to 30% in 2022. The Group's performance has been well above the industry norm and peers, reflecting the focus on delivering strategy and agility to overcome the many challenges that confronted it in an extraordinarily challenging year.

program of US\$2.9 Billion by September 2022. The government is negotiating with all bilateral, multilateral and commercial creditors to secure formal assurances to restructure US\$ 35 Billion debt to unlock the facility which is critical to restore the country's economic and financial stability. Against this backdrop of resource constraints, uncertainty and disruptions to economic activity, the economy contracted by an estimated 9.2% in 2022.

Sri Lanka's economic woes are widely considered to be the bellwether for other countries with high levels of debt, set against the backdrop of a weakening global economic outlook. Recovery will be affected by demand for exports in advanced countries which will in turn be impacted by the persistently high inflation and escalating geopolitical tensions which were critical concerns during the year.

EMERGING OPPORTUNITIES AND THREATS

The unfolding uncertainty was a time to re-examine the relevance of the insurance industry in a stressed economy as there were both opportunities and threats which were sizeable. The background of the experience with the pandemic coupled with the elevated uncertainty led to an increase in the demand for Life Insurance and medical covers amongst discerning customers wishing to build safety nets. The downside was that other segments were unable to continue

their premiums with resultant pressure on lapse rates. The foreign exchange liquidity crisis also posed sizeable challenges as the ability to remit reinsurance premiums was hindered while the sovereign downgrades resulted in some reinsurers pulling out of the market. The ban on vehicle imports introduced in March 2020 continued to hamper growth of General Insurance business for the third consecutive year. The rupee devaluation increased the costs of claims for motor insurance apart from the wider knock-on effect of crude oil and other imports which contributed to inflationary pressures. The combined social and macro-economic stress also led to elevated risks relating to talent management as we needed to find solutions to ease the combined effects of inflation and increased taxation, which squeezed budgets as well as counter the high levels of migration of skilled talent, which posed multiple challenges across a highly service intensive business. Amidst the increasing challenges, there continued to be pockets of opportunity and identifying these and strategising to seize these opportunities was key to success.

GROWTH, STABILITY, AND PROFITABILITY

HNB Assurance Group recorded one of its most successful years, delivering a holistic performance amidst unprecedented challenges. This was driven by impeccable execution of strategy in both HNBA and HNBGI as they set out

CHAIRPERSON'S MESSAGE

to forge a new growth trajectory with the core objective of moving to the top tier of insurance companies in both Life and General business in 5 years. Accordingly, the Group delivered Profit Before Tax growth of 36% driven by razor sharp focus on Gross Written Premium growth in carefully selected segments and increased income supported by the sharp increases in interest rates. Accordingly, both companies were able to exceed the industry norms and achieve a higher GWP growth. Group GWP surpassed the Rs. 15 Bn. milestone with a 24% growth, which was an exceptional achievement. Interest and Dividend Income also recorded a growth of 78%. These cushioned the impact of increase in claims, inflation and the currency devaluation as well as the concern for employee wellbeing which prompted support for selected categories of staff to cope with inflation. The Profit After Tax grew by 50% to Rs. 1.83 Billion even after the adverse effect of the income tax rates increasing from 24% to 30% in 2022. The Group's performance has been well above the industry norm and peers, reflecting the focus on delivering strategy and agility to overcome the many challenges that confronted them in an extraordinarily challenging year.

It is important to note that the ratings for both HNB Assurance and HNB General Insurance are at the top of the industry with an A-(lka) by Fitch Ratings Lanka Ltd. although they continue to be weighed down by the country risk rating which resulted in a downgrade in the rating with the Rating Watch Negative along with other rated industry peers. The macroeconomic stress is further reflected in the decline of 4% in total equity to Rs. 7.79 Billion as the Life Policyholders' Available for Sale Reserve Fund decreased from negative Rs. 67 Million to negative Rs. 1,277 Million during the year in line with increase in interest rates.

Capital Adequacy Ratios of both HNBA and HNBGI were maintained well above the regulatory requirements and internally targeted levels. Liquidity was



306%

Capital Adequacy Ratio - HNBA

239%

Capital Adequacy Ratio - HNBGI

maintained at healthy levels in 2022 reflecting the additional precautionary measures taken to enhance liquidity buffers.

I am pleased to note that the Board of HNBA recommended a first and final dividend of Rs. 3.65 to for the year 2022. HNBA was able to post a notable performance in 2022 and although the year ahead may be very challenging in terms of the external environment, the Board of HNBA recommended this dividend which is 14% higher than last year in fulfilling our duty to provide satisfactory returns to all our shareholders.

VIGILANT BOARDS

Board composition has been key to navigating the rapids of 2022 and we are fortunate to have on the Boards of both HNB Assurance and HNB General Insurance experienced financial sector professionals who have collectively steered the business to deliver the balanced performance set out in this report.

The Boards of both HNB Assurance and HNB General Insurance increased their vigilance with greater focus on strengthening capital and liquidity buffers to provide a solid foundation for business growth. Accordingly, the Board reviewed the Liquidity position and Capital Adequacy Ratio and its movements as a regular agenda item at Board meetings. In the case of HNB General Insurance, the Board noted the additional comfort of a cash call if liquidity levels declined but there has been no necessity for this due to the

healthy liquidity levels maintained during the year.

The Board also focused on sustainability of the business, balancing the changing needs of stakeholders with the Group's short, medium and long-term priorities to steer a course that ensured that our stakeholder value propositions remained strong. This is critical in an industry that requires high levels of customer engagement to drive business growth and customer satisfaction. Increasingly, the mechanisms for delivering value to stakeholders are being institutionalized to enhance service levels, building our reputation and brand.

Digitalisation continues to be a Board priority and the Board approved the implementation of upgraded core insurance systems for both HNBA and HNBGI. These will support scalability of operations and group-wide efficiencies as well as deeper insights into our business through superior analytics. We expect the implementation to be completed in 2023 and the benefits to kick in by 2024.

Readiness for SLFRS 17: Insurance Contracts is another key area where the Board is steering the necessary changes and we will be ready for implementation by 2025.

The sub-committees of the Board were reconstituted to refresh perspectives on key areas of oversight, bringing new energy into sub-committee and Board deliberations. Environmental, Social and Governance (ESG) aspects will be a key area of focus in the year ahead and the Board will drive the Group's ESG agenda with the formulation of a road map and ESG strategy to institutionalise these vital aspects.

OUTLOOK

Uncertainty continues into 2023 as the IMF facility is yet to be unlocked although progress is being made in this regard. This will be a significant step to restoring stability and improving business confidence in the country. The revival of

tourism and a continued uptick in worker remittances augur well for prospects in 2023 although it needs a sharper upward movement to have a significant impact. Exports continue to be the main source of vital foreign exchange inflows and growth momentum needs to continue into 2023 despite the moderating outlook for the global economy. Central Bank of Sri Lanka expects inflation to reduce in early 2023 although there will be upward pressure from increased energy prices which may weigh on other measures implemented to rein in this key indicator. While the economy is expected to contract a further 4.2% in 2023, it is expected that the structural reforms necessary for a return to a growth trajectory will be undertaken in what appears to be a watershed year for the country.

HNB Assurance Group is cautiously optimistic about the prospects for growth and determined to find that pockets of opportunity that make sense in the short, medium and long term. The entities are clearly set up to level up to Tier I in the industry leveraging their strong leadership position in Tier 2, financial stability and the strength of their parent, Hatton National Bank. The strategies formulated for the two businesses, their clear articulation and the progress delivered provides reasonable confidence in the ability of the Group to deliver this medium term goal.

APPRECIATIONS

I wish to thank Ms. Siromi Wickremesinghe who retired from the Board in October 2022, completing nine years of service to HNBA, for her unwavering support for the company. I also wish Mr. Faizal Salieh the best for his future endeavors as he steps down from the Board of HNBGI to take up the position as Chair of the Securities and Exchange Commission of Sri Lanka. I wish to thank him for his valuable contribution made to the Board for nearly 9 years. I commend the unyielding spirit of the teams at both HNBA and HNBGI that motivated them to deliver

business growth in an equally unyielding business environment, overcoming challenges together. The leadership of the new CEOs, for whom this was their first year in the driving seat, has been transformative as they adopted an objective analytical approach to developing detailed strategies, following these up with clear communication and performance management to deliver outstanding results. We are deeply appreciative of the continued confidence of our key stakeholders and are committed to enhancing the value delivered as we move towards realizing our aspirations. I thank the officials of the Insurance Regulatory Commission of Sri Lanka who work with us to develop and sustain this key segment of the financial sector. I conclude by thanking the directors of both companies whose vigilance and diligence were invaluable contributors to the holistic performance delivered in 2023.



Rose Cooray
Chairperson

Colombo, Sri Lanka
17th February 2023

BOARD OF DIRECTORS



ROSE COORAY

Designation	Chairperson
Entity	HNBA & HNBGI
Status	NIND/NED
Appointment date-HNBA	6th July 2015
Appointment date-HNBGI	30th June 2015
Sub-Committees	● ● ● ●



DR. SIVAKUMAR SELLIAH

Designation	Senior Director
Entity	HNBA
Status	IND/NED
Appointment date-HNBA	17th June 2014
Appointment date-HNBGI	NA
Sub-Committees	● ● ● ● ● ●



DILSHAN RODRIGO

Designation	Director
Entity	HNBA
Status	NIND/NED
Appointment date-HNBA	1st July 2013
Appointment date-HNBGI	NA
Sub-Committees	● ●



RAVI ABEYSURIYA

Designation	Director
Entity	HNBA
Status	IND/NED
Appointment date-HNBA	1st January 2018
Appointment date-HNBGI	NA
Sub-Committees	● ●



DAMIEN FERNANDO

Designation	Director
Entity	HNBA & HNBGI
Status	NIND/NED
Appointment date-HNBA	29th March 2019
Appointment date-HNBGI	29th March 2019
Sub-Committees	● ● ●



STUART CHAPMAN

Designation	Director
Entity	HNBA
Status	NIND/NED
Appointment date-HNBA	29th March 2019
Appointment date-HNBGI	NA
Sub-Committees	● ●



ASHOKA GOONESEKERE

Designation	Director
Entity	HNBA
Status	IND/NED
Appointment date-HNBA	31st December 2021
Appointment date-HNBGI	NA
Sub-Committees	● ●



MARINA THARMARATNAM

Designation	Director
Entity	HNBGI
Status	IND/NED
Appointment date-HNBA	NA
Appointment date-HNBGI	1st September 2016
Sub-Committees	● ●



SANJAY WIJEMANNE

Designation	Director
Entity	HNBGI
Status	NIND/NED
Appointment date-HNBA	NA
Appointment date-HNBGI	29th March 2019
Sub-Committees	●



ARJUNA ABEGUNASEKARA

Designation	Director
Entity	HNBGI
Status	NIND/NED
Appointment date-HNBA	NA
Appointment date-HNBGI	29th March 2019
Sub-Committees	●

- Audit Committee Report
- Nomination Committee Report
- Risk Management Committee Report
- Human Resources and Remuneration Committee Report
- Investment Committee Report
- Strategy Review Committee Report
- Related Party Transaction Review Committee Report

BOARD OF DIRECTORS



CHIRANTHI COORAY

Designation	Director
Entity	HN CGI
Status	NIND/NED
Appointment date-HNBA	NA
Appointment date-HN CGI	17th March 2021
Sub-Committees	●



DR PRASAD SAMARASINGHE

Designation	Alternate Director
Entity	HNBA & HN CGI
Status	NIND/NED
Appointment date-HNBA	24th January 2020
Appointment date-HN CGI	24th January 2020
Sub-Committees	●●●



SITARI JAYASUNDARA

Designation	Chief Legal & Compliance Officer/ Board Secretary
Entity	HNBA & HN CGI
Appointment date-HNBA	30th September 2016
Appointment date-HN CGI	3rd March 2014

- Audit Committee Report
- Human Resources and Remuneration Committee Report
- Related Party Transaction Review Committee Report
- Nomination Committee Report
- Investment Committee Report
- Risk Management Committee Report
- Strategy Review Committee Report

Director's Profiles

ROSE COORAY

Chairperson/Non-Executive Director – HNB Assurance PLC and HNB General Insurance Limited

B.A. (Hons) (University of Ceylon, Peradeniya),
MSc. (Strathclyde University, U.K.)

Appointed as the Chairperson on 06th July 2015. Mrs. Rose Cooray, having served the Central Bank of Sri Lanka for over 35 years retired as the Deputy Governor and counts over 48 years of experience in the financial sector. She is the Chairperson of Ceylon Guardian Investment Trust PLC, Ceylon Investment PLC and HNB General Insurance Limited. She functioned as Director of Hatton National Bank PLC for nine years and retired in 2019. Whilst being a Director of HNB, she also functioned as a Director of HNB Finance Limited and as the Chairperson of Sithma Development (Pvt) Limited.

On release from the Central Bank, she had served the Ministry of Finance and Planning as Director General Fiscal Policy and Economic Affairs for nearly 6 years and represented, the Government on the Boards of DFCC Bank, Sri Lanka Institute of Information Technology, Sri Lanka Telecom, Ceylon Electricity Board, De La Rue Currency and Security Print (Pvt) Ltd, Export Development Board, National Housing and Development Authority. She has represented the Monetary Board on the Board of West Coast Power (Pvt) Ltd. Mrs. Cooray has been extensively involved in policy making in the financial sector and implementing development projects. She has wide experience in negotiating financial facilities with multilateral donors/bilateral trade agreements. She has contributed papers to professional journals.

DR. SIVAKUMAR SELLIAH

Senior Independent / Non-Executive Director-HNB Assurance PLC

MBBS, M.Phil

Dr. Selliah holds an MBBS degree and a Master's Degree (M.Phil). He has over two decades of diverse experience in varied fields including Manufacturing, Healthcare, Insurance, Logistics, Packaging, Renewable Power, Plantation, Retail etc. He serves on the Boards of many Public listed and Private companies.

Dr. Selliah is currently the Deputy Chairman of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Central Hospitals Private Ltd. He is also the Chairman of JAT Holdings PLC. He serves as a Director in the following Listed companies: Lanka Tiles PLC, Commercial Bank of Ceylon PLC, Lanka Walltiles PLC, ACL Cables PLC, HNB Assurance PLC, Odel PLC and Swisstek (Ceylon) PLC. He has also served on many other Boards in the past.

Currently, he also serves as a Member or Chairman of many Board sub committees such as: Human Resource and Remuneration Committee, Related Party Transaction Committee, Audit Committee, Investment Committee, Strategic Planning Committee, Integrated Risk Management Committee, and Nomination Committee.

Dr.Selliah has served as a Senior Lecturer in the Faculty of Medicine, University of Kelaniya for many years in the past and served on several committees. He has also been Head of the Department of Physiology for many years during this period at the Faculty.

DILSHAN RODRIGO

Non- Independent / Non-Executive Director -HNB Assurance PLC

MBA (Cranfield University, UK) FCMA (UK), FCCA (UK)

Mr. Rodrigo possesses over two decades in banking experience and is the Executive Director/ Chief Operating Officer of Hatton National Bank PLC. He provides administrative leadership to Finance Information Technology, Credit, Operations, Risk Management, Banking services, Compliance and Internal Audit functions. He is overseeing the cross functional teams involved in improving governance and compliance by serving in several Board and Management committees in the Bank. Mr. Rodrigo holds a MBA from Cranfield University UK, FCMA UK and FCCA UK.

He has played a catalyst role in the bank's transformation and cultural change being the driving force towards centralization, automation, outsourcing and process improvement initiatives and is recognized for driving a performance culture through training, talent acquisition and introducing several breakthrough cost optimization initiatives.

Mr. Rodrigo has held many senior positions in multiple industries ranging from Banking, Insurance, Investment Banking and Apparel. He presently functions as Chairman of HNB Finance PLC and holds Directorships in HNB Assurance PLC, Guardian Acuity Assets Management Limited, Lanka Financial services Bureau and Credit Information Bureau. Mr. Rodrigo serves on the councils

of the Sri Lanka Institute of Directors (SLID) and was the Chairman Policy Advocacy Committee of Asian Bankers Association (Taiwan) during 2011/2012 and 2019/2020.

He has served as a lecturer and examiner on various undergraduate and postgraduate programs (CIMA, ACCA, PIM and University of Wales MBA programs) and is a Guest Lecturer for SLID, Director Certification Program. He has presented various technical papers in various forum locally and overseas on Strategy, Business Transformation and Risk Management. Mr. Rodrigo has also served on local governing Councils of CIMA, APB, ACCA and Risk Professional Forum and in the latter two as President.

RAVI ABEYSURIYA

Independent / Non-Executive Director - HNB Assurance PLC

CFA, FCMA (UK), CGMA, MBA (Monash University, Australia)

Ravi Abeysuriya is CEO/ Director of Senfin Securities Limited, Independent Non-Executive Director of Seylan Bank PLC, Bio Foods (Pvt) Limited and Chairman of Colombo City Holdings PLC and Sherwood Capital (Pvt) Limited. He is also the Advocacy Chair and Board Director of CFA Society Sri Lanka and Director of Sri Lanka Institute of Directors. Formerly, he was the Head of Strategic Business Development at Hayleys Group, Managing Director of Amba Research Lanka and Managing Director of Fitch Ratings Lanka. He functioned as a permanent member of the Financial Sector Reforms Committee (FSRC) and was twice appointed as a commission member of the Securities and Exchange Commission of Sri Lanka and was a Director of Sri Lanka Insurance (SLIC). He is a Member of Disciplinary Review Committee (DRC) of the CFA Institute, USA. Further, he is the President of the Association of Alternative Financial Institutions, Sri Lanka, Co-Chair of the Finance and Capital Markets Sector Committee of the Ceylon Chamber of Commerce.

Mr. Abeysuriya has also functioned as a member of Board Risk Oversight Committee and Financial System Stability Consultative Committee and a member of the Code of Conduct Review Committee (CoCRC) of the

Central Bank of Sri Lanka (CBSL) appointed by the Monetary Board and President of several finance and IT associations. He was named as "Lifetime Achievement" award laureate by CFA Institute, USA in 2017 for his outstanding work and dedication to the investment management profession.

DAMIEN FERNANDO

Non-Independent/Non-Executive Director-HNB Assurance PLC and HNB General Insurance Limited

MBA (University of Sri Jayewardenepura), FCMA (UK)

Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom. In 1992, he was awarded a Master's Degree in Business Administration by the Postgraduate Institute of Management, University of Sri Jayewardenepura.

He is a director of Melstacorp PLC and some of its subsidiaries. He is also a director of Addison (Pvt) Ltd and HealthCey (Pvt) Ltd.

He served as the Executive Director of Sri Lanka Insurance Corporation Limited from 2003 to 2009 and as the Executive Director of The Lanka Hospitals Corporation PLC from 2006-2009. He also has held board positions in companies in Food & Beverage, Manufacturing, Telecommunications, and Finance sectors.

STUART CHAPMAN

Non- Independent/Non-Executive Director-HNB Assurance PLC

MBA (University of Colombo), Dip in Marketing (CIM-UK), Dip.in Life Insurance (USA), Dip in Business Management (NIBM), CIM (UK), CMA (Australia).

Mr. Chapman holds an MBA from the University of Colombo, a Diploma in Marketing from the Chartered Institute of Marketing UK. Mr. Chapman also holds a Diploma in Life Insurance Sales and Marketing from the Life Underwriters Training Council USA and a Diploma in Business Management from the National Institute of Business Management Sri Lanka. He is a Fellow Member of the Chartered Institute of Marketing, UK and the Institute of Management UK. He is also a Member

BOARD OF DIRECTORS

of the Institute of Certified Management Accountants, Australia.

Mr. Chapman's management experience, spanning over 40 years include Sales, Marketing and general management functions. His industrial exposure spans Healthcare, FMCG, Consumer Durables, Insurance, Banking and Telecommunications.

Mr. Chapman is also an Independent Non-Executive Director of Hemas Pharmaceuticals (Pvt) Limited and United Motors Lanka PLC.

Mr. Chapman was the former Managing Director GlaxoSmithKline (GSK) Pharmaceuticals and served on the Boards of Glaxo Wellcome Ceylon Limited and SmithKline Beecham Pvt. Ltd. Some of his previous appointments include Managing Director-Hemas Healthcare Sector, Marketing Director- Reckitt Benckiser, Senior Brand Manager Unilever, Managing Director/CEO-Lanka Orix Leasing Company and Director Life- Ceylinco Insurance.

Mr. Chapman was also a former Director/ CEO of Janashakthi Insurance PLC.

Mr. Chapman held several industry positions including Honorary President and a Founder Member of the Chartered Institute of Marketing Sri Lanka, President of the Sri Lanka Chamber of the Pharmaceutical Industry – the apex body for the pharmaceutical industry in Sri Lanka and Co-Chairman of the Pharmaceutical & Cosmetics Steering Committee of the Ceylon Chamber of Commerce.

ASHOKA GOONESEKERE

Independent/Non-Executive Director-HNB Assurance PLC

FCA, FCMA ,MBA (USJP)

Mr. Ashoka Goonesekere has more than 36 years of experience in the Banking industry covering financial reporting, financial management, taxation, financial operations and risk management. He is a Master of Business Administration of the University of Sri Jaywardenepura (PIM) and a fellow member of both the Institute of Chartered Accountants of Sri Lanka and the Institute of Cost and Management Accountants of Sri Lanka. Ashok has been in the corporate

management of Hatton National Bank PLC as the Chief Financial Officer and in the DFCC Bank PLC as the Senior Vice President/Chief Financial Officer and the Senior Vice President Integrated Risk Management/Chief Risk Officer. He had served in the Boards of Acuity Partners (Pvt) Ltd, Acuity Stock Brokers (Pvt) Ltd, Acuity Securities Ltd and of Sithma Development Ltd. Ashok also served as a board member of the Sri Lanka Accounting and Auditing Standards Monitoring Board and in addition had chaired and served in several Board Sub Committees.

MARINA THARMARATNAM

Independent/Non-Executive Director - HNB General Insurance Limited

FCA, Post Graduate Diploma (CIM, UK), Diploma in Computer Systems and Design (NIBM)

Ms. Tharmaratnam has held senior positions in the insurance and banking sector, initially training as an Accountant at Ernst & Young. She has been CEO/ Director of Union Assurance, Executive Vice President Operations of DFCC Bank, Finance Director/ Company Secretary of Eagle Insurance, Finance Director of United Tractor & Equipment Ltd and a Tax consultant at KPMG Ford Rhodes, Pannell Kerr Forster, British Virgin Islands. She has held Board positions at Singer Finance PLC, DFCC Vardhana Bank PLC, United Tractor & Equipment Limited, Eagle Insurance Company Limited, Eagle NDB Fund Management Co. Ltd. She was also the Chairperson of World Vision Lanka. She was the President of the Sri Lanka Institute of Directors and a Member of the National Council for Economic Development (NCED) for Capital Markets from 2004 to 2007, has served on various committees of the Institute of Chartered Accountants of Sri Lanka, was a Director of Employers Federation and served on the Main Committee of the Ceylon Chamber of Commerce.

SANJAYA WIJEMANNE

Non-Independent/Non - Executive Director-HNB General Insurance Ltd.

B.Sc. in Business and Finance
(Mount Saint Mary's University-USA)

Mr. Sanjaya Wijemanne is the Deputy General Manager – Retail & SME Banking at Hatton National Bank PLC and manage the areas of Personal Financial Services (Leasing, Pawning, Personal & Housing Loans), SME/Microfinance, Credit Cards, Sales & Business Development, Network Management, Deposit Mobilization, Marketing Communications, Customer Service, Club & Priority Banking, Digital Banking, Inward Remittances & Exchange, House Relationships and Bancassurance. He has a B.Sc. in Business & Finance from Mount Saint Mary's University, USA.

He is also a Director at Acuity Stockbrokers (Pvt) Ltd, Acuity Partners (Pvt) Ltd, LankaPay (Pvt) Ltd and National Advisory Board for impact Investing (NABII) in Sri Lanka.

He commenced his career with Ceylinco Securities & Financial Services and then joined HNB as a Management Trainee/ Executive. Thereafter, he joined HSBC where he held different positions such as Vice President-Custody & Clearing, Head of Sales, Head of Branches including Premier Banking, Branch Manager- Kollupitiya and Branch/Manager Premier Center.

He then joined Standard Chartered Bank & held position of Head of Retail Banking, General Manager - Premium Banking Branch Sales & Services and General Manager- Wealth Management Value Center.

ARJUNA ABEGUNASEKARA

Non-Independent/Non-Executive Director-HNB General Insurance Limited

MBA (University of Colombo),
B.Sc. (University of Colombo), ACMA (UK),
CGMA, ACI

Mr. Arjuna Abeygunasekara counts over 20 years of experience in the Banking Sector including branch banking and treasury management in four leading commercial banks in the country. He currently holds the position of Deputy General Manager –

Treasury and Markets of Hatton National Bank PLC. He is also a Non-Executive Director to the Board of Acuity Securities Ltd.

Mr. Abeygunasekara holds a Bachelor of Science Degree from the University of Colombo and a Master of Business Administration Degree from the University of Colombo. He has obtained the status of ACI and the status of Chartered Global Management Accountant and is an Associate Member of Chartered Management Accountants UK. In addition, he serves the Centre for Banking Studies of the Central Bank of Sri Lanka as a resource person.

CHIRANTHI COORAY

Non-Independent/Non-Executive Director-HNB General Insurance Limited

MBA (Wales), S.C.P. SHRM (USA), I.P.M.A. - CP (USA), FCMA, CGMA

Ms L Chiranthi Cooray is Deputy General Manager / Chief Human Resource Officer of Hatton National Bank PLC. Chiranthi serves on the Boards of the HNB General Insurance Ltd, CSR Sri Lanka (Guarantee) Ltd, Advisory Board of AISEC Sri Lanka and the Women's Chamber of Industry & Commerce. She also serves as a Trustee of the HNB Sustainability Foundation, SLID - Education & Technical Working Committee, Women's Chamber of Industry & Commerce - Policy Advocacy Committee, International Chamber of Commerce Sri Lanka Insurance Committee and Ceylon Chamber of Commerce - Steering Committee on People Development. She is a past President of the Association of Human Resource Professionals, Sri Lanka.

Mrs. Cooray is a Fellow of the Chartered Institute of Management Accountants (CIMA - UK) and holds a Masters Degree in Business Administration from the University of Wales (Cardiff Metropolitan). She is a Senior Certified Professional SHRM USA and Certified HR Professional from IPMA, USA. Chiranthi was awarded the HR Leadership Award for Global HR Excellence organized by World HR Congress in February 2015. She has also been awarded the Gold Category at the Women for Governance Professional & Career Women Awards 2014/2015 by the Women in Management for her exceptional contribution and achievements in the field of Human Resources. Under her leadership

the Hatton National Bank PLC has achieved many local and international awards in the last 10 years in HR and Sustainability spheres. In 2017, Chiranthi served as the Chairwoman of the National Task Force to recommend a strategic road map to increase female labour force participation in Sri Lanka for the National HR Development Council of Sri Lanka.

DR. PRASAD SAMARASINGHE

Alternate Director-Non-Independent/ Non-Executive Director-HNB Assurance PLC & HNB General Insurance Limited

PhD (Australian National University, Australia), B.Sc. (Eng.) University of Moratuwa, M.Sc. (Eng.) University of Moratuwa

Dr. Prasad Samarasinghe is the Managing Director of Lanka Bell Ltd, Bell Active (Pvt) Ltd, Bell Solutions (Pvt) Ltd and Bellvantage (Pvt) Ltd. He holds Directorship in DCSL Brewery (Pvt) Ltd, Hayleys Fiber PLC, and Hatton National Bank PLC. Also, he is the Chairman of Federation of Information Technology Sri Lanka (FITIS).

He obtained his Doctorate in Telecommunications from the world ranked research university, the Australian National University, Canberra, Australia. Dr. Samarasinghe holds a B.Sc. (Eng.) Degree in Electronics and Telecommunications with First Class Honors and a M.Sc. in Engineering, both from the University of Moratuwa, Sri Lanka. A member of the IEEE (Institute of Electrical and Electronic Engineers) and the IET (Institute of Engineering and Technology), he also has a Licentiate (Parts I and II) from the Institute of Chartered Accountants of Sri Lanka with the island's best results in Financial Accounting, Business Mathematics, Statistics and Data Processing. In the past, Dr. Samarasinghe held the posts of Chief Operating Officer at Sri Lanka Insurance Corporation Ltd, Head of Information Technology at Commercial Bank PLC and Director of e-Channeling PLC.

SITARI JAYASUNDARA

Chief Legal & Compliance Officer/Board Secretary HNB Assurance PLC and HNB General Insurance Limited

MBA (PIM-USJ), Attorney-at-Law, Pg. Adv. Dip (Finance, Banking & Insurance Laws)

Ms. Jayasundara is an Attorney-at-law and holds Master's Degree in Business Administration from University of Sri Jayewardenepura (PIM), a Post Graduate Advanced Diploma in Finance, Banking and Insurance Laws from the Council of Legal Education Sri Lanka.

Having joined HNB Assurance PLC in year 2009, Sitari Jayasundara heads the overall Legal, Corporate Secretarial and Compliance operation of HNB Assurance PLC and HNB General Insurance Limited in the capacity of Chief Legal & Compliance Officer/Board Secretary and she is a member of the Executive Committee. She counts over a two decade long legal career in the fields of Corporate law, Intellectual property, Corporate Governance and Compliance and heading the Legal & Compliance and Company Secretarial Divisions of HNB Assurance PLC for over 13 years. Sitari is the immediate past Chairperson of Board Secretaries Forum under the aegis of Sri Lanka Institute of Directors (SLID) and Institute of Chartered Corporate Secretaries of Sri Lanka (ICCSL) and she was a Past Chairperson of Legal Advisory Forum (LAF) of Insurance Association of Sri Lanka (IASL). Sitari was awarded "Sri Lanka's Women Leader" title by World Women Leadership Congress and Awards 2022.

Prior to joining HNB Assurance PLC, Sitari served as Director-Business Mate (Pvt) Limited, the Corporate Secretarial arm of Baker Tilly Edisiringhe & Company, Chartered Accountants and Legal Officer & Company Secretary of Delmege Group of Companies.

CHIEF EXECUTIVE OFFICER'S REVIEW



Dear Stakeholder,

HNB Assurance PLC recorded one of the best years in the history of the Group with both Life and General Insurance segments recording impressive gains in market share in a year of unprecedented challenges at every level. Life Insurance grew its top line by an impressive 26% in 2022, following the growth of 29% in 2021. The growth rate is almost three times the industry average and the highest growth rate amongst medium and large players in the industry. Endowment Business grew by 20% with New Business growing at 30%, ten times the market growth, and Renewal base increasing by 16% affirming the qualitative aspects of growth.

General Insurance recorded growth of 21% which was also well above industry average, focusing on growth of both Motor and Non-Motor business. In an environment of no vehicles imports, our Motor GWP grew by 9% while Non-Motor grew by 46% more than double the industry growth. General Insurance contributed 43% to the Group's top line in 2022.

I must also note that HNBA was adjudged the 'Best Life Insurance Company of the Year - Special Recognition Award' at the 3rd ICC Emerging Asia Insurance Awards organized by the Indian Chamber of Commerce while HNBGI was recognized as the 'Best General Insurance Company of the Year - Special Recognition Award' at the same awards.

DEFINING OUR PATH

Clearly communicating the medium-term goals for Life and General Insurance was key to the performance delivered in 2022. HNBA set out its aspiration to become a Tier 1 player by increasing market share to 10% by 2026, levelling up from its current position as the leader amongst the Tier 2 players. General Insurance set its goal as moving up to 5th position in 5 years in

Top line growth of HNBA Group was an impressive 24% as Gross Written Premiums increased to Rs.15.6 Billion, the highest recorded in the history of the Group.

a crowded market segment. Our plans were detailed, clearly indicating how we would grow and putting in place the support structures necessary to sustain the growth.

LIFE INSURANCE

Channel growth was the cornerstone of the Life Insurance strategy, with ambitious targets set for the Agency and Partnerships channels. We set out to grow the number of agents in 2022 from its base of 2,762 as at end 2021 while also increasing their productivity through a range of measures including capacity development. This was extremely successful as we were able to increase our agency network to 3,648 advisors. Productivity was improved through a structured Agent development curriculum designed to enhance their potential through identified stages of skills and competencies needed to progress to the next level. They were supported by a network of 64 branches to which we added 30 new incubator branches within the existing physical infrastructure these enabled effective monitoring of the expanded Advisor network. We also introduced the concept of model branches and opened 3 branches in line with the concept.

Expansion of the Partnership channel was also a key area of success as we expanded the number of partnerships with banks, non-bank financial institutions and brokers to drive market share growth. The partnership with the HNBA Group's parent continues to flourish aided by strategic expansion in to specific business segments, identifying a new career path for

Bancassurance Officers and the establishment of a Bancassurance Sales Academy to support the acquisition of necessary skills and competencies.

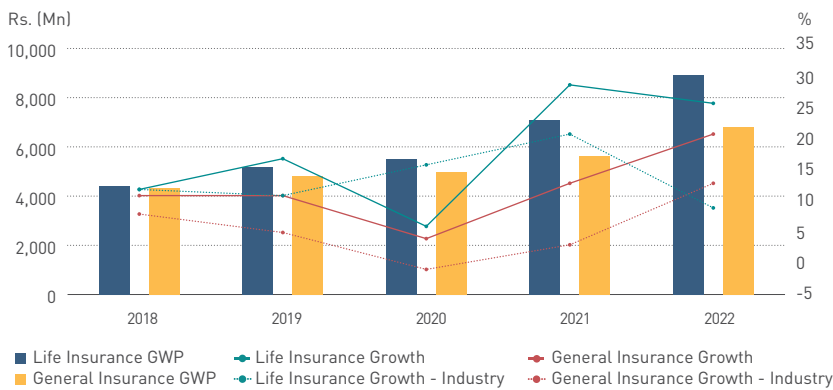
The technological transformation played a vital role in enhancing the productivity of the salesforce as 98% of new business was generated through e-buddy, the in-house developed system for generating new proposals. This also enabled significant cost savings as we moved towards a paperless office. A number of internal processes are being digitalized, further enhancing productivity while creating a tech savvy workforce that can take the Group into a new era of growth and efficiency. We are also investing in a core system which will enable the offering of new and innovative products, leveraging technology.

Exceptional customer service anchors the two key strategies of sales force expansion and technological transformation. We expanded our mechanisms of listening to customers, moving beyond the call centre, which was enhanced during the year with a 4 digit hotline, to also embrace social media listening. Customer pain points were addressed by enhancing the quality of customer service at all customer touchpoints while also developing points of differentiation. Customer experience was maintained at satisfactory levels throughout the year with regular monitoring to ensure progress. It is noteworthy that HNBA had 194 MDRT winners which is the highest in the history of the Company reflecting the success of the training initiatives implemented. It was also

CHIEF EXECUTIVE OFFICER'S REVIEW

GWP Analysis

24% Growth in Group GWP



great to be recognised as the leading Bancassurance Channel at the Global Banking and Finance Awards 2022.

GENERAL INSURANCE

General Insurance top line growth was well above the industry at a commendable 21%, moving steadily along its goal to be the 5th player in 5 years from its current position as the 7th largest player in General Insurance. Accordingly, we set out to rescope the playing field, reshape the value proposition and respond to trends to realise our goals. We leveraged our strengths to formulate products that could compete effectively with the leaders in the field and set out to transform as a niche player in identified segments.

As customer needs changed during the pandemic, we changed our products to cater to these needs, enhancing customer satisfaction, and growth. Motor insurance was a challenge we needed to address as many were simply complying with the legal requirement of third-party insurance and there was a clear opportunity to drive growth by enhancing the cover to a comprehensive one. Meeting customers to convert leads proved challenging as agents were hindered by the fuel crisis. As a result, many agents used the fuel queues as

a new meeting place for customers reflecting the determination of this hardworking team.

PERFORMANCE

Top line growth of HNBA Group was an impressive 24% as Gross Written Premiums increased to Rs.15.6 Billion, the highest recorded in the history of the Group. The increase in the sales force and their productivity were supported by a comprehensive suite of products that catered to identified needs of customers. Net Earned Premium increased by 22% to Rs.13.1 Billion reflecting growth and the increased focus on managing the risk profile of the Group. Other Revenue increased 77% to Rs.5.2 Billion, boosted by the increase in interest rates and a sound investment strategy.

Total Benefits, Claims and Expenses increase by 33% to Rs.15.9 Billion reflects the impact of inflation in higher costs of claims, particularly in Motor vehicle and Medical categories as well as the increased surrender of Life Insurance policies which were mainly on paid-up policies. Other Operating and Administration charges increased by 38% reflecting the changes made to remuneration of staff as well as the impact of inflation despite group-wide initiatives to further streamline costs.

Profit Before Tax increased by 36% to Rs. 2.4 Billion reflecting the razor sharp focus on growing the top line and investment income and management of costs. Profit After Tax increased by 50% to Rs.1.8 Billion, making it one of the best years in the history of the Group.

Ratings for both HNBA and HNBGI declined to A- (Ika) with a negative rating watch due to the downgrading of the sovereign rating. It is noteworthy that HNBA and HNBGI are two of the handful of insurers who have obtained ratings on insurer financial strength ratings as best practice.

LIFE INSURANCE

As stated above, it was a stellar year for Life Insurance with strong GWP growth boosted by Investment Income resulting in a 36% growth in Net Income to Rs.12.5 Billion. Further, the Company, recorded Rs.1.99 Billion as Profit Before Tax which is 37% growth over the previous year which is highly commendable in view of the socio-economic instability that hindered business activity during the year.



Life New Business Growth (Industry 3%)



Non-Motor Business Growth (Industry 20%)



Profit After Tax - Group (Rs. 1.8 Bn.)

Our key strengths are trust and stability and we will continue to ensure these qualities are carefully safeguarded and reinforced as we forge ahead with our ambitious plans to deliver our aspirations.

Total Assets increased by 14% to Rs.33.7 Billion during the year with financial investments recording growth of 21% to Rs.29.8 Billion and accounting for 89% of Total Assets. Reflecting the growth in business, Insurance Contract Liabilities increased by 21% to Rs.24.6 Billion.

GENERAL INSURANCE

General Insurance also made strong strides, recording a GWP of Rs.6.8 Billion with a growth of 21% due to the focused strategy rolled out during the year. However, claims increased by 32% consequent to increased costs of repairs and increased number of motor accidents as traffic normalized with a return to work. Accordingly, Net Benefits, Claims and expenses increased by 28% to Rs.5.5 Billion. Profit Before Tax increased by 37% to Rs.0.5 Billion while Profit After Tax was Rs.450 Million, an enviable 33% growth in a challenging year. Total Assets increased by 13% to Rs.8.5 Billion as financial investments increased by 8% to Rs.4.8 Billion reflecting growth.

TEAM BUILDING

Focusing on our people was a critical strategic priority, particularly in a year that posed challenges at personal level for all. Allowances were reviewed to ensure they could survive the increasing inflation. The Chairman’s Awards were enhanced to inspire and motivate the team while CEO townhalls facilitated two-way communication. A number of activities were carried out to engage the staff of both companies. We were elated that HNB Assurance was ranked among the top 70 companies to work for in Asia by Great Place to Work reflecting years

of work to pursue excellence. It was ranked among the top 40 companies to work for in the country as well.

We are also looking at gender balance in our teams, living up to our promise of being one of the best workplaces for women. We have already attracted a number of women to join our teams and we are now working to fix the broken rungs with flexible work and other measures to improve retention and career progression for women.

Training was another key area of focus to support employees to progress in their careers to realise their potential despite the increase in migration of employees due to the stressed macro-economic conditions. We also included overseas training programmes to enhance the scope of training as we move to higher aspirations. We are committed to building a highly motivated team through implementing a holistic employee value proposition.

MANAGING RISK

Managing risk was critical during the year and the guidance received from the Board and its sub-committees in this regard was invaluable as they increased their vigilance. Guidance from the Investment Committee and Risk Committee enabled us to steer clear of exposure to foreign currency denominated Government securities. However, we have significant exposure to domestic debt as we are required by regulation to invest part of investments in government securities. Inflation and increased taxation are likely to squeeze household budgets, dampening demand

for insurance products. The industry is also over-crowded, and we expect that there will be consolidation amongst the smaller players. This will also provide opportunities for inorganic growth for HNBA and other large players. Loss of key talent due to economic migration remains a key concern. Additionally, the volatility in market risk factors elevates investments risks while the continued downgrading of sovereign risk saw reinsurers exit the market which necessitated a change in the reinsurers for General Insurance.

The HNBA Group has built capital and liquidity buffers with a CAR of 306% for HNBA and 239% for HNBGI.

COMMITMENT TO ESG

We are committed to pursuing our ESG journey and carried out a gap analysis during the year to understand our shortcomings and more importantly, the potential for engaging in sustainable development through our value creation processes. We have already made some progress with in product offering such



CHIEF EXECUTIVE OFFICER'S REVIEW



as Micro Insurance which has supported expansion of micro finance activities with financial institutions. Further, insurance itself is about the financial sustainability of our customers and helping them to overcome unforeseen challenges. We also carried out guidance sessions not only for our Advisors and Employees but also for the community groups on how to maintain their financial stability in times of economic turmoil which we believe is a need of the hour. We believe that sustainability is a journey, not a destination and will continue to bring in more innovations as we move ahead. We advocate greener footprints and have taken initiatives to reduce paper usage through several IT initiatives, go-green projects and moving to a paperless office to name a few.

We continue our strategic philanthropy initiatives to give back to the community with several CSR activities including four school water projects which are set out elsewhere in this report. HNBA has been a member of Bio Diversity Sri Lanka over the past few years and actively contributed to their initiatives. Now, as a Board member of Bio Diversity Sri Lanka, I believe I can add more both at corporate as well as personal level to environmental conservation.

THE ROAD AHEAD

The macro-economic conditions remain stressed with high levels of stress that are being addressed and we are hopeful of positive outcomes to stabilise the operating landscape. Unlocking of the IMF funding facility and debt restructuring are key developments that need to be monitored and will play an important part in the financial stability of the country. Sri Lanka's growth is expected to contract by 4.2% in 2023, picking up thereafter as policy measures take effect.

HNBA Group is looking at healthy long term business and therefore will adopt a cautious approach, seeking the opportunities that come with every crisis. We will steer a course to increase market share by growing GWP further, leveraging the expansion and product strategies in place. Our key strengths are trust and stability and we will continue to ensure these qualities are carefully safeguarded and reinforced during the year as we forge ahead with our ambitious plans to deliver our aspirations.

Our long-term strategic goals



HNBA has outlined its goal to establish itself as a leading player in the industry by achieving a market share of **10% in Five Years**.

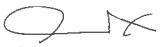


HNBGI has established its objective to advance to **5th position** in the General Insurance business within a span of **Five years**.

APPRECIATIONS

I am honoured to have led a determined and agile team that found ways to overcome the seemingly insurmountable challenges posed during the year and I thank them for the role played in delivering the results set out in this report. I also convey my appreciation of the invaluable guidance received from an engaged and experienced Board and the encouragement received from

the Chairperson. I wish to congratulate the HNB General Insurance team ably led by Mr. Sithumina Jayasundara for a commendable performance that contributed significantly to the Group results. I would be failing my duty if I do not thank the management and members of the distribution networks of our parent Hatton National Bank (HNB) and HNB group companies for the invaluable support extended to both HNBA and HNBGI throughout the year. I thank the regulator, Insurance Regulatory Commission of Sri Lanka for the cooperation and support extended during the year. The insurance business draws its strength from our business partners including Insurance Advisors, Brokers, Bancassurance Officers, other Business Partners and Reinsurers. I thank all these stakeholders for their continued confidence in partnering us on our journey and look forward to be working in step with them as we move ahead.



Lasitha Wimalaratne
Chief Executive Officer
HNB Assurance PLC

Colombo, Sri Lanka
17th February 2023

GROUP EXECUTIVE COMMITTEE





GROUP EXECUTIVE COMMITTEE



01

LASITHA WIMALARATNE

Chief Executive Officer - HNB Assurance PLC

BA (Hons), MBA, FCII, ANZIIF (Fellow), ACIM, Chartered Insurer

Lasitha has over 25 years of experience with 22 years of experience in Life Insurance Operations and Sales inclusive of 07 years of multinational experience at Aviva and AIA groups with 03 years of Marketing and Sales exposure in London. Prior to joining HNB Assurance PLC he functioned as the General Manager - Life Operations and Specified Officer at Softlogic Life Insurance PLC. Lasitha joined HNB Assurance PLC in 2019 and served in the capacity of Chief Operating Officer and Principal Officer prior to being appointed as the Chief Executive Officer of HNB Assurance PLC.

Lasitha holds a Master of Business Administration Degree (MBA) from the University of Wales, UK and a B. A. (Hons) Degree in Business Studies from the University of Sunderland, UK. He is a Chartered Insurer and a Fellow Member of the Chartered Insurance Institute (FCII). Lasitha is also a Fellow of the Australian and New Zealand Institute of Insurance and Finance ANZIIF (Fellow) and an Associate Member of the Chartered Institute of Marketing, UK (ACIM).

Lasitha functions as the Secretary of the Insurance Association of Sri Lanka (IASL) and also is the immediate Honorary Past President of the Sri Lanka Insurance Institute (SLII) where he has been a Council Member since 2011. Further, he is also the Founder Secretary General of the Chartered Insurance Professionals (ACIP) and served as a Council Member until March 2021. Lasitha also sits on the Board of Biodiversity Sri Lanka (BSL).

02

SITHUMINA JAYASUNDARA

Chief Executive Officer - HNB General Insurance Limited

MBA (UK), ACII (UK), ANZIF (Snr Assoc), Chartered Insurer

An old boy of St. Anthony's College, Kandy, Sithumina counts over 25 years of experience in the Insurance Industry. Prior to joining HNB General Insurance Limited, he has led many teams and held several key positions related to Non-Life at Asian Alliance Insurance PLC, MBSL Insurance Company Limited, Janashakthi Insurance Co. Limited and Eagle Insurance PLC. Sithumina has obtained foreign exposure through different training programmes and conferences related to General Insurance and specializes in the field of Re-insurance. Having joined HNBGI in 2014, he was appointed to the Group Executive Committee in 2015 and subsequently promoted as the Chief Technical Officer and Specified officer, Chief Operating Officer and Principal Officer of HNB General Insurance Limited prior to being promoted as Chief Executive Officer.

Sithumina is the current President of the Sri Lanka Insurance Institute (SLII) and a founding Council Member of The Association of Chartered Insurance Professionals (ACIP) in Sri Lanka and serves as a member of the Insurance Association of Sri Lanka (IASL). He holds a Master's Degree in Business Administration from the Cardiff Metropolitan University, UK, an Advanced Diploma in Insurance (ACII - UK) and holds the status of a Chartered Insurer and the Senior Associateship of the Australian and New Zealand Institute of Insurance and Finance.

03

NILESH AMARASINGHE

Chief Investment and Strategy Officer/ General Manager HNB Assurance PLC and HNB General Insurance Limited

B.Sc. Econ & Mgt Hons (LSE), MBus. (Fin) (UTS)

Nilesh counts close to two decades of extensive experience in Capital Markets specializing in fund management, macroeconomic strategy, investment strategy etc. Having joined HNBA as a Management Trainee, Nilesh served HNBA in the managerial level and as the Head of Investment prior to assuming the role as the Chief Investment & Strategy Officer (CISO). As the CISO, he is responsible for the performance of more than Rs.35 Billion funds of the HNB Assurance Group. Nilesh, who has been a member of the Executive Committee of the HNBA Group for more than 9 years, also serves as the Secretary to the Strategy Review Committee of the Company.

04

JUDE BENJAMIN

Chief Business Officer (Personal Lines and Branch Network)/General Manager- HNB General Insurance Limited

Jude is a charismatic and a dynamic personality hailing from S. Thomas College, Mount Lavinia who holds expertise of over two decades in marketing including, brand building, marketing communication, business development, event management as well as Broker development. He held many Senior Managerial positions at leading companies such as Orient Insurance Limited, a subsidiary of the prestigious Al-Futtaim Group in Dubai, American International Group (AIG), Asian Alliance Insurance and Whittall Boustead Ltd Insurance Division (Union Assurance PLC) which is an associated company of John Keells Holdings PLC prior to joining HNBGI as its Chief Business Officer for Personal Lines and Branch Network in December 2016.

05

DINESH UDAWATTA

*Chief Technical Officer/General Manager
- HNB Assurance PLC*

B.Sc. (Statistics) Hons (Colombo), FIII (India),
MBA (Colombo), ANZIIF (Fellow) CIP (Australia),
ACII (UK), Chartered Insurer

Dinesh joined HNB Assurance in 2003. Currently he is serving as the Chief Technical Officer for Life Insurance. Having joined in 2003 as an Actuarial Executive and Dinesh developed his Technical competencies in Life Insurance.

He acquired professional qualifications from three well known Insurance Institutes and developed his career as a life technical person. He served as Head of Operations - Life Insurance for two years prior to being promoted as CTO. He counts over 20 years of experience in the Life Insurance Industry. He has undergone extensive training both locally and overseas including at Munich Re, Munich, Germany, FALIA and OLIS Japan.

06

DINUKA PATTIKIRIARACHCHI

Chief Human Resources Officer/General Manager -HNB Assurance PLC and HNB General Insurance Limited

MBA Special HR(Colombo),MBA (Preston,USA),
National Diploma in HRM(IPM, SL), Asian
Personal Manager (NICC, Japan)

An old boy of De Mazenod College, Dinuka holds a Master of Business Administration Degree specializing in Human Resources from the University of Colombo and a Master of Business Administration Degree from the University of Preston, USA and a National Diploma in Human Resources Management from the Institute of Personnel Management, Sri Lanka. He has obtained the Asian Personnel Manager Certification from NICC, Japan. Dinuka is currently reading for a Doctorate in Business Administration and is serving as a visiting lecturer at the University of Colombo, Master of Business Administration Program.

Dinuka has held many key positions in both local and international entities and counts over 26 years of professional experience. Beginning his career journey at Habib Bank AG Zurich, he then joined MAS Linea Aqua

Private Limited and Ceylon Pencils Private Limited subsequently. Prior to his current appointment, he held the position of Senior Manager Human Resources at Nestlé Lanka PLC.

07

SITARI JAYASUNDARA

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08

PUNSIRINI PERERA

*Chief Financial Officer/General Manager
- HNB Assurance PLC and HNB General Insurance Limited*

BBA in Finance Special (Colombo), MBA
(PIM-USJ), ACMA (UK), CGMA

Punsirini Joined HNB Assurance PLC as a Management Trainee in 2009 and advanced progressively in responsible positions where she has played a key role in the Finance Division. She was promoted as a Senior Manager -Finance in 2017 and functioned as the Head of Finance prior to being promoted as Chief Financial Officer in 2020. She counts over 16 years of experience in the Finance field.

09

SUNETH JAYAMANNE

*Chief Information Officer/General Manager
- HNB Assurance PLC and HNB General Insurance Limited*

B.Sc. (Eng.), MBA (UK)

Suneth holds a B. Sc. (Eng.) Computer Science & Engineering Degree from the University of Moratuwa and MBA (UK) from University of west London. He is a CIMA passed finalist and completed CIM Advance Certificate level. Suneth is also an ISO 27001 Lead Auditor and Certified in ITIL. Suneth counts over 20 years of experience in the IT industry working at many organizations. He started his professional career at Zillione Systems Solutions (Pvt) Ltd and then continued at Ernst & Young where he was functioning as an IT consultant at the capacity of Senior Manager level. During Ernst & Young Career he got involved in many IT projects covering different business practices such as Banking and Finance, Telecom, Stock Exchange, Airlines, Textile, Healthcare, and number of e-Governance

projects. Prior to join HNBA in 2020 he was functioning as the Head of IT at LOLC Technologies covering Insurance, Leisure and Healthcare sectors.

10

LASANTHA DE ALWIS

*Chief Technical Officer/General Manager-
HNB General Insurance Limited*

BSc- Special (Hons) University of Sri
Jayawardanapura, ACII (UK)

Lasantha joined to HNBGI on 1st December 2020. Before joining HNBGI, he held the position as the Chief Executive Officer of Sanasa General Insurance Co. Ltd where he counts over 20 years of experience in the General Insurance Industry. He has rendered his service to HNB Assurance PLC as a Senior Executive Officer in 2002 and was later promoted to the post of Assistant Manager. He is an active member of the General Insurance Forum and Working Committee of SRCC & TC fund and he is a member of The Association of Chartered Insurance Professionals (ACIP) in Sri Lanka. Further, he is functioning as a lecturer in conducting lectures for study courses relating to insurance organized by Sri Lanka Insurance Institute.

11

SAMPATH WICKRAMARACHCHI

*Chief Business Officer/General Manager -
HNB General Insurance Limited*

MBA (Asia-e University of Malaysia)
Postgraduate Advanced Professional Diploma in
Management from University of Sunderland, UK

An old boy of Wesley College, Colombo and Cavendish College, London - United Kingdom, Sampath holds a MBA from Asia-e University of Malaysia and a Postgraduate Advanced Professional Diploma in Management from the University of Sunderland, United Kingdom and has obtained both local & foreign exposure through different training programs from institutions including the National Insurance Academy - India, Sri Lanka Institute of Marketing and National Institute of Business Management - Sri Lanka. His professional experience spans for over 25 years and has held several key positions in areas such as, Agency Development, Bancassurance,

GROUP EXECUTIVE COMMITTEE

Corporate Sales and National Sales Distribution. Having started his career at Eagle Insurance PLC, then he moved to Aviva NDB Insurance PLC and joined Asian Alliance Insurance PLC and subsequently joined HNB General Insurance Limited.

12

NALIN SUBASINGHE

Chief Actuarial Officer/General Manager - HNB Assurance PLC and HNB General Insurance Limited

B.Sc. in Mathematics Special (Colombo), M.Sc. in Actuarial Management (UK)

Nalin holds a Bachelor of Science (Hons) Degree in Financial Mathematics from the University of Colombo and a Master of Science Degree in Actuarial Management from the Heriot-Watt University, Edinburgh, United Kingdom. Nalin is currently reading for Fellowship from the Institute & Faculty of Actuaries, United Kingdom.

Nalin's professional career in the Insurance Industry spans for over 18 years and counts extensive actuarial, investment administration, strategy & planning, bancassurance deals and overall insurance business experience and has held several senior positions in leading entities. Having started his professional career at Sri Lanka Insurance Corporation - SLIC in 2004, Nalin served the organization as the Deputy General Manager Actuarial and Risk Management and in charge of both Life and General insurance actuarial functions.

Apart from his core responsibilities, he also acted as Head of Investment for a year where he managed an investment asset portfolio of over Rs. 150 Billion. He was the Nominee Director of SLIC for Capital Alliance Limited and Ceylon Asset Management where he acted as Chairman of the latter. Prior to his current appointment, he held the position of Chief Actuarial Officer at Union Assurance PLC (Vice President- John Keels Holdings PLC) and is the former Chairman of Actuarial Subcommittee of Insurance Association of Sri Lanka (IASL).

13

DINESH YOGARATNAM

Chief Marketing & Customer Experience Officer/General Manager - HNB Assurance PLC and HNB General Insurance Limited
Dip M, MCIM, Chartered Marketer, MBA (USQ)

Dinesh took over as Head of Marketing of HNB Assurance PLC and its wholly owned subsidiary HNB General Insurance Limited in 2016 and was subsequently promoted as General Manager / Chief Marketing and Customer Experience Officer. His career spans over 25 years in Financial Services, IT and Hospitality. Prior to joining HNB Assurance he headed the marketing function for Leasing, Factoring and SME Banking in a private commercial bank.

An old boy of S. Thomas' College, Mount Lavinia, he is a Chartered Marketer and holds an MBA from University of Southern Queensland, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Diploma in Digital Marketing from CAM Foundation

He was the Chairman of the Marketing and Sales Forum of the Insurance Association of Sri Lanka, the industry body comprised of all the Life and General Insurance companies that operate in the market,

14

HARENDRA RAMASINGHE

Chief Business Officer - Advisor Distribution Channel/General Manager - HNB Assurance PLC

B.Sc. (Business Mgt) & MBA - University of Kelaniya

Harindra is an innovative and dynamic personality who counts over 26 years experience in sales, sales management, distribution management and strategy development and implementation. He started his professional career at Eagle Insurance in 1996.

He has held several key positions in distribution management while being the recipient of many extraordinary awards in each management category that he served at HNB Assurance PLC. Further, at a national level, he was awarded the Gold Category National Winner at SLIM NASCO insurance industry Awards 2012/2013

auguring well for his innovation, exceptional contribution and achievements in the field of business development and distribution management.

Harindra holds a B.Sc. (Business Mgt) and an MBA from the University of Kelaniya. Having started his professional career as a Marketing Executive at HNB Assurance PLC in 2003, he has risen steadily through the ranks to have been promoted as a SBU Head in 2018 and also functioned as the Head of Distribution prior to being promoted as Chief Business Officer in 2021.

15

SANESH FERNANDO

Chief Business Officer/General Manager - Partnership- HNB Assurance PLC

MBA (UK), MSc (Malaysia), PGD Mkt. CIM (UK), PGD Mgmt. (UK), MCIM, MSLIM

Sanesh has over 18 years of experience in Sales and Marketing, starting as a Propagandist and rising to become a high-performing Sales and Marketing strategist. He was the Sri Lankan representative for the open enrollment program from the Life Insurance Management Research Association (LIMRA), which is a well-regarded professional organization in the insurance industry.

In recognition of his achievements, Sanesh was awarded the Head of the Year - Insurance Partnership Business 2021 by the Global Banking and Finance Review. He also won the Bronze Award for the National Sales Manager Category from the National Sales Congress (NASCO), organized by the Sri Lanka Institute of Marketing (SLIM).

Sanesh joined HNB Assurance PLC in 2012 as an Assistant Manager - Bancassurance and was promoted to Chief Business Officer / General Manager - Partnership in 2022.

Sanesh holds an MBA from the University of Sunderland - UK, an MSc in Strategic Marketing from AeU - Malaysia, a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, and a Postgraduate Diploma in Strategic Management from the University of Sunderland - UK. He is also a Member of the Chartered Institute of Marketing, UK (MCIM) and a Member of the Sri Lanka Institute of Marketing (MSLIM).

SENIOR MANAGEMENT TEAM - HNBA



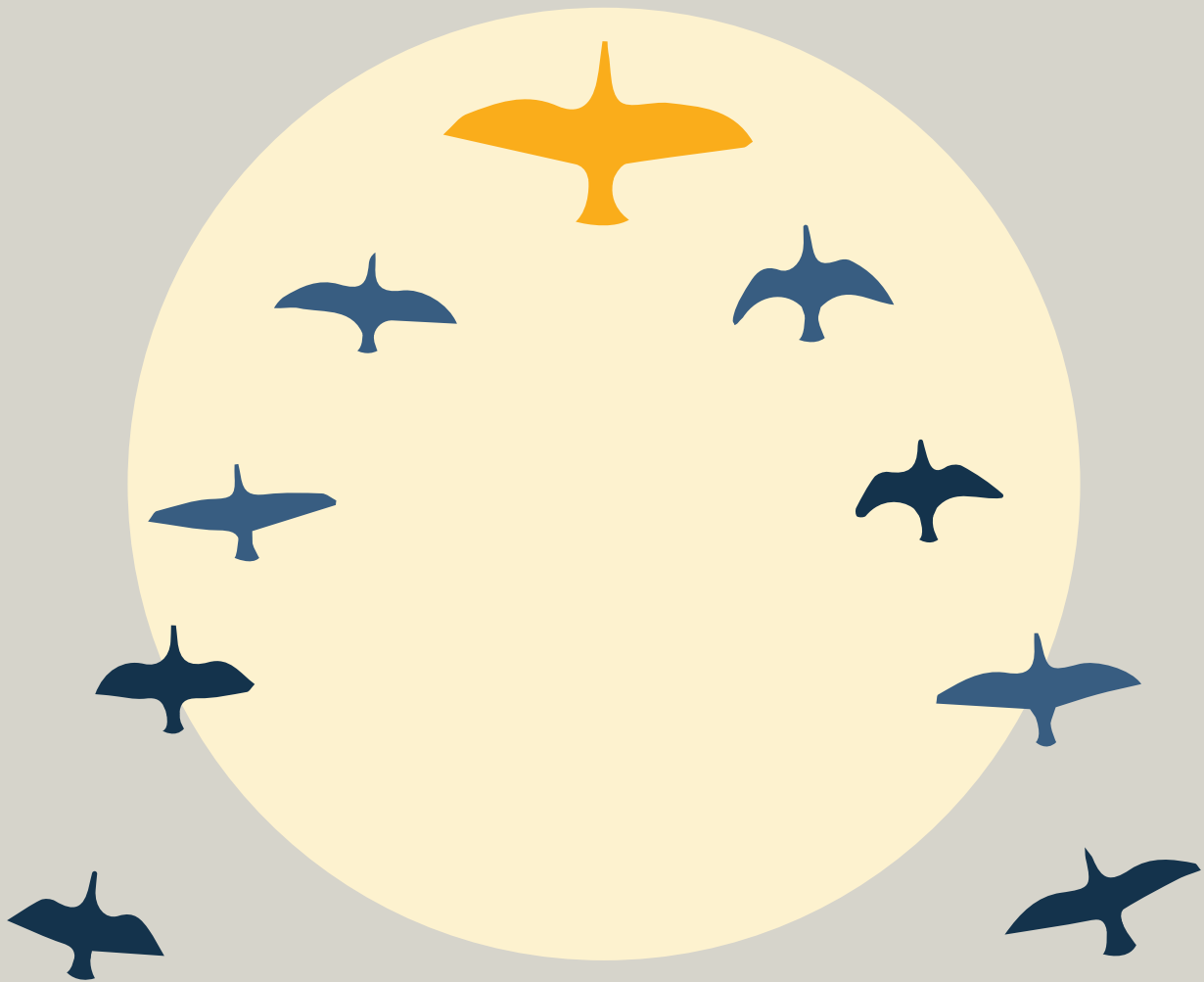
1. **GEETHANI SARAM**
Head of Business Process Excellence & Procurement / Assistant General Manager
2. **SHIRAN FERNANDO**
Head - Sales Training & Development/Assistant General Manager
3. **MAHENDRA WILEGODA**
Head of Operations / Assistant General Manager
4. **SALINDA PERERA**
Head of Administration / Assistant General Manager
5. **HIRAN FERNANDOPULLE**
Head - Life Distribution (SBU 1) / Assistant General Manager
6. **NADARAJA SUGUNAN**
Head - Life Distribution (SBU 3) / Assistant General Manager
7. **SAMPATH KARUNARATHNE**
Head of Finance
8. **THARUKA JAYASEKARA**
Head of Finance
9. **JAGATH GASPE**
Zonal Head - Central
10. **K SEBASTIAN**
SBU - Head
11. **DEEPAL PUNCHIHEWA**
Acting SBU Head
12. **SAMAN KUMARA**
Zonal Manager
13. **SAMAN ASOKA**
Head - Bancassurance
14. **MANJULA ATHAPATTU**
Head - Bancassurance
15. **SENAKA CHAMINDA**
Head - Bancassurance-
HNB Finance

SENIOR MANAGEMENT TEAM - HNBGI



- 1. HIFLY HUZAIR**
Head - Corporate & Takafu/
Assistant General Manager
- 2. ASANKA SENEVIRATNE**
Head - Broker Management/
Assistant General Manager
- 3. PRASANNA WIJESINGHE**
Head of Sales Process Management
& Alternate Channels/Assistant
General Manager
- 4. YOGA GUNADASA**
Head of Legal
- 5. RAVI RATHNAYAKA**
Head of IT
- 6. RUKESH LOGANATHAN**
Head of Operations
- 7. ROSHAN KULARATHNE**
Head of Finance
- 8. ANNESLY ARSAKULASURIYA**
Head - Corporate Business
- 9. NALAKA MADHURANGE**
Head - Sales Training &
Development
- 10. BAZLIN SALIH**
Zonal Head - Southern
- 11. T RIZEPAN**
Zonal Head - North & East
- 12. GAYAN RANASINGHE**
Zonal Head - Northwestern
- 13. ANURUDDHA WICKREMASINGHE**
Zonal Head - Central

ABOVE ALL WE LEAD



MANAGEMENT DISCUSSION AND ANALYSIS

How we Create Value **42** | Listening to Stakeholders **44** | Operating Environment **47** |
Looking Ahead **53** | Determining Materiality **54** | Our Integrated Strategy **59** | Sales Force Expansion **61** |
Exceptional Customer Experience **65** | Technological Transformation **67** | Comprehensive Product Suite **70** |
A Remarkable Brand **72** | Passionate Human Capital **73** | Fund Management **78** |
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Financial Capital Review **94** |

HOW WE CREATE VALUE

The value creation process of the Group is designed to transform the seven forms of capitals through sales, underwriting, reinsurance, servicing, claims management and fund management to provide returns to our stakeholders in the form of outputs and outcomes. This process is operationalised through seven key strategies which are governed by a sound governance structure, risk management framework, sustainability, and shared values.

CAPITAL INPUTS



FINANCIAL CAPITAL

- Rs. 7.8 Bn. Equity Capital
- Rs. 15.6 Bn. GWP
- Rs. 35.4 Bn. Funds under management



HUMAN CAPITAL

- 1,328 Employees
- 17,027 Training Hours



SOCIAL AND RELATIONSHIP CAPITAL

- 140,909 Customers
- 3,983 Agents
- 244 Bancassurance officers



INTELLECTUAL CAPITAL

- A Trusted Brand
- Knowledge and experience of our team



DIGITAL CAPITAL

- Systems and processes
- Rs. 394.7 Mn. spent on digitisation
- Rs. 110.9 Mn. investment in hardware



MANUFACTURED CAPITAL

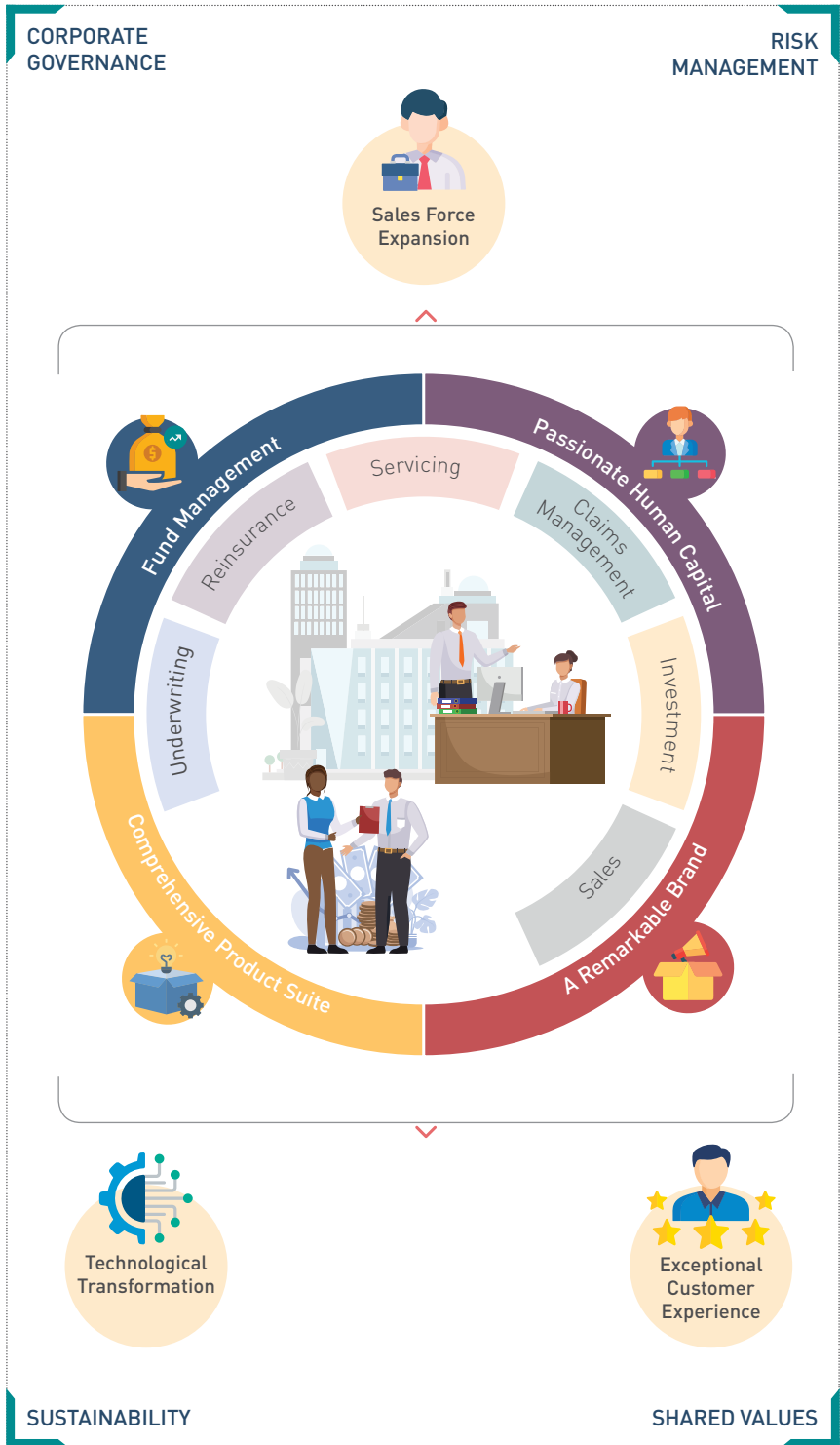
- 67 branches
- Rs. 218.6 Mn. Investment in PPE



NATURAL CAPITAL

- 1,409,737 Units of Electricity consumed
- 11,572,247 liters of water consumed

VALUE CREATION PROCESS



OUTPUT	OUTCOMES AND IMPACT ON KEY STAKEHOLDERS	RELEVANT SDGS
<p>FINANCIAL CAPITAL</p> <ul style="list-style-type: none"> • 23.0% ROE • 4.8% ROA • 8.5% Dividend yield • Rs. 4,865.4 Mn. Investment Income 	<p>→</p> <ul style="list-style-type: none"> • Rs. 3.65 Dividend per share • Share price of Rs.42.90 	<p>Shareholder</p>   
<p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> • Total remuneration of Rs. 2,040.6 Mn. • 17,027 Training hours • 376 new opportunities 	<p>→</p> <ul style="list-style-type: none"> • Job security • Health & safety at workplace • An inclusive workplace 	<p>Employees</p>       
<p>SOCIAL AND RELATIONSHIP CAPITAL</p> <ul style="list-style-type: none"> • Rs. 1,495.5 Mn. Commission • 194 MDRT winners 	<p>→</p> <ul style="list-style-type: none"> • Improving quality of life • Career progression opportunities 	<p>Business Partners</p>     
<p>INTELLECTUAL CAPITAL</p> <ul style="list-style-type: none"> • Rs. 790 Mn Brand Value of HNBA • Rs. 604 Mn Brand Value of HNBGI • Best Bancassurance provider in Sri Lanka 	<p>→</p> <ul style="list-style-type: none"> • 344,990 Policies • Wealth creation opportunities • Exceptional customer experience 	<p>Customers</p>    
<p>DIGITAL CAPITAL</p> <ul style="list-style-type: none"> • 98% of new business coming through digital platforms 	<p>→</p> <ul style="list-style-type: none"> • 376 New job opportunities • Rs. 2.9 Mn. CSR Spend 	<p>Communities</p>    
<p>MANUFACTURED CAPITAL</p> <ul style="list-style-type: none"> • A branch network of 67 • PPE of Rs. 218.6 Mn. 	<p>→</p>	
<p>NATURAL CAPITAL</p> <ul style="list-style-type: none"> • 1% reduction in electricity consumption 	<p>→</p> <ul style="list-style-type: none"> • Rs. 308 Mn. of taxes 	<p>Government & Regulator</p>   

LISTENING TO STAKEHOLDERS

STAKEHOLDER ENGAGEMENT

Effective engagement with stakeholders is essential for identifying and understanding their requirements. The present operating landscape necessitated the reinforcement of stakeholder relationships to create sustainable value. We prioritize stakeholders in order of significant influence on our ability to create value. HNBA's stakeholder prioritization process is illustrated below,



Priority of stakeholders remains the same as previous year.

The following table depicts our engagement mechanisms with each key stakeholder group and our response for their concerns.

	Customers	Shareholders	Employees								
	344,990	4,490	1,328								
Engagement Mechanisms	<ul style="list-style-type: none"> • Face to face meetings • Call centre • Network of 67 branches • Agency and bancassurance channels • Social Media: Facebook, Instagram etc., • Print and digital media • Customer relationship management centre 	<ul style="list-style-type: none"> • Annual General Meetings • Annual & quarterly financial reports • CSE disclosures • Corporate website 	<ul style="list-style-type: none"> • Open-door policy • Townhall meetings/ Staff Conference • Staff Appraisals • Training Programs • Engagement through digital platforms • Welfare Activities • CSR Initiatives 								
Stakeholder Concerns	<ul style="list-style-type: none"> • Protection and financial returns • Convenient and fair claim settlements with quick turnaround time • Competitive and attractive pricing • Innovative product solutions • Effective customer service • Accessibility 	<ul style="list-style-type: none"> • Return on investments • Investment security • Sustainable growth in earnings • Transparency and compliance • Stability 	<ul style="list-style-type: none"> • Competitive and attractive remuneration • Career progression • Job security • Fair work environment • Physical and mental well-being • Skills development 								
Our Strategy	<ul style="list-style-type: none"> • Comprehensive product portfolio • Exceptional Customer service • Technological Transformation • Sales force expansion 	<ul style="list-style-type: none"> • Sustainable growth • Comprehensive governance framework • Risk management 	<ul style="list-style-type: none"> • Human Resource development • Technological transformation • Sales force Expansion • Corporate Governance • Risk Management 								
KPIs	<ul style="list-style-type: none"> • New products/ riders introduced - Life :1 (2021: 1) • Customer complaints received: 252 (2021: 280) • Customer complaints resolved 90% (2021: 98%) • Claims* settled with 3 days 82% • Net Promotor Score* 61% <p>*Unstructured Claims</p>	<ul style="list-style-type: none"> • Return on Equity 23% (2021: 15%) • Dividend of Rs. 547.5 Mn (2021: Rs. 480 Mn) • Insurer Financial Strength Rating A- by Fitch Ratings (2021: A+) 	<ul style="list-style-type: none"> • Great Place to Work certification • 142 promotions • Honourably Mentioned as One of Sri Lanka's Women Friendly Workplaces 								
	 <p>Customer complaints resolved</p> <table border="1"> <tr> <td>90%</td> <td>98%</td> </tr> <tr> <td>2022</td> <td>2021</td> </tr> </table>	90%	98%	2022	2021	 <p>Return on Equity</p> <table border="1"> <tr> <td>23%</td> <td>15%</td> </tr> <tr> <td>2022</td> <td>2021</td> </tr> </table>	23%	15%	2022	2021	
90%	98%										
2022	2021										
23%	15%										
2022	2021										
Relevant Material Matter	<ul style="list-style-type: none"> • Growth in profitability • Customer experience • Brand presence • Product innovation 	<ul style="list-style-type: none"> • Growth in profitability • Managing macro-economic uncertainties 	<ul style="list-style-type: none"> • Growth in profitability • Talent management 								

LISTENING TO STAKEHOLDERS

	Business Partners	Community	Government & Regulators												
Engagement Mechanisms	<ul style="list-style-type: none"> Annual conferences Training programs E-buddy and other digital platforms Meetings Email and other corporate communications 	<ul style="list-style-type: none"> CSR events Corporate website Digital and social media Press releases Marketing and promotional events Events organized at branch level 	<ul style="list-style-type: none"> Meetings Regulatory reporting and disclosures Responses to proposals/ letters Engagement with industry bodies 												
Stakeholder Concerns	<ul style="list-style-type: none"> Competitive and timely payments Business growth opportunities Training opportunities Ease of doing business 	<ul style="list-style-type: none"> Sustainable business practices Transparency Community development 	<ul style="list-style-type: none"> Regulatory compliance Good governance Timely payments 												
Our Strategy	<ul style="list-style-type: none"> Salesforce development Technological transformation Brand building 	<ul style="list-style-type: none"> Corporate Governance Sustainability Product development Human resource management Sales force expansion 	<ul style="list-style-type: none"> Regulatory Compliance Corporate Governance Risk Management 												
KPIs	<ul style="list-style-type: none"> Commission payment of Rs. 1.5 Billion (2021: Rs.1.2 Billion) Number of training hours 17,027 (2021: 8,615) Digital applications: E-buddy, Learning management system 194 MDTR winners 	<ul style="list-style-type: none"> Portfolio of innovative products focused on providing safety nets for people and businesses Micro insurance products supporting access to finance Rs. 2.9 Million CSR spend (2021: Rs. 2.3 Mn) New recruitments 376 staff and 3,983 advisors (2021: 280 and 635 respectively) Partnerships with community bodies: College of Community Physicians, Bio-Diversity Sri Lanka 	<ul style="list-style-type: none"> Compliance with IRCSL/ CSE requirements Timely payment of taxes Rs. 939 Mn. paid (2021: Rs. 560 Mn.) Products to support sustainable development 												
	 <p>MDRT Winners</p> <table border="1"> <tr> <td>2022</td> <td>194</td> <td>2021</td> <td>164</td> </tr> </table>	2022	194	2021	164	 <p>CSR Expenditure</p> <table border="1"> <tr> <td>2022</td> <td>Rs. 2.9 Mn.</td> </tr> <tr> <td>2021</td> <td>Rs. 2.3 Mn.</td> </tr> </table>	2022	Rs. 2.9 Mn.	2021	Rs. 2.3 Mn.	 <p>Total Taxes & Levies Paid</p> <table border="1"> <tr> <td>2022</td> <td>Rs. 939 Mn.</td> </tr> <tr> <td>2021</td> <td>Rs. 560 Mn.</td> </tr> </table>	2022	Rs. 939 Mn.	2021	Rs. 560 Mn.
2022	194	2021	164												
2022	Rs. 2.9 Mn.														
2021	Rs. 2.3 Mn.														
2022	Rs. 939 Mn.														
2021	Rs. 560 Mn.														
Relevant Material Matter	<ul style="list-style-type: none"> Technological transformation Group synergies and relationship with business partners 	<ul style="list-style-type: none"> Community development 	<ul style="list-style-type: none"> Responsible business practices 												

OPERATING ENVIRONMENT

PESTEL IMPACT ANALYSIS

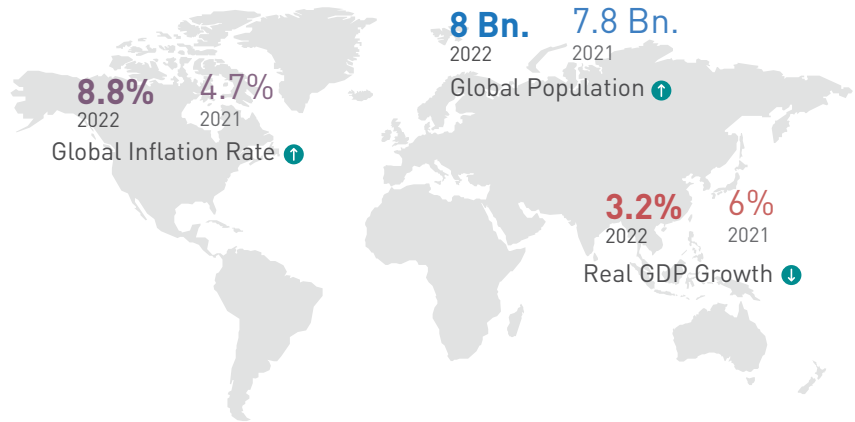
	Issue	Impact to the Group	Our Response	Related Risk
Political	P-1 Government Policies and political instability.	Challenges faced when forming strategic plans.	Embedding relevant strategies to address these impacts when forming corporate plans.	ESG & Political Risk (Refer page 133) Insurance Risk (Refer pages 134-138) Operational Risk (Refer pages 142-143)
	P-2 Influence of foreign powers.	Effect on the performance due to fluctuating demand for insurance.	Considering external environment impacts for strategy formation.	
Economic	E-1 Low rates of economic growth locally and globally.	Curtail in demand for insurance products due to low purchasing power.	Local and global economic impacts were considered when establishing corporate strategies.	Operational Risk (Refer pages 142-143) ESG & Political Risk (Refer page 133) Investment Risk (Refer pages 138-141)
	E-2 Interest rate impact.	Impact on the investment portfolio and interest income.	When formulating strategies incorporated interest rate fluctuations to offer better returns to Shareholders and Policyholders.	
	E-3 Government tax policies on revenue, profits, and other related areas.	Impact on the pricing of the products and maintaining expenses efficiently.	Considered Government Policies when strategy formulation which enhanced company performance.	
	E-4 Import restrictions and currency depreciation.	Effect on the outflow of the company when undertaking foreign payments and motor insurance claim payments.	Focused on strategic pricing of products while increased sale of Non-Motor Insurance. Liaised closely with our main banker HNB on forex settlements.	
	E-5 Inflation.	Purchasing power of customers will remain low due to the macro-economic environment.	Strategic pricing of products, without compromising profitability, to increase affordability.	
Social	S-1 Increased awareness on importance of insurance due to pandemic situations.	Demand for life insurance due to increased health concerns and higher life expectancy.	Increased awareness on insurance and products through marketing strategies.	ESG & Political Risk (Refer page 133) Insurance Risk (Refer pages 134-138) Operational Risk (Refer pages 142-143)
	S-2 Increase in ageing population.	Demand for health, retirement and pension products.	Promoted our products related to health and retirement.	
	S-3 Enhanced use of digital platforms	Increase employee and customer engagement through digital platforms.	Developed online platforms to connect with customers while strengthening IT infrastructure.	
	S-4 Increased use of social media platforms	Opportunities for social media marketing and awareness building.	More focus given on social media advertising.	

OPERATING ENVIRONMENT

	Issue	Impact to the Group	Our Response	Related Risk
Social	S-5 Urbanization	Demand for insurance products.	Restructuring of our distribution network for better reach customers.	ESG & Political Risk (Refer page 133)
	S-6 Green concepts or ecological product and service.	Ability to focus on sustainability position.	Adopted sustainable business practices across our value chain reducing the negative impact made on the natural environment such as digital platforms to increase paperless transactions while saving on fuel consumption.	Insurance Risk (Refer pages 134-138)
	S-7 Employee attrition	Agency buy-outs and competitors poaching high performing employees of the Company.	Offering attractive rewards and benefits to reduce attrition of the sales force. Improved employee engagement.	
	S-8 Competitive competitor landscape.	Competing to manage existing businesses and to attract new opportunities.	Considering attractive benefits to strengthen existing Bancassurance partnerships and to enter into new partnerships.	
Technology	T-1 IT becoming a tool for competitive advantage but affordability becoming lower due to LKR depreciation.	Efficiency in maintaining employee and customer engagement with digital platforms.	Digitalization of processes using latest technologies considering cost efficiency.	IT Risk (Refer page 143)
	T-2 Cyber and information security threats.	Increased cyber security threats to data and information.	Investments made to address cyber security threats.	
	T-3 Use of virtual communication methods.	Increased efficiency in serving customers.	Promoted online platforms for transactions and awareness building activities.	
Environmental	EN-1 Increase in infectious diseases globally.	More attention towards health and safety.	Implemented steps to overcome spreading of diseases within the company and conducting awareness programs for the society.	ESG & Political Risk (Refer page 133)
	EN-2 Climate changes.	Increase in claim cost.	Evaluating and incorporating increased risk when underwriting insurance policies, use of risk management techniques such as flood mapping, etc.,	
	EN-3 Environmental pollution.	Concentrate more on development of sustainability practices within the company and the society.	Adopt sustainable business practices across our value chain reducing the negative impact made on the natural environment.	
Legal	L-1 Changing rules and guidelines in regulatory, compliance, Accounting and taxation.	Measurements to be considered to ensure being compliance while incurring additional cost.	Embedding compliance rules and guidelines when forming strategies of the company.	Regulatory Risk (Refer page 133)

GLOBAL ECONOMY

Economies across the world faced unprecedented uncertainties in 2022 due to lingering effects of the COVID-19 pandemic, geopolitical ambiguities, and combined with the repercussions of climate change. Amidst the global fight against inflation and Russia’s war in Ukraine, the global economy is estimated to have grown by 3.4% while the International Monetary Fund (IMF) predicts an even gloomier outlook for 2023. In 2022, the world economy recorded the weakest growth since 2002, except for the global financial crisis and the acute phase of the pandemic and reflects significant slowdowns for the largest economies. The United States recorded a negative growth in the first half while Euro area contracted during

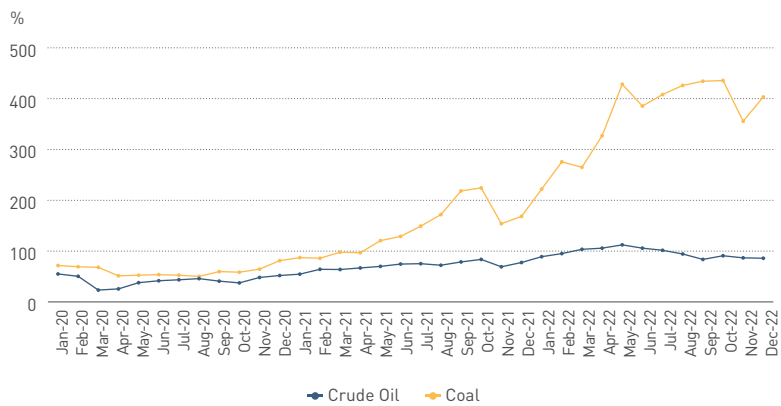


- Central banks across countries tightened their monetary policies by rapidly lifting policy rates to curb inflation.
- Federal Reserve increased target rate by 3% since early 2022 and has signaled further rises are likely
- Bank of England has raised its policy rates by 2% since the start of the year despite projecting weak growth.
- European Central Bank has raised rates by 1.25%.

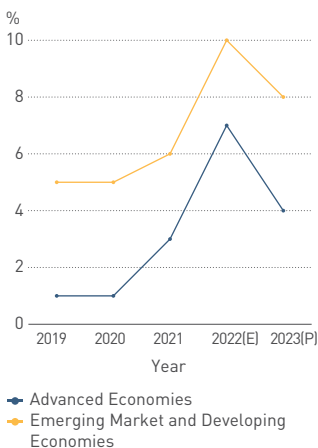
World GDP Growth



Energy Prices



Consumer Prices



the second half and the prolonged COVID-19 outbreaks in China affected the Chinese economy.

In 2022, in the wake of the COVID-19 pandemic, US inflation reached 8.5%, its highest rate since 1982 while Eurozone inflation jumped to record-high 10.7%. The war in Ukraine had a very clear impact on inflation, with energy and food prices accounting for about two-thirds of the rise in headline inflation and energy price increases passed through into broader inflation measures.

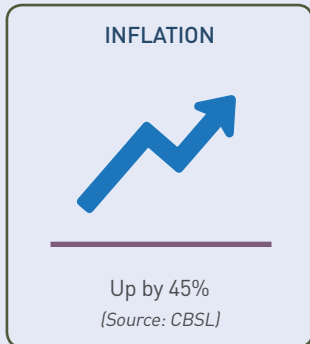
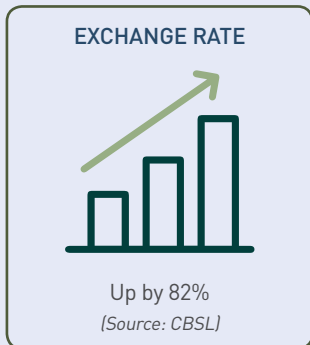
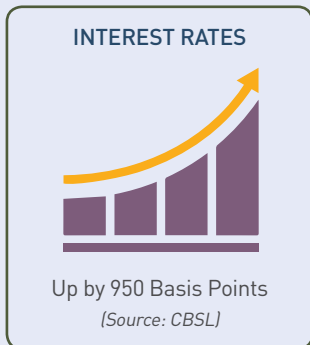
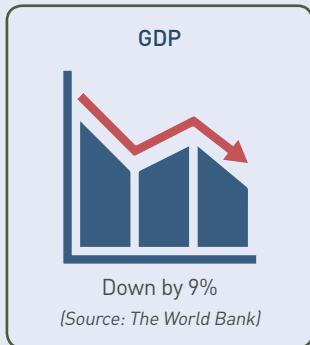
Crude oil prices, which increased by 3.5% between February and August 2022, surged to \$120 a barrel in early March following Russia’s invasion of Ukraine. These prices reflected fears of oil export disruptions at a time of tight supply-demand balances. This has contributed to the steep increase in natural gas prices.

OPERATING ENVIRONMENT

SRI LANKA

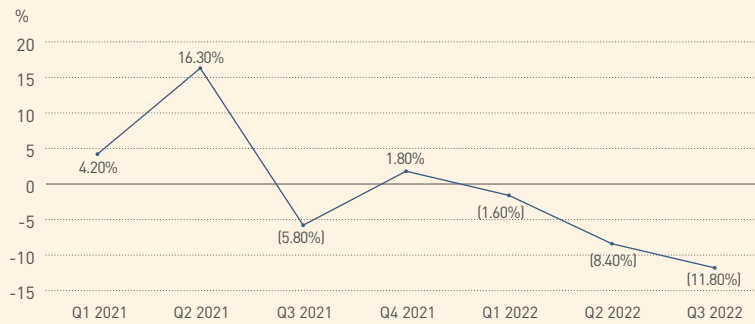
Sri Lanka faced unprecedented challenges as the foreign currency and sovereign debt crisis intensified already existing fiscal and external sector imbalances. During the first half of 2022, the country faced severe fuel shortages, power outages and widespread scarcity of imported raw material and essential goods, leading the economy to contract by 4.8% during the first half.

HIGHLIGHTS FOR 2022



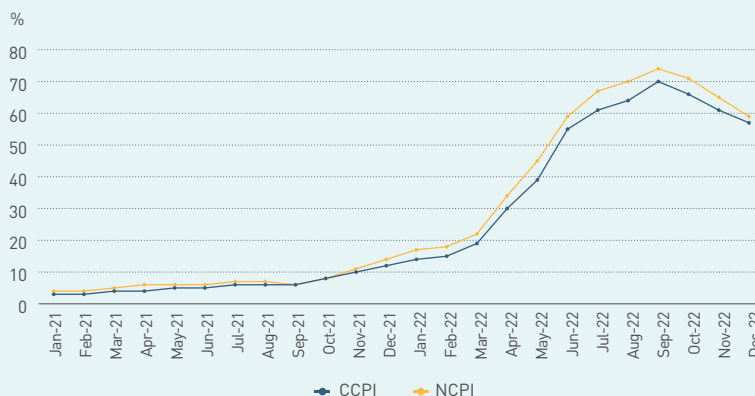
All three sectors, namely, Agriculture, Industry and Service sectors, contracted during the first half of the year. Industry sector declined by 7.7% while agriculture and service sector contracted by 7.6% and 0.6% respectively. The setback in the service sector was driven mostly by the decline in financial services, professional services and other personal service activities while the industry sector was affected by the restriction of importation of raw materials and the power and fuel shortages. Shortages of fertilizer had a negative impact on the agricultural sector which was due to both policy and pricing factors.

GDP Growth



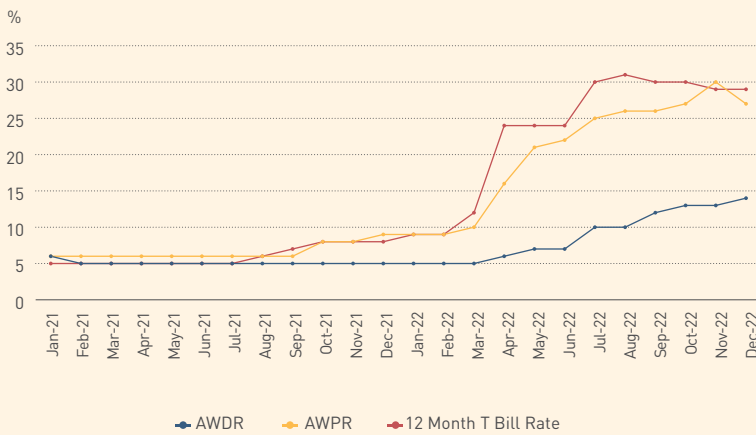
The acceleration of inflation that was observed since end 2021 continued at a notable pace in 2022 leading to historically high levels of inflation. Substantial supply side disruptions both locally and globally, control price adjustments, sharp depreciation of the Sri Lanka rupee against the US dollar, and aggregate demand pressures associated with the lagged impact of monetary accommodation are major factors attributable to the recent surge in inflation. However, with low base effect & the tight monetary and fiscal conditions are expected to bring the aggregate demand down, gradually taming the inflation in the medium to long run.

Inflation



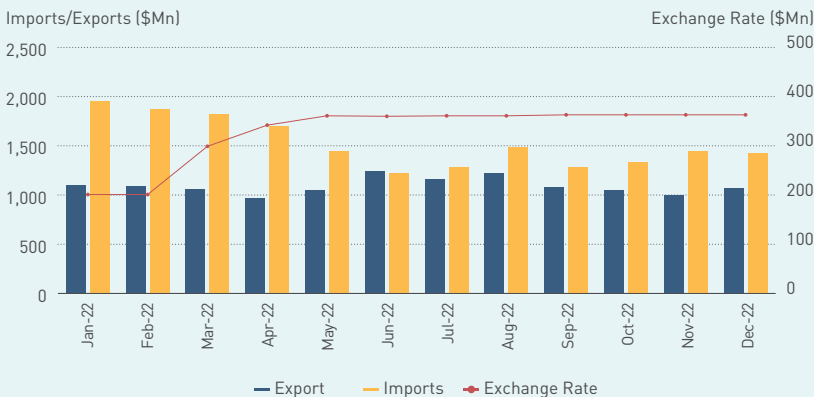
The Central Bank tightened the monetary and liquidity conditions to an unprecedented level due to the inflationary pressures and to address that Policy interest rates increased by 7% in April 2022. The yields on government securities also recorded a considerable increase in 2022, driven by the sharp increase in the policy interest rates as well as the increased borrowing requirement of the Government. The increase in yields on Government Securities led market interest rates to adjust upward.

Interest Rate



The Central Bank abandoned the pegged exchange rate in March 2022 causing the rupee to depreciate by 41.4% by end of April 2022. To reduce this significant volatility, the Central Bank introduced a new arrangement by providing daily guidance to all LCBs on the degree of volatility in the spot exchange rate with an allowable two-sided variation margin, based on the weighted average spot exchange rate. The merchandise trade deficit narrowed up to August 2022, supported by higher exports and import compression aided by the policy measures to discourage non urgent imports.

Exchange Rate



HIGHLIGHTS FOR 2022

EXPORT EARNINGS



\$Mn 13,106
Up by 5%

(Source: CBSL)

IMPORT EXPENSES



\$Mn 18,291
Down by 11%

(Source: CBSL)

TRADE DEFICIT



\$Mn 5,185
Down by 36%

(Source: CBSL)

UNEMPLOYMENT RATE



Down by 1%

(Source: CBSL)

OPERATING ENVIRONMENT

GLOBAL INSURANCE INDUSTRY

In spite of the pandemic situation that prevailed globally, the insurance industry is gradually recovering and returning to its corporate strategies. As a result, the Gross Written Premium has increased in 2021 compared with 2020 which led to an improved profitability in 2021. This has been achieved regardless of being impacted by increased mortality rates due to COVID-19 and rising claims owing to natural catastrophes and impact from inflation, for both Life and Non-Life business. Furthermore, with the strong performance in the financial market and the increased interest rates the industry managed to improve the solvency ratios globally.

(Source: Global Insurance Market Report (GIMAR) December 2022)

With the past experience, majority of business organizations are looking forward in investing for technologies on digital and virtual platforms in order to provide uninterrupted customer services during unanticipated pandemic situations, while having concerns on cyber security requirements. In future the insurance industry would be challenging while seeking to accelerate growth; with economic downturn from Russia- Ukraine conflict, rising inflation, central banks' monetary policies, uncertain future developments in COVID -19 as well as impact from implementation of IFRS 17.

SRI LANKAN INSURANCE INDUSTRY

The highly competitive insurance industry in Sri Lanka comprised 27 registered insurers with 2 composite companies, 13 long term insurers and 12 companies engaged in General Insurance. Despite the intense competition, the insurance penetration levels in Sri Lanka remains relatively low compared to other countries in the region. As at 3rd quarter 2022, the Insurance Industry had a total asset base of Rs. 921,602 Million with assets of Long-Term insurers amounting to Rs. 656,631 Million and assets under General insurers amounting to Rs.264,971 Million.

General Insurers made claim payments of Rs. 61,624 Million during the year while Long-term insurers made claim payments amounting to Rs. 60,639 Million. Total claims of the industry grew by a significant 29% to reach Rs. 122,262 Million. Further, the industry reported a Profit Before tax of Rs. 50,336 Million for the year. Profit before Tax of General Insurers grew by 41% to reach Rs.26,897 Million while Long-term Insurers recorded a Profit Before Tax of Rs. 23,438 Million, recording a growth of 1%.

By the end of 2022, Insurance industry reported a GWP of Rs. 257,580 Million in 2022 recording a growth of 10%. GWP of Long-Term Insurance business grew by 9% to reach Rs. 135,367 Million while GWP of General Insurance Business amounted to Rs. 122,213 Million, reporting a growth of 12%. 2022 was the first year after the pandemic General Insurance industry recorded a growth.

Industry Snapshot



Rs. 947,259 Mn.
Asset Base
(4th Q 2022)



1,896
Branches
(2021)



20,032
Employees
(2021)



43,820
Insurance Agents
(2021)

	2022	2021	2020	2019	2018
Total GWP (Rs. Mn.)	257,580	233,512	208,265	196,472	180,880
Growth Rate	10.3%	12.1%	6.0%	8.6%	9.7%
GWP - Life Insurance (Rs. Mn.)	135,367	124,752	103,000	88,787	80,294
Growth Rate - Life Insurance GWP	8.5%	21.1%	16.0%	10.6%	12.2%
GWP - General Insurance (Rs. Mn.)	122,213	108,760	105,265	107,685	100,586
Growth Rate - General Insurance GWP	12.4%	3.3%	[2.2%]	7.1%	7.7%

(Source: Industry Highlights and Statistical Review published by Insurance Regulatory Commission of Sri Lanka)

LOOKING AHEAD

We enter 2023 with significant uncertainty on a number of critical issues that can impact our value creation processes with varying degrees of severity. Here we discuss the most significant issues that can impact the performance of HNBA Group in the medium and long-term. As the business landscape continues to evolve rapidly, we advise readers to obtain up to date information on matters discussed below and others that may impact the operations of the Group at the time of reading the report.

OUTLOOK FOR SRI LANKA



Several issues vie for the top slots as Sri Lanka is considered to be financially vulnerable due to high levels of debt, low revenues and growing deficits in its trade and capital balances and its budget. These are the most significant.

- **Negative GDP growth** - The World Bank has estimated that the country's economy contracted by 9.2% in 2022 and forecasts a further contraction of 4.2% in 2023.
- **High inflation** - Inflation is forecasted to decline in 2023 although there is likely to be upward pressure on this key macro-economic indicator as prices are adjusted to reflect increases in electricity tariff, gas, and pricing of other commodities and essential goods
- **The IMF Extended Fund Facility is key** - Sri Lanka reached staff-level agreement on a 48-month Extended Fund Facility program of US\$ 2.9 Billion in September 2022. The process of negotiating with all bilateral, multilateral and individual creditors to secure formal assurances for a US\$ 11.2 Billion restructure to unlock the facility has commenced and we will continue to monitor the outcome of this.
- **Interest rates** - Interest rates are expected to move down although inflation remains high. Movement in interest rates will impact our investment income, life fund liabilities and capital adequacy ratio.
- **External sector developments** - Growth of tourism, worker remittances and exports are critical together with management of imports.

INDUSTRY OUTLOOK



The Insurance sector continued to grow in 2022 despite the economic volatility. However, there are challenges to maintaining the growth momentum which is needed to expand the social safety nets needed. Fiscal and monetary policy plays a key role in this regard. Import of motor vehicles has been suspended for three years, stunting the growth of General Insurance business as motor vehicles account for the bulk of the business. High inflation continues to exert pressure on discretionary spending such as insurance. Additionally, the country's sovereign rating continues to weigh on the rating of the Group although it remains at the top.

The sector is also preparing to implement SLFRS 17: Insurance Contracts which is expected to have a broad impact on how the industry structures products and conducts business.

OUTLOOK HNBA GROUP



- Life Insurance will continue its quest to reach 10% market share in 4 years through expansion of the sales force, technological transformation and customer centricity. Progress made in 2022 has reinvigorated the team who look to deliver on its ambitious growth plans.
- General Insurance will continue to pursue its goal of moving up to 5th place in 4 years using its formula of rescoping the playing field, reshaping the value proposition and responding to trends. This team also delivered an excellent performance in 2022 and are strategising to move ahead.
- The high levels of uncertainty that prevail requires solid foundations and capital management and liquidity will remain key priorities for this year as well.
- Digital transformation of the Group remains a key priority and we look to deliver on the core insurance systems for both Life and General Insurance businesses in the year ahead which will facilitate further innovation and strengthened leadership in the market.
- Preparation for SLFRS 17 will be a key area of focus for the Group as we seek to align systems and processes and capacity building of our teams to transition smoothly into a new era of reporting.
- Competitor dynamics need careful monitoring and the Group will continue to seek lucrative opportunities to accelerate organic and inorganic growth.

DETERMINING MATERIALITY

MATERIALITY

The principle of materiality has been applied when selecting information to be included in our Annual Report. We have selected material topics based on its ability to influence value creation for our stakeholders. Topics are identified based on stakeholder concerns, dynamics in the operating environment and HNBA's strategic priorities. We have aligned the selected topics to the Global Reporting Initiative standards (GRI) and United

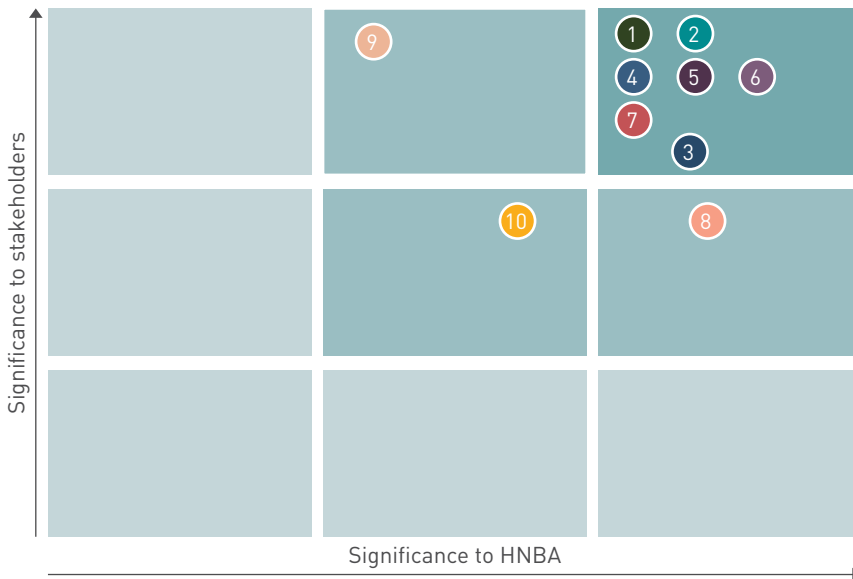
Nations Sustainable Development Goals (SDGs). The recent considerable changes in the strategic direction and business transformation followed by COVID-19 pandemic led to changes in the materiality when compared to the previous year.











The process adopted for determining materiality is presented below. As a part of Company's Corporate Planning

meetings participated by middle to top management of the Company, issues are identified following stakeholder engagement, opportunities and risks in the operating environment and HNBA's strategic direction. Thereafter, these matters are assessed based in the likelihood and the potential impact to HNBA.



Material matters have been prioritised based on the influence on decisions of stakeholders and the impact on HNBA's strategy and operations.



Material Topic	Importance to HNBA	How We Manage	Relevance to Strategy	Corresponding GRI Topic
1 Growth in profitability	To ensure business growth and returns to Shareholders	Refer Financial Capital Review on page 94		GRI 201: Economic Performance 2016
2 Managing macro-economic uncertainties	Implications of distressed external position, high inflation and rupee depreciation could have a significant impact on operations	Refer Risk Management Review on page 131 & Operating Environment on page 48		GRI 201: Economic Performance 2016
3 Product innovation	Importance in staying relevant in a highly competitive industry	Refer Comprehensive Product Suite on page 70		
4 Customer experience	Importance in improving our market share and achieving business growth	Refer Exceptional Customer Experience on page 65		
5 Talent management	Attracting and retaining top talent is vital for our strategy execution while health and safety also considered as a priority due to the recent pandemic	Refer Passionate Human Capital on page 73 Increased importance due to the pandemic. We enhanced our digital capabilities to provide remote access to customers while facilitating remote working for employees.		GRI 401: Employment 2016
6 Technological transformation	Technology plays a key role in driving operational efficiencies while enhancing customer experience	Refer Technological Transformation on page 67		GRI 306: Waste 2020
7 Group synergies & relationship with business partners	Leveraging on the brand name and branch network of the parent in expanding our reach	We strive to leverage on our parents' (HNB) island-wide branch network by aggressively perusing growth in our Bancassurance channel while continuing to build and maintain mutually beneficial partnerships with our business partners. Refer Sales Force Expansion on page 61		
8 Responsible business practices	We carry out sustainable business practices to minimise any negative impact with emphasis on best governance practices on the environment.	Enhancing our digital infrastructure to minimise our carbon footprint. Refer Business Line Review on pages 82-91		GRI 302: Energy 2016 GRI 306: Waste 2020
9 Community development	We make continuous investment in various community development initiatives	We strive to create value for our community through our business as well as CSR Initiatives. Refer pages 86-87, 91		GRI 203: Indirect Economic Impacts 2016
10 Brand presence	A strong brand presence will enable us to achieve our strategic objectives	Refer A Remarkable Brand on page 72		

DETERMINING MATERIALITY

MATERIAL MATTERS – SWOT WITH OUR STRATEGIES

Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Growth in profitability	<ul style="list-style-type: none"> Under-penetrated insurance market Increase in aging population requiring long-term protection benefits. Increase in demand for health insurance products due to prevailing economic situation. 	<ul style="list-style-type: none"> Low rates of economic growth locally and globally. (PESTEL - E-1) Government policies and political instability. (PESTEL - P-1) Increase in infectious diseases globally. (PESTEL - EN-1) Interest rate impact. (PESTEL - E-2) Government tax policies on revenue, profits, and other related areas. (PESTEL - E-3) Inflation. (PESTEL - E-5) <p>(Related Risks – Insurance Risk refer page 134, Operational Risk refer page 142, Political Risk refer page 133)</p>	<ul style="list-style-type: none"> Launching new products and expanding the distribution network to capture new business – Comprehensive Product Suite (page 70) and Sales Force Expansion (page 61). Promote products related to health & retirement – A Remarkable Brand (page 72) and Exceptional Customer Experience (page 65). Focus on strategic product pricing. 	<ul style="list-style-type: none"> (S) A refined product range. (S) HNB Parent Brand and network. (S) Extensive Point of Sale network. (S) 'A' rated Reinsurer panel. (W) High attrition in the sales force and Bancassurance officers.
Managing macro-economic uncertainties	<ul style="list-style-type: none"> Increase in demand for health insurance products due to prevailing economic situation. Opportunity to sell insurance products to Sri Lankan expats living overseas. 	<ul style="list-style-type: none"> Inflation. (PESTEL - E-5) Import restrictions and currency depreciation. (PESTEL - E-4) Government policies political instability. (PESTEL - P-1) Low rates of economic growth locally and globally. (PESTEL - E-1) <p>(Related Risks – Insurance Risk refer page 134, Operational Risk refer page 142, Political Risk refer page 133)</p>	<ul style="list-style-type: none"> Increase awareness on insurance and products through marketing strategies – A Remarkable Brand (page 72) Coordinating closely with our main banker HNB on forex settlements – A Remarkable Brand (page 72). Considering government policies when determining product pricing – Comprehensive Product Suite (page 70) 	<ul style="list-style-type: none"> (S) Strong Insurer Strength Rating by Fitch Ratings Lanka Ltd and healthy Capital Adequacy Ratios (CAR) showcasing financial strength and stability. (S) HNB Parent Brand and network.

* (S) - Strengths, (W) - Weaknesses

Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Product innovation	<ul style="list-style-type: none"> Under penetrated insurance market. A higher propensity for people to transact on e-commerce platforms. Demand for foreign currency denominated products. 	<ul style="list-style-type: none"> Inflation. (PESTEL – E-5) Low rates of economic growth locally and globally. (PESTEL – E-1) <p>(Related Risks – Insurance Risk refer page 134, Operational Risk refer page 142)</p>	<ul style="list-style-type: none"> Introducing new products or products with attractive features – Comprehensive Product Suite (page 70). Digitalization of processes using latest technologies – Technological Transformation Strategy (page 67). Introducing user-friendly online platforms to connect with customers locally and globally - Technological Transformation Strategy (page 67). 	<ul style="list-style-type: none"> (S) Extensive Point of Sale (POS) network. (S) Strong reinsurer panel. (W) High dependency on manual processes due to legacy systems.
Customer experience	<ul style="list-style-type: none"> A higher propensity for people to transact on e-commerce platforms. Technological advancements facilitating greater convenience and transactions speed to customers. 	<ul style="list-style-type: none"> Increase in infectious diseases globally. (PESTEL – EN-1) Cyber and information security threats. (PESTEL – T-2) <p>(Related Risks – Operational Risk refer page 142, IT Risk refer page 143)</p>	<ul style="list-style-type: none"> Expand online platforms to connect with customers and to collect premiums - Technological Transformation Strategy (page 67). Investing in new Core Systems and other peripheral systems to digitize processes - Technological Transformation Strategy (page 67). 	<ul style="list-style-type: none"> (S) Existing digitalized processes. (W) High dependency on manual processes in some areas of operations.
Talent management	<ul style="list-style-type: none"> Banks and financial institutions seeking to expand income horizons. Under-penetrated insurance market enabling employment opportunities. 	<ul style="list-style-type: none"> Employee attrition. (PESTEL – S-7) Low rates of economic growth locally and globally. (PESTEL – E-1) <p>(Related Risks – Operational Risk refer page 142, Political Risk refer page 133)</p>	<ul style="list-style-type: none"> Offering attractive rewards and benefits to reduce attrition of the sales force – Sales Force Expansion Strategy (page 61). Motivating the sales force and training- Sales Force Expansion Strategy (page 61). Strengthening existing Bancassurance partnerships – Sales Force Expansion Strategy (page 61). Human resource attraction, training and retention - Passionate Human Capital (page 73). 	<ul style="list-style-type: none"> (S) 'Great Place to Work' status locally as well as in Asia (S) Best Bancassurance Channel in Sri Lanka. (S) Competent and friendly staff and sales force. (W) High turnover rates in the sales force and Bancassurance officers.
Technological transformation	<ul style="list-style-type: none"> Tech savvy new generation entering customer and labour market. Technological advancements facilitating greater convenience and transactions speed. 	<ul style="list-style-type: none"> Increase in cyber and information security threats. (PESTEL – T-2) IT becoming a tool for competitive advantage but affordability becoming lower due to LKR depreciation. (PESTEL – T-1) <p>(Related Risks – IT Risk refer page 143)</p>	<ul style="list-style-type: none"> Investing in new Core Systems and other peripheral systems to digitize processes. Expand online platforms to connect with customers. Investments to address cyber security threats. Technological Transformation Strategy (page 67). 	<ul style="list-style-type: none"> (S) Existing digitalized processes. (W) High dependency on manual processes in some areas of operations.

* (S) - Strengths, (W) - Weaknesses

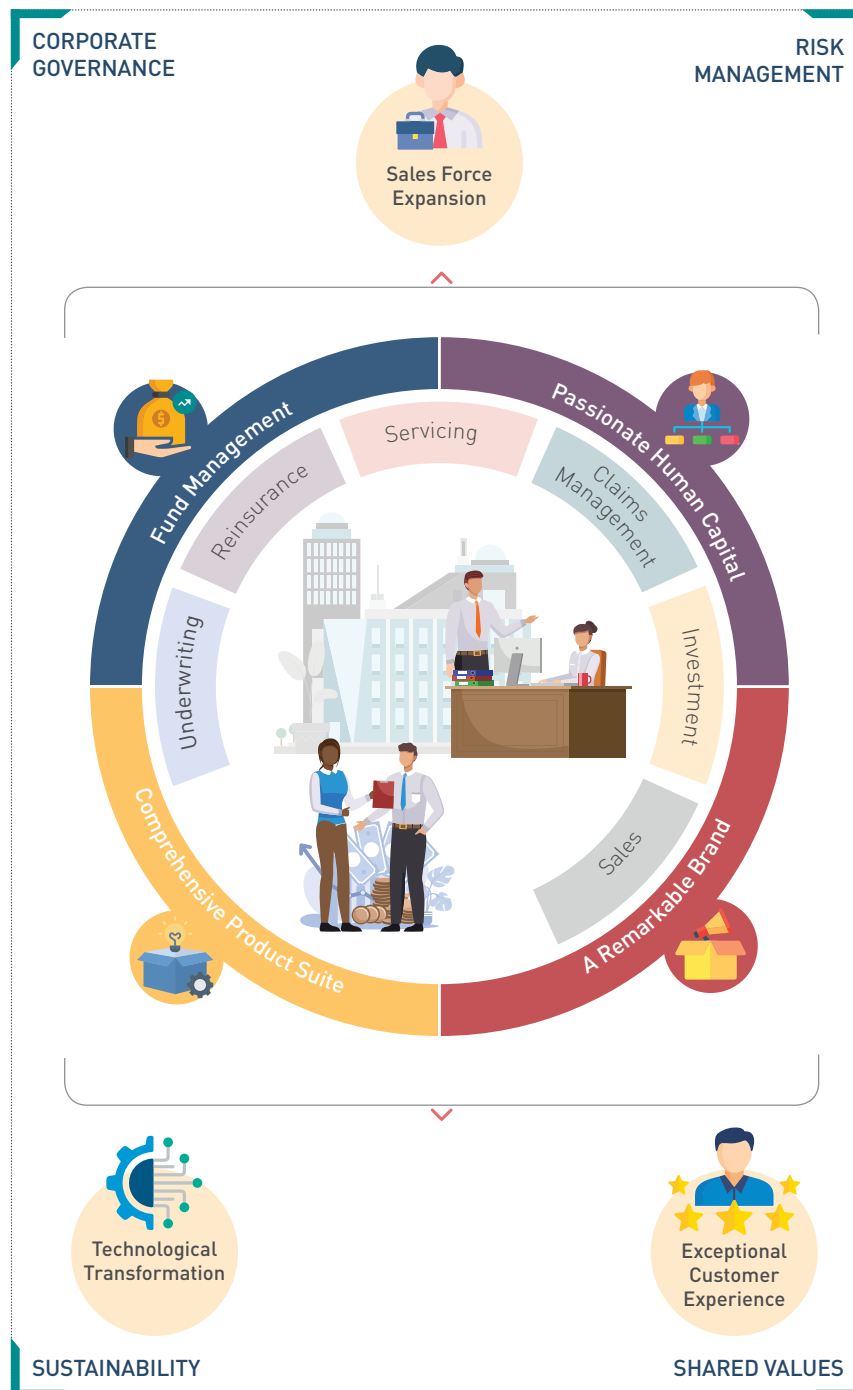
DETERMINING MATERIALITY

Material Matters	Opportunities	Risks	Our Strategy	Strengths and Weaknesses
Group synergies & relationship with business partners	<ul style="list-style-type: none"> Banks and financial institutions seeking to expand income horizons. 	<ul style="list-style-type: none"> Competitive competitor landscape. (PESTEL – S-8) <p>(Related Risks – Insurance Risk refer page 134, Operational Risk refer page 142)</p>	<ul style="list-style-type: none"> Strengthening existing Bancassurance partnerships and entering into new partnerships – Sales Force Expansion Strategy (page 61). 	<ul style="list-style-type: none"> (S) HNB Parent Brand and network. (S) Best Bancassurance Channel in Sri Lanka. (W) High turnover rates in the sales force and Bancassurance officers.
Responsible business practices	<ul style="list-style-type: none"> Recognitions given for best governance and sustainability practices by Governing Bodies. Introduction of new sustainability requirements. 	<ul style="list-style-type: none"> Changing rules and guidelines in regulatory, compliance, accounting and taxation. (PESTEL – L-1) <p>(Related Risks – ESG & Political Risk refer page 133, Regulatory Risk refer page 133)</p>	<ul style="list-style-type: none"> Using expertise of staff members to meet all regulatory requirements. Strategic allocation of investment assets to maximize investment returns while maintaining healthy solvency levels. Embedding sustainability requirements into business processes. Corporate Governance (page 104) 	<ul style="list-style-type: none"> (S) Sound Governance Framework. (W) Non-integrated systems and workflows.
Community development	<ul style="list-style-type: none"> Purchasing power of community members will remain low due to the macro-economic environment. 	<ul style="list-style-type: none"> Government Policies and political instability. (PESTEL – P-1) Increase in infectious diseases globally. (PESTEL – EN-1) <p>(Related Risks - Operational Risk refer page 142, ESG & Political Risk refer page 133)</p>	<ul style="list-style-type: none"> Continuous investment in CSR activities – (pages 86,87,91) Products promoting economic development of community members – (pages 86,87,91) Helping communities face economic and health and safety risks (page 86) Leverage on technology to minimize the impact on the environment - Technological Transformation Strategy (page 67). 	<ul style="list-style-type: none"> (S) A refined product range. Consistent focus on CSR
Brand presence	<ul style="list-style-type: none"> Opportunity to sell insurance products to Sri Lankan expats living overseas. 	<ul style="list-style-type: none"> Competitive competitor landscape. (PESTEL – S-8) <p>(Related Risks – Insurance Risk refer page 134, Operational Risk refer page 142)</p>	<ul style="list-style-type: none"> Increase new business using our brand and HNB brand - A Remarkable Brand (page 72). 	<ul style="list-style-type: none"> (S) HNB Brand, network and financial strength (S) Long term tenure in insurance industry. (S) Best Bancassurance Channel in Sri Lanka.

OUR INTEGRATED STRATEGY

This year we have adopted a strategic approach in telling our story. Our integrated strategy as illustrated below, reflects on how all strategies are interconnected, enabling and driving one another to steer the Group towards its vision and mission.






















As the Group moves towards improving its market share to become a key player in the insurance industry, the central strategies adopted to drive it are Sales Force Expansion, Exceptional Customer Experience and Technological Transformation. Product Development, Human Resource Management, Fund Management and Brand Building support the primary strategies to drive business growth. We operate with a strong governance structure and risk management framework while sustainability and operating true to our shared values is what sets us apart from the rest. The remaining pages of this strategic report address specific strategies and how we contributed to a successful year by implementing these.



OUR INTEGRATED STRATEGY

Foundations & Boundaries	
Corporate Governance	Page 104 - 130
Risk Management	Page 131 - 143
Sustainability	Throughout the Report
Shared Values	Throughout the Report

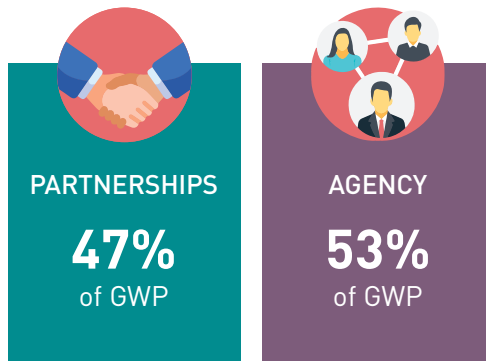
A process to manage and allocate resources to support the Group's strategy begins in conjunction with the development of the strategic plan. As a part of this strategic resource allocation process, a financial budget and a capital expenditure plan are formulated along with human resource requirements following an integrated approach of both top-down and bottom-up idea and information flows. Discussions among cross functional teams support the Group to optimize resources and set realistic goals. Finally, with the involvement of Group Executive Committee and under the guidance of the Board Strategy Review Committee resource allocation is discussed and agreed, which is then submitted for the review and approval of the Board of Directors. The following table presents the resources allocated for our integrated strategy.

Focused Strategies	Resource Allocation					Reference
Sales Force Expansion	 FINANCIAL CAPITAL	 MANUFACTURED CAPITAL	 INTELLECTUAL CAPITAL	 HUMAN CAPITAL	 SOCIAL AND RELATIONSHIP CAPITAL	Page 61
Exceptional Customer Experience	 FINANCIAL CAPITAL	 MANUFACTURED CAPITAL	 INTELLECTUAL CAPITAL	 HUMAN CAPITAL		Page 65
Technological Transformation	 FINANCIAL CAPITAL	 INTELLECTUAL CAPITAL	 HUMAN CAPITAL			Page 67
Comprehensive Product Suite	 INTELLECTUAL CAPITAL	 HUMAN CAPITAL				Page 70
A Remarkable Brand	 FINANCIAL CAPITAL	 INTELLECTUAL CAPITAL	 MANUFACTURED CAPITAL	 HUMAN CAPITAL		Page 72
Passionate Human Capital	 FINANCIAL CAPITAL	 INTELLECTUAL CAPITAL				Page 73
Fund Management	 FINANCIAL CAPITAL					Page 78

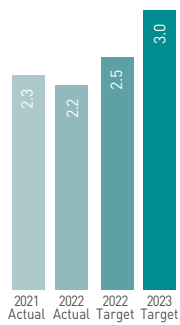
SALES FORCE EXPANSION

Expansion of the Sales Force is critical to move to a new growth trajectory for the Group as we pursue our long-term growth strategy. This comprises the Agency network and the fast-growing Partnerships channels which recorded the highest growth in the history of the Group and the highest number of MDRT winners.

The Partnerships channel includes Bancassurance, Credit Life, Group Life and Micro Insurance sub channels which are managed separately. These channels present significant growth opportunities with captive customer bases that can be readily converted with targeted products and initiatives as affirmed by their rapid growth.



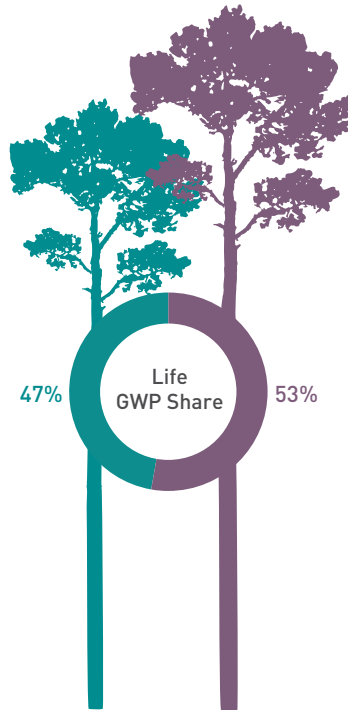
As the traditional lifeline of insurance business, this channel typically adopts a highly customized approach, and plays a key role in developing the market. At present it comprises 3,648 Insurance Advisors who are trained and supported to deliver their goals as strategic business partners.



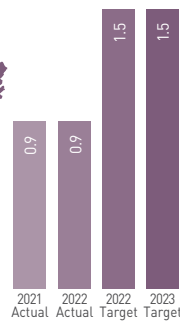
Activity Ratio



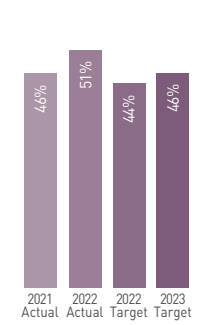
1st Year Lapse Ratio



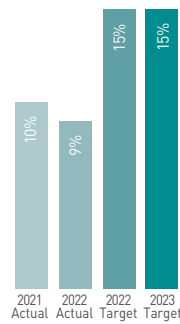
Life GWP Share



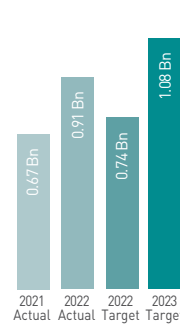
Activity Ratio



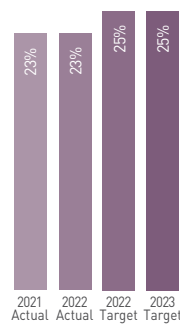
1st Year Lapse Ratio



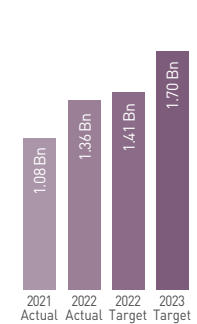
Rider Ratio



NBP



Rider Ratio



NBP

GROWING THE AGENCY CHANNEL

Agency Expansion

Growth in the Agency sales force was driven by two key initiatives, aggressive recruitment and the establishment of 30 incubator branches to monitor and support them. These targets were met despite the unfolding economic crisis and resultant political instability that

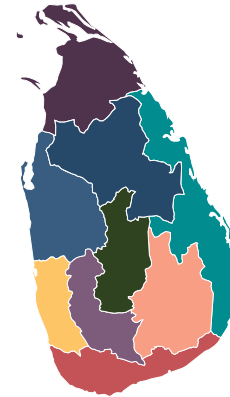
prevailed in the first half of 2022. 3,648 Advisors were recruited successfully. Of the total recruited, 281 were Field Managers who were responsible for monitoring the Advisors.

HNBA has developed a rigorous recruitment process for Advisors. Prospective candidates are provided training for three days, one day of

revision and go through a mock exam prior to sitting for the Life Competency Technical Code examination conducted by the Insurance Regulatory Commission of Sri Lanka. Pass rates for this examination are around 60% and only those candidates securing their certification are enrolled as Advisors. Typically, there is a high turnover of Advisors which was exacerbated during

SALES FORCE EXPANSION

Location	Advisor Count - Group	GWP - Group (Rs. Mn.)	Branch Count - Group
Central Province	428	1,199	6
Eastern Province	307	806	5
North Central Province	153	449	4
North Western Province	323	858	4
Northern Province	456	1,435	9
Sabaragamuwa Province	355	763	4
Southern Province	527	1,415	8
Uva Province	201	608	4
Western Province	1,233	8,198	23



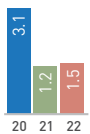
Delivering Value to Advisors



Training for Life Technical Competency Certification



Structured capacity building programme for Advisors



Commission Paid to Advisors (Rs. Bn.)



Developed Application to enable Advisors to view their earnings and monitor performance

the year due to the economic crisis resulting in retention of only 35% of those recruited during the year.

Driving Performance

Driving performance of the sales force was key to securing market share and driving growth above industry norms. Targets were cascaded to each branch giving due recognition to the capacity of the people and the potential of the area covered.

The low level of business confidence that prevailed during the year necessitated a confidence building of the Agency management team, nurturing a positive mindset and identifying opportunities to drive growth. These sessions were done weekly to sustain momentum and focus on the targets.

Close monitoring of the performance of the Advisors was necessary to achieve the targets for New Business Premiums. KPIs of distribution management include



30

New Incubator Branches

recruitment of advisors, maintaining a required number of performing Advisors in the team and coaching and monitoring advisors to maintain pre agreed activity ratios. We introduced two cut off dates per month to monitor performance and introduced an online platform to monitor the performance of the Advisors as well as our own staff which enabled everyone to maintain focus on delivering targets.

Rewards and recognition for Advisors is another key facet in channel expansion. Several incentive models are in place to drive performance and during the year we introduced new reward schemes to drive performance. MDRT club, Diamond club and MD's club are exclusive schemes in place to encourage Advisors to reach greater heights and earn benefits for their efforts.

GROWING PARTNERSHIPS

The Partnerships channel demonstrated strong growth during the year, driven largely by the success of the Bancassurance channel which accounts for the 37% of New Business Premium recorded in 2022. HNB, the parent company of HNBA Group is the main Bancassurance partner which has enabled us to tap into a large captive customer base built over 130+ years of operations. Alternate channel, which focuses on Group life and partnerships with other Banks and Non-Bank Financial Institutions have also grown significantly supporting growth of this channel.

Officers of the Partnership channel were provided structured training to support achievement of targets as detailed on page 64.

Driving Performance

Goals were set for each officer with a detailed success plan. Business activations were conducted to focus attention on specific areas, targeting the top customers of identified branches. Competitions were also

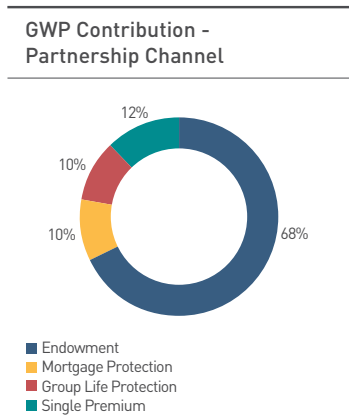


> 120

Business Activations conducted in 2022

launched to motivate officers of partner institutions.

HNBA also implemented a Bancassurance ranking model with clearly identified levels, encouraging officers to reach higher. Rewards Carnival, a rewards programme was also launched in 2022 to provide further motivation. The results were encouraging, recording the highest number of MDRT winners in the history of the Group which was also supported by the 'I am MDRT campaign' with the high-level training required for the top performers. A career progression path was also looked as a key criteria to motivate bancassurance officers.



Delivering Value to Partner Officers



Option to Train for Life Technical Competency Certification



Structured capacity building programme for Officers



Rewards & Recognition

- External Designations recognising achievements and learning
- 'Thegi Manthra' to support reduced lapse



Developed a calculator to enable Officers to calculate their earnings

DEVELOPING CHANNELS - GENERAL INSURANCE

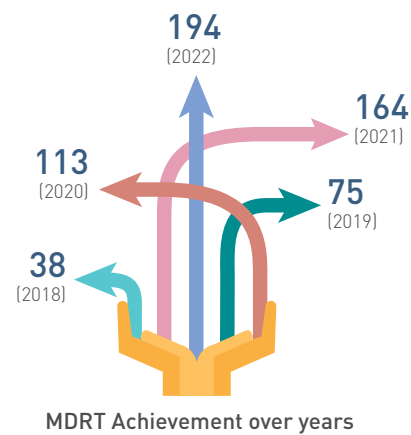
We work with several intermediaries to connect with customers. We consider our business partners as a core part of our corporate success; engaging and supporting their growth is important to sustain our business. We offer monetary rewards, awards and recognition based on outstanding achievements, product training and development activities and fellowship sessions for active engagement of our Advisors, Brokers and HNB partners.

	Advisor Force	Brokers	HNB
About	335 Insurance Advisors island wide to easily connect with our diverse customer base.	65 Brokers. Brokers are a vital part of General Insurance business. We only engage with brokers registered with the Insurance Regulatory Commission (IRCSL).	Wide reach through HNB branch network. 90 General insurance Bancassurance officers located at HNB branches around the country.
Value Derived	<ul style="list-style-type: none"> • Rs. 741 Million GWP • 12% growth • 11% contribution 	<ul style="list-style-type: none"> • Rs. 5,544 Million GWP • 27% growth • 37% contribution 	<ul style="list-style-type: none"> • Rs. 1,485 Million GWP • 16% growth • 22% contribution
Initiatives for expansion	<ul style="list-style-type: none"> • Business contribution for the pure agency through leasing terminated contracts. • Increase the Government business contribution. • Organized Field Management Forum and Platinum Club awards ceremony • Business Development Campaign and Propaganda activities 	<ul style="list-style-type: none"> • Liaise with peer three brokers on quoting for competitor Non motor renewals -with a reward scheme. • National competition for brokers targeting policies • Promote Travel business through identified travel agents and brokers. 	<ul style="list-style-type: none"> • Penetrate corporate and emerging corporate segments through bank relationship managers. • Enhance the existing product suite to capitalize on opportunities at HNB. • Use relationships to penetrate the bank's SME segment in the regions.

SALES FORCE EXPANSION

CAPACITY BUILDING

Training and development of the Agency force is necessary to enable Advisors, Field Management Members, and Partnership Officers to grow our business in a focused manner. It also supports alignment of personal and organisational goals, supporting retention of talent in an extremely fluid market with historically low rates of retention. A dedicated Training Division for Sales in Life Insurance with structured programmes was established in 2022 to support these objectives and the career progression of the members of our sales force.



The recruitment of a Head of Sales Training for HNBA enabled focused delivery of the ambitious targets set to have a high performing sales force to drive business growth. Two structured pathways to support the Agency and Bancassurance channel growth were clearly identified as set out above and both Insurance Advisors and Bancassurance Officers supported throughout the year with the requisite skills and knowledge to deliver on their targets. Recruiting and retaining Advisors and Officers has been a key challenge, largely due to the negative economic outlook. We sought to mitigate this with Positive Mindset workshops for Managers and also supported them by identifying opportunities within the market.

A Learning Management System (LMS) was implemented, and several courses were delivered through this, supporting self-paced learning. However, face to face training remains the most effective

	2018	2019	2020	2021	2022
No. of MDRT Qualifiers - Partnership Channel	23	43	64	84	97
No. of MDRT Qualifiers - Agency Channel	15	26	38	72	81
No. of Court of the Table	1	3	7	5	12
No. of Top of the Table	0	1	2	2	4
Investment in Sales Training (Rs. Mn.)	4	6	4	5	10
Investment in Sales Force Recognition (Rs. Mn.)	33	39	38	49	82

and the majority of the courses involve effective training methods which support delivery of results over and above industry standards. Special trainings were carried out on maintaining financial security and financial planning in times

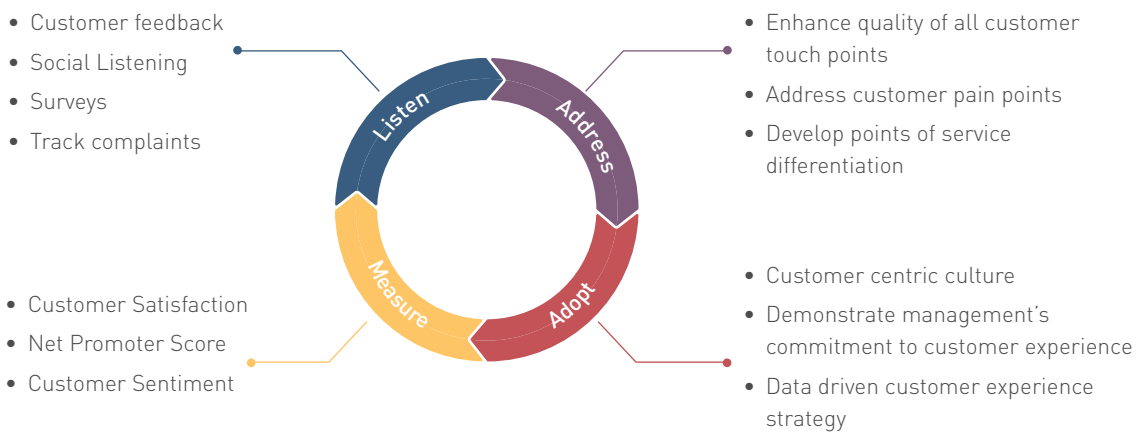
of soaring inflation to support our sales teams to maintain their income levels in challenging times.



	2021 Actual	2022 Actual	2023 Forecast	2024 Forecast
No. of Advisors	2,762	3,648	4,000	4,250
No. of Performing Advisors	1,050	1,500	1,750	2,250
No. of MDRT Achievers	164	194	250	350
Bancassurance Ranking	50%	60%	65%	70%
% In Digital Training	22%	30%	35%	40%

EXCEPTIONAL CUSTOMER EXPERIENCE

This strategy seeks to enhance the overall satisfaction and perception a customer has of HNBA, taking into account all interactions and touchpoints from the initial purchase to post-sales support and ongoing customer service. Our goal is to understand and address the needs of our customers and deliver on our promises to exceed expectations building customer loyalty and ultimately, business growth.



Insurance is a personalized business requiring customization of our products to meet the specific circumstances of the customer. Exceptional customer experience is rooted in listening to them first and we have invested in listening to them and the results are reviewed at the highest levels of the organisation to understand the pain points, ensuring that sufficient resources are allocated to addressing them. We are working to build a customer centric culture throughout the organisation so it becomes the way HNBA does business, and the hallmark of an HNBA employee. The measurement of these scores ensures that we understand the direction we are moving in and enables us to understand the root causes to take corrective action.

Information regarding customer experience is gathered at all contact points and necessary actions are taken immediately for improvement. The contact centre is in place to support customers with their inquiries and a new assurance line - 1301 was established in 2022 to ensure convenient service to the customers contacting us via the hotline. Further, the official WhatsApp number – 0766 384 384 has been also launched as an addition to the existing non-voice channels to provide faster assistance to the customers. We continue to upgrade our technology to ensure availability and invest in training our staff to ensure that concerns are actioned in an appropriate manner. By the end the year 2022, 90% of the total Life Insurance related complaints were resolved and rest were under investigation in order to provide a complete resolution to the customers.

We strive to build a customer centric culture within the organization through continuous trainings, knowledge sharing sessions and through online content shared in various platforms aiming to enhance awareness. Conducting various events and celebrating different achievements of the employees helps in building the team spirit and drive them towards proving a superlative customer experience.

Customer experience is linked to everything we do. Our product strategy reflects our understanding of their needs as set out on page 70. Their concerns and pain points are included in the Training & Development of the Sales Force which is set out on page 61 and in our Technological Transformation on page 67.



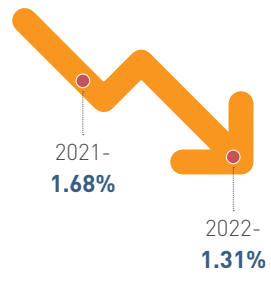
Life Insurance	
Number of customer complaints received	218
Number of settlements – fully resolved as at 31.12.2022	195
Investigation ongoing as at 31.12.2022	23

EXCEPTIONAL CUSTOMER EXPERIENCE



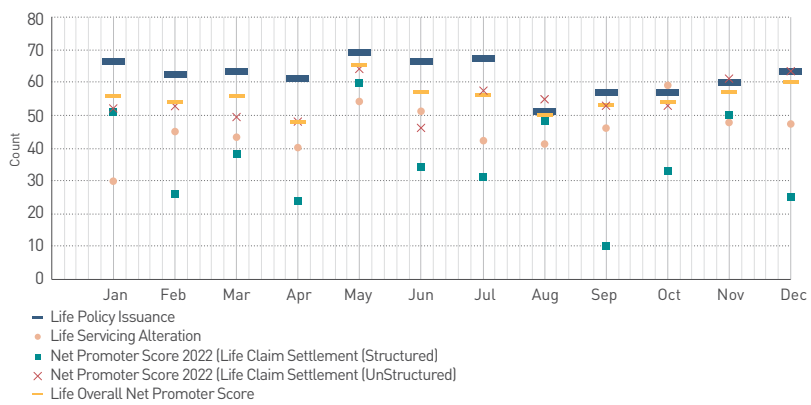
COMPLAINTS TO CLAIMS RATIO

Number of complaints received by HNBA during the year 2022 per 1,000 claims that were filed during the year was recorded to be 1.31% (2021: 1.68%).



In 2022, our overall Net Promoter Score (NPS) score moved from 48 to 60, reflecting the successful implementation of this strategy while the contact centre handled over 20,000 outgoing calls per month reflecting the level of satisfaction and the level of activity.

Net Promoter Score 2022



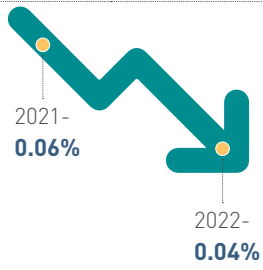
HNB GENERAL INSURANCE

An official WhatsApp number was introduced as an addition to the existing non-voice channels to improve customer service. Further, following up on Google reviews enables us to provide information and insight on the areas needed to strengthen and boost our online services. We keep upgrading our system to analyse the feedback from the customers and act on it regularly. 97% of General Insurance related complaints were resolved by the end of year 2022.

General Insurance	
Number of customer complaints received	34
Number of settlements – fully resolved as at 31.12.2022	33
Investigation ongoing as at 31.12.2022	1

COMPLAINTS TO CLAIMS RATIO

Number of complaints received by HNBGI during the year 2022 per 1,000 claims that were filed during the year was recorded to be 0.04% which was an improvement from 2021.



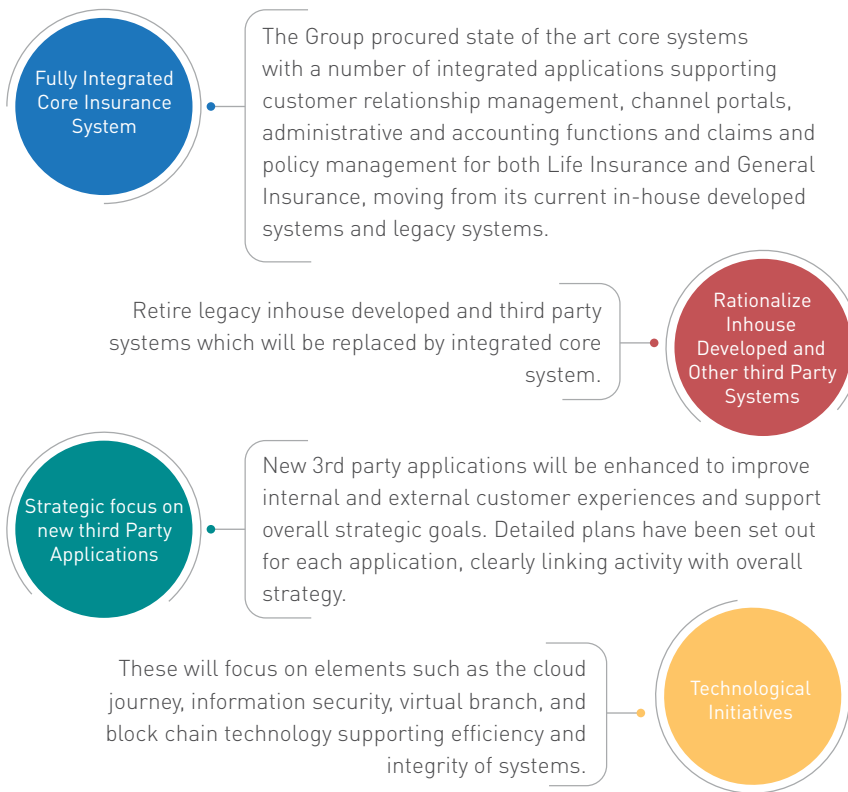
TECHNOLOGICAL TRANSFORMATION

Technology transformation is a key cog in the Group’s strategic plan, connecting customers to improved experiences, enhancing employee productivity, cost efficiency and creating a digital workforce that can lead HNBA Group into a new era of growth.

The core areas of focus to deliver technology transformation are set out below.

IT STRATEGY

The current IT landscape of the Group comprises core insurance systems, In-house developed systems, external systems and manual operations. The core insurance system connects over 20 in-house developed systems for related processes which are vital for scalability and efficiency. It also connects twelve 3rd party systems which include Oracle Fusion, actuarial systems, payments gateways, sales platforms, assessor platforms and web hosting services. These work in cohesion to support our day to day business operations. Our strategy for 2022 – 2024 is set out below.



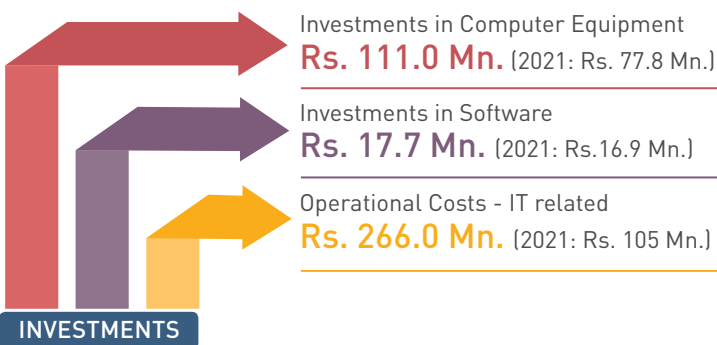
RELEVANT TRANSFORMATIONS

Our Technology Transformation is changing how we work and interact with each other. The Group has accelerated the replacement of desktops with laptops to enable hybrid models of working, supporting business continuity and employee retention as it is vital for remote working. In addition to above, required security aspects were also strengthened to enable work from home facility considering the dynamic threats in the environment.

It also plays a key role in moving to a paperless office as more manual processes are automated. As explained in the Life Insurance Business Review, in 2022, 98% of our underwriting proposals were captured through e-buddy which was a paper saving process.

Cloud first concept followed during most of the critical technology implementations with the objective of reducing on-premise infrastructure and harness features of cloud offerings such as capacity on demand, easy scalability, security, up to date technology platforms, etc.

The productivity gains are reflected in our ability to do more with less and can be measured by our Expense Ratio and the GWP per employee. GWP per employee ratio improved from Rs. 10.39 Million to Rs. 11.78 Million during the year. However, Expense Ratio increased by 6% mainly due to macro-economic factors.



Desktops to Laptops
Rs. 12.4 Mn - 2022
(Rs. 11.4 Mn 2021)

TECHNOLOGICAL TRANSFORMATION

DIGITAL GOVERNANCE

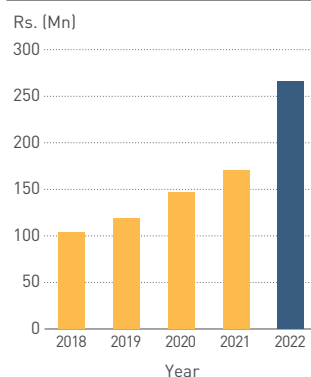
The Board has appointed a Board IT Steering Committee for HNBA and HNB General Insurance who have oversight responsibility for this key transformational area. Apart from monitoring the progress of key projects, this committee also sets in place the digital governance structure for the Group, minimising cybersecurity threats. A fully fledged IT department comprising 36 professionals manage the technological transformation of the Group, bringing in external expertise as deemed necessary.

Projects delivered to enhance digital governance during the year included data classification, cyber security, data loss prevention and surveillance. A comprehensive suite of policies was formulated and approved by the Board who also sought the expertise of an external consultant to identify gaps. It was encouraging to note that there were hardly any gaps in the policy framework.

The Data Protection Act No. 09, of 2022 was enacted during the year and we have commenced awareness sessions for the Board and C level officers of the Group. We will be undertaking a gap analysis with an external consultant to ensure compliance.

IT Operational Cost - Group

57% Growth in 2022



Above graph depicts the Company's IT operational costs which has grown drastically due to investment in digitalization journey.



INVESTMENT IN COMPUTER EQUIPMENT

67% increase in investment in computer equipment supported the Group to improve customer service & improve operational efficiency.



INVESTMENT IN COMPUTER SOFTWARE

Rs. 17. Mn. was invested to improve efficiency. Investment of the new core system will be recognized in the year 2023.



OPERATIONAL COSTS
















65% growth was recorded in this category. Depreciation in LKR was a key factor which contributed to this growth as Group obtain several services from foreign suppliers.

ACTIVITY IN 2022

The Group's IT Division has over 20 projects scheduled for delivery prior to 2024 which support transformation in key aspects of the organisation.

Key projects managed during the year are as follows:

Project	Completion	Stakeholders Impacted	Capitals Impacted
Core systems for Life and General Insurance <ul style="list-style-type: none"> End to end functionalities covering Sales, Agency, New Business, Underwriting, Claims, RI, Finance, Portals, etc. Scalable cloud infrastructure to suit business demand. Latest technology 	In progress	Employees Shareholder	INTELLECTUAL CAPITAL
HNBA Mobile App <p>This will enable customers to access all information relating to their policies in one place including all correspondence regarding the same. The app will also enable push notifications for other products, enabling cross selling.</p>	To be launched	Customers	INTELLECTUAL CAPITAL
Links to third party Apps <p>Linking with third party apps enables us to tap into existing ecosystems that add value to our stakeholders as well as pushing our products. The proposed link to Ayubo Life which is a health app that connects customers to a healthy lifestyle and medical consultations is in the pipeline for HNBA.</p>	To be launched	Customers	SOCIAL AND RELATIONSHIP CAPITAL

Project	Completion	Stakeholders Impacted	Capitals Impacted
<p>SLFRS 17 Readiness</p> <p>We are currently in the process of selecting vendors for both Life and General as it needs to go live by 01st January 2025. We are planning to do a parallel run in 2023. This is a high priority project as it will change how the industry conducts its financial reporting.</p>	Commenced	 Customers  Shareholder	 INTELLECTUAL CAPITAL
<p>Medical Claim Portal for Corporates</p> <p>Implementing a portal for corporate medical customers enabling them to claim from their own office systems.</p>	Implementing	 Government & Regulator  Shareholder  Customers	 INTELLECTUAL CAPITAL
<p>Digital Assessor App</p> <p>The Digital Assessor Platform is an application software platform that HNBGI invested in to enhance its claims process for insurance. This platform was developed in collaboration with a third-party software provider and is used at the time of accident intimation. The platform is designed to improve the customer experience by making the claims process more convenient, efficient, transparent and accurate.</p>	Implemented	 Customers	 SOCIAL AND RELATIONSHIP CAPITAL
<p>Salvage Management System</p> <p>The company has developed an in-house system to streamline its salvage management process. This system aims to reduce or eliminate fraud related to salvage management, track salvage locations quickly, and improve the efficiency of salvage disposal.</p>	Implemented	 Customers	 INTELLECTUAL CAPITAL
<p>Cloud Journey</p> <p>HNBA and HNBGI adopt cloud first approach in most of its latest technology implementation.</p> <ul style="list-style-type: none"> Core Systems (Both LIFE and GI), HRIS, ERP [Finance], Helpdesk/ Ticketing System, Sales Platform, Assessor Platform, Medical Platform 	In progress	 Employees  Customers  Shareholder	 SOCIAL AND RELATIONSHIP CAPITAL

2022

10 Projects Delivered

- Call centre enhancement
- Learning management system
- Anti-Money laundering system
- Data classification and DLP
- Ticketing system
- Data loss prevention
- e-Diary
- Digital Assessor Platform
- Salvage Management System
- Visualization Platform

2023

11 Projects

- Core system implementation
- Robotic process automation
- Virtual branch
- Geo mapping
- eSignature
- Chatbot /Virtual assistance
- Visualisation tools
- Video inspection
- Mobile App & Portal
- Lead Management System
- Workflow Driven business operations

2024

04 Projects

- Artificial intelligence
- Bring your own device
- Block chain
- eCommerce Platform

PRODUCT RESPONSIBILITY

Our comprehensive product development process is a certification to our commitment to product responsibility. A product is designed with inputs from a cross functional team at Corporate Planning sessions and the team using their knowledge and expertise provides a validation that the product is aligned to Company’s short-term and long-term strategies. Further, the involvement of the Compliance Division in product development process ensures that we take all measures to adhere to rules and regulations of governing bodies and we endeavor to be fair and accurate












when deploying our marketing campaigns. The product development process of the Company is alongside.

Product Development Process of HNBA	Responsibility
↓ Idea generation	Corporate Planning Team
↓ Concept development	Product Development Committee
↓ Product Feasibility	Operations Division
↓ Agreements with Reinsurers	Actuarial Division
↓ Product pricing	Operations Division
↓ Development of proposal form and policy conditions	EXCO and Operation Division
↓ Approval from Board Risk Committee and IRCSL	Marketing Division
↓ Development of Marketing strategies	
↓ Product Launch	

ACTIVITIES IN 2022

HNBA launched Supreme Health Unlimited, an all-inclusive medical rider covering an array of special benefits giving the best in terms of a premium Health Insurance for oneself, their kids, parents, and parent in-laws. The policy launched in November 2022 is creating interest as it offers the following benefits to customers. We expect this product to gain traction in 2023 as health and wellbeing of family remains a key concern and high levels of healthcare inflation makes it prudent to invest in financial safety nets related to health. However, the decreasing disposable income will be a significant challenge and we expect customers to be more discerning about their choice, positioning this product as the most attractive choice in the market, delivering value above and beyond competing policies in the class.

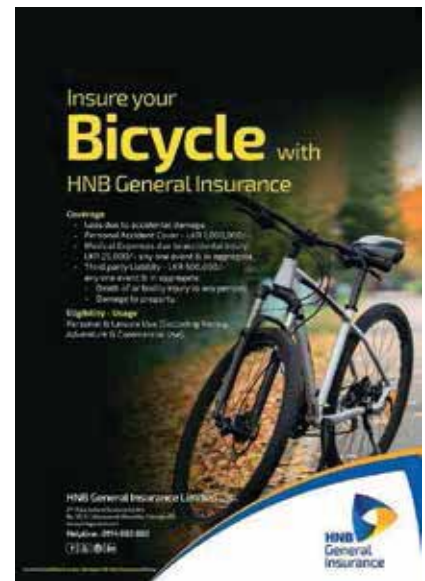
Features of Supreme Health Unlimited

 Worldwide Hospitalisation Cover	 Worldwide Cashless Claims Settlement	 No Claim Bonus	 Restore Benefit
 Deductible Option	 Surgical Benefit	 Optical Benefit	 Health Scanning Benefit
 Dental Benefit	 Maternity Benefit	 OPD Cover	

HNB GENERAL INSURANCE

HNBSGI possess a comprehensive product suite which was reviewed and improved during the year considering the prevailing socio-economic conditions. Accordingly, Company revamped certain existing products such as cyber insurance, bankers indemnity and all risk bicycle policies to facilitated changing lifestyle and emerging risks our customers face.

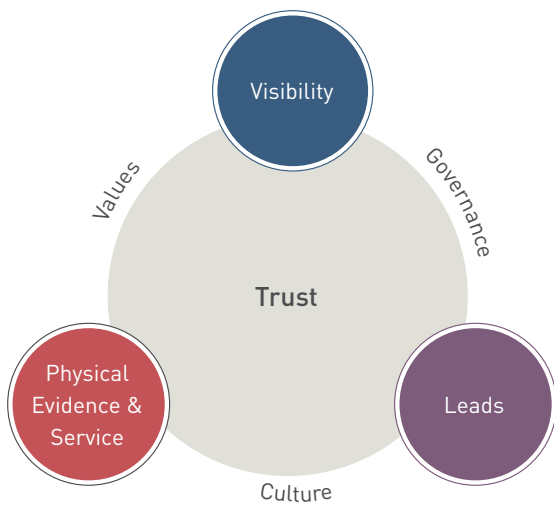
GENERAL INSURANCE PRODUCT SUITE



- Motor**
- Agricultural Vehicle protection
- As-Salam Motor-Takaful
- Motor Guard
- Motor Guard Xtra
- Pay as you claim
- Marine**
- Marine Takaful
- Marine
- Fire**
- Protecting My Home
- Sesatha
- Miscellaneous**
- Travel
- Travel Max

A REMARKABLE BRAND

The HNB Assurance brand is one of the country’s top 100 brands and the brand moved up 3 places in 2022 rankings of the Brand Finance Most Valuable Brands Index in Sri Lanka.



- **Traditional**
Position HNBA as the most trusted life insurance partner offering the best products in the market
- **Digital**
Grow a digital presence and create greater engagement with target Groups
- **On ground**
Our annual activation calendar ensures that we take the message regarding the need for financial protection across the country to towns and villages alike.
- **Online**
Use direct marketing to engage customers digitally with the proposition of financial protection.



Brand Value
HNBA – Rs. 790 Mn.

A strong brand association with the parent company, an island-wide presence, customer centricity and a reputation for fair dealing underpin the brand. We continue to invest in ensuring that our brand value is nurtured, supporting business growth.

Operating in the insurance business, trust is key to our business transactions. As a subsidiary of the Hatton National Bank PLC, we inherit a culture, values and a governance framework that has stood the test of over a century of responsibility in managing the finances of people and businesses. These elements combine to create a unique brand value that is nurtured within the organisation through structured communication processes including actioning feedback received wherever appropriate. The understanding that everything we do can impact our brand and our reputation drives us to higher

standards of excellence. The brand impacts every stakeholder and is a key component of our Intellectual Capital that is consciously nurtured through the activities set out above but more importantly through the fair dealing that we pride ourselves on for which checks and balances are in place through a comprehensive governance framework as set out on page 104, values set out on page 7.

Our communication strategy revolves on being ethical, relevant and truthful, employing a multichannel approach through which we constantly strive to provide pertinent information that would allow the public at large to make an educated choice pertaining to the protection of their assets, businesses, lives and health.

HNB Assurance unveiled its new branch outlook at three strategic locations

during the year. These new refurbished branches exude an aura of sophistication whilst being functional, warm and welcoming.

REMARKABLE BRAND OF HNB GENERAL INSURANCE

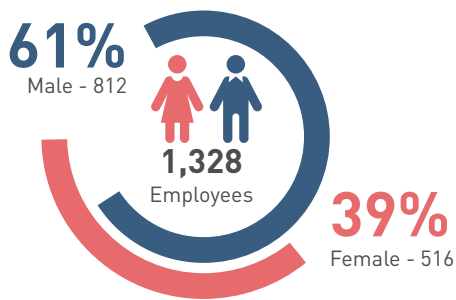


Brand Value
HNBGI – Rs. 604 Mn.



PASSIONATE HUMAN CAPITAL

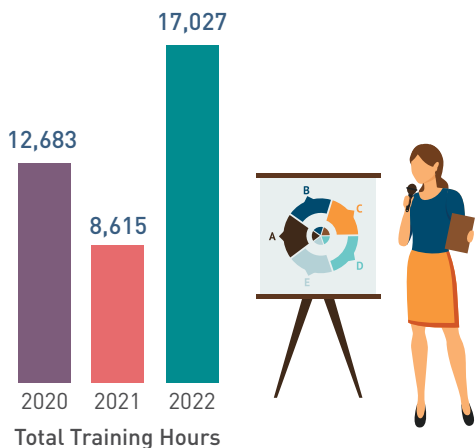
HNBA is well on its way in making our mark as the “preferred employer” in the industry with our unique value proposition and organisation culture. We foster a learning culture and encourage and reward the right behaviour and performance in order to retain the talent needed to achieve our strategic objectives during these unprecedented times.



Only Insurance Company in Sri Lanka to be ranked amongst the top 70 workplaces in Asia



376
New recruitments



Value Delivered

4 QUALITY EDUCATION	Rs. 13 Mn investment in training and Development
5 GENDER EQUALITY	39% female representation
8 DECENT WORK AND ECONOMIC GROWTH	Rs. 2,041 Mn as remuneration 1,328 employment opportunities
10 REDUCED INEQUALITIES	We are an equal opportunity provider and do not tolerate any type of discrimination

PASSIONATE HUMAN CAPITAL

HR GOVERNANCE

All policies and procedures are developed to provide structure, consistency, control, fairness and transparency in managing human resources while ensuring that we create a dynamic team that is aligned to our corporate values and philosophy.

All policies and procedures are approved by the Board while the responsibility of implementing them within the approved framework lies with the CEO, who is supported by a team of HR professionals led by the Chief Human Resources Officer. The Board Human Resources and Remunerations Committee (HRRC) assists the Board by making recommendations on matters relating HR management and monitors compliance with regulatory requirements.



Team HNBA

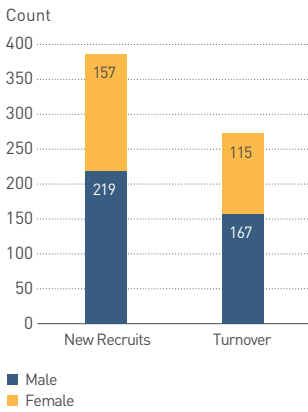
Category	Male		Female		Total	
	No.	%	No.	%	No.	%
By Contract						
Permanent	802	61%	505	39%	1307	98%
Fixed -term contract	10	48%	11	52%	21	2%
By Staff Category						
Heads and above	33	87%	5	13%	38	3%
Managers and Assistant Managers	191	82%	41	18%	232	17%
Executives	423	62%	260	38%	683	51%
Non - Executives	165	44%	210	56%	375	28%
By Years of Service						
< 2 years	261	61%	170	39%	431	32%
2 – 4 years	149	66%	78	34%	227	17%
4 – 6 Years	107	61%	67	39%	174	13%
6 – 8 Years	87	60%	58	40%	145	11%
8 Years and above	209	60%	142	40%	351	26%
By Region						
Western Province	402	56%	314	44%	716	54%
Other	410	67%	202	33%	612	46%

MOBILITY IN 2022

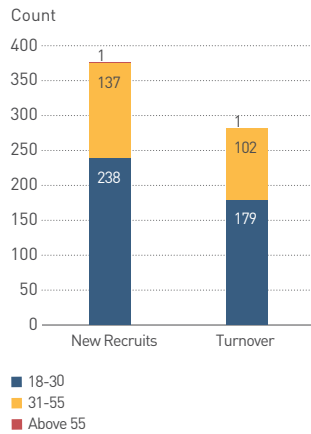
Attrition rose to unprecedented levels due to the talent migration witnessed across many industries islandwide. Despite this high turnover, HNBA maintains a healthy level on retention with 26% employees having over eight years of service. The relationship built between the organisation and its employees through a holistic value proposition offered to employees. HNBA's learning culture and concept of "Grow with us" allows our young team to align their personnel career aspirations with the Company's corporate goals. Our ability to retain and develop a competent team with the right attitude has been a major force behind our performance where we have been able to outperform the industry.

During the year 376 new employees were recruited to expand our reach and to deepen our expertise. Our recruitment process is designed to ensure transparency and objectivity with a series of assessments and interviews to select the best possible candidates. During the year we took initiative to provide training to interviewers to make the recruitment process more effective. Retention rate declined to 79% (2021: 83%) driven by the large-scale talent migration observed across the country.

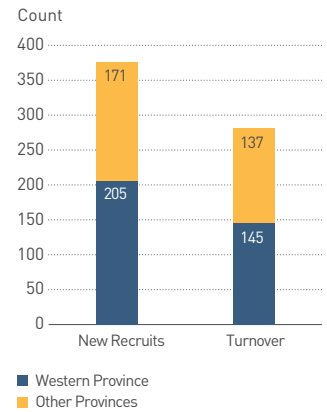
New Recruits and Turnover by Gender



New Recruits and Turnover by Age



New Recruits and Turnover by Region



Performance Management and Career Progression

Our Performance Management System allows a balanced assessment of employees by setting up both financial and value driven objectives. Achievements are rewarded with variable pay schemes and career progression opportunities. Further, we carry out an annual talent calibration process using the nine-box modular which aids us in our succession planning as well as in individual career planning.

Outstanding performers are recognised with Chairman’s Excellence Awards and the Best Sales Personnel at the Annual Sales Convention to set new benchmarks for performance and to motivate employees to reach higher performance levels.

Engagement

We strive to motivate our team by maintaining the team spirit and camaraderie. Our open-door policy supports engagement and encourage collaboration where employees’ inputs are taken into consideration. Further, we carry out unique networking programs such as “Coffee with CEO” and “Open Mike Friday” and use social and digital media platforms to enhance engagement. Other welfare and network events include,

- Townhall meetings
- Christmas carols and kids party
- Competition on our Facebook page “connect”
- Staff conference
- Year-end Bash

2022 saw a revival in sports with HNBA actively participating in Mercantile Football Tournament and Inter Insurance Netball Championship. However, the highlight is HNBA team winning the Inter Insurance Cricket Tournament and reaching the quarter-finals of the Mercantile Cricket Tournament in 2022.



PASSIONATE HUMAN CAPITAL

Attractive Remuneration

Our rewards scheme is comprised of fixed pay, variable pay, benefits and investments in training and development. The fixed pay includes basic salary, allowances, statutory pensions contributions while variable component consists of both monetary and non-monetary benefits such as,

- Production incentives and bonuses
- Recreation facilities
- Loan facilities at concessionary rates
- Donations on death of employees and their immediate family members
- Welfare events
- Non-monetary awards such as foreign tours
- Medical benefits
- Life and medical insurance
- Exam leave and exam fee reimbursements
- Accredited training partnership for CA Sri Lanka and Chartered Institute of Management Accountants (CIMA) UK

Despite the challenges faced due to macro-economic uncertainties, we upheld our employee value proposition by safeguarding employment and remuneration 100%. Further, we provided a special allowance for employees who were most affected by the downturn in the economy. During the annual salary review, the necessary market adjustments were carried out based on the industry standards and to combat high inflation.

TRAINING AND DEVELOPMENT

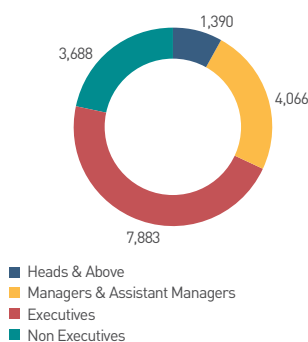
Training needs are identified at the employee performance appraisals and aligned with both organisational and individual goals. During the year we initiated a collaboration with the University of Colombo to deliver our Management Development Program which was received well.

Both physical and virtual platforms were used when delivering training, depending on the type of program and the recipients of the training. Total investment in

training and development for the year amounted to Rs. 13 Million. (2021: Rs. 6 Million). The programs conducted during the year covered areas such as leadership, governance framework, medical awareness, customer service, accounting standards etc.

	2022	2021
Total investment in training – Rs. Million	13	6
Total No. of training hours	17,027	8,615
No. of employees received training	3,936	2,378

Training Hours per Category



OUTSOURCED STAFF

Outsourced staff are contracted through reputed labour agencies and our contracts include clauses to ensure that employees working on HNBA projects and premises are remunerated in accordance with the regulatory requirements. In 2022 we worked with 164 (2021:163) outsourced personnel.

HEALTH & SAFETY

Comprehensive medical insurance scheme covering both in-house medical treatment and reimbursement of outpatient medical costs to permanent employees, maintenance of first-aid boxes in each department, maintenance of a 'sick-room' in head office premises are measures we have taken to ensure employee health & safety. The Company encourages a healthy lifestyle for its employees and during the year seminars were also conducted to educate employees on its importance.

GRIEVANCE HANDLING

A formal grievance handling procedure is in place for handling all complaints and is clearly communicated to all employees. Employees are encouraged to bring any job related grievances to their Line Managers. However, the procedure allows the escalation upto CEO and then to the Board in a step-up criteria. HNBA does not have any unions reflecting high levels of engagement and employee satisfaction.

DIVERSITY AND INCLUSION

As reflected in our policy framework, culture and values we inculcate, creating and facilitating a diverse and inclusive culture is a key priority of HNBA. We maintain a zero-tolerance policy for racism, and this is reflected in all functions of Human Resource Management. Prompt handling of grievances, an Integrity Reporting Policy and Open-Door Policy encourages employees to come forward to report discrimination.

GENDER PARITY

We encourage and support women to achieve their career objectives while sustaining a healthy work-life balance. "InShe" an initiative to empower women at the workplace to reach their career aspirations is to be launched in 2023. Regulatory maternal benefits and other work arrangements encourage women to remain in employment.

Return to work after maternal leave

	2022	2021
Employees entitled to parental leave	1,328	1,217
Employees on parental leave	48	10
Employees who returned after parental leave	48	12
Employees still in employment (12 months) after returning on parental leave	48	12

HNBA does not engage in any form of discrimination and as an equal opportunity employer adopts gender inclusivity in recruitment, in determining rewards structure, training and career progression opportunities. The ratio of basic salary between women and men at the Company was 1:1. Our efforts in maintaining gender parity continues to be recognised as HNBA was recognized as one of Sri Lanka's Women Friendly Workplaces by the Chartered Institute of Management Accountants, UK.

Any grievance can be brought to the notice of the Management given in Grievance handling policy and integrity policy.

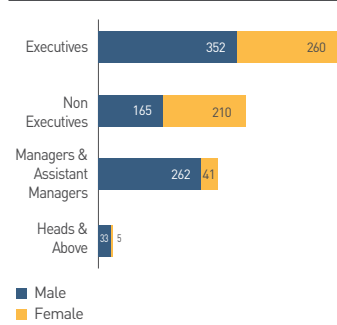
Promotions during the year

Male	Female
93	51

Gender by geographical location

	Male	Female
Western Province	479	343
Other	333	173

Gender Representation by Category



EMPLOYEES PER GENDER AND DEPARTMENT

	Female	Male
Actuarial Division	4	4
Finance & Support Services	30	53
Human Resources Division	9	3
Investment Division	2	3
IT Division	5	31
Branch Network	333	576
Operations Division	105	115
Legal & Compliance	7	12
Marketing Division	21	15

More than 60% of the female population of the Group are located in the branch network where business is generated and female employees represent more than 40% of the staff attached to technical divisions of the Group.

GENDER PARITY REPORTING

Note that the reporting of Gender Gap Indicators and a Responsible Brand have been deferred for 2023			
	Disclosure Requirement	Our Response	Page Reference
Enablers	Strategies and Goals for Gender Parity	The Company's strategy embraces diversity and inclusiveness	Page 76
	Diversity and Inclusion Policies	Our corporate culture promotes diversity and inclusiveness	Page 76
	Gender Pay Equity Policy	Total Rewards Policy in place to ensure recognition of talent and contribution	Page 77
	Grievance Handling Mechanism for Sexual Harassment	Company grievance handling mechanisms encourage employees to inform any such incidents	Page 77
	Workplace Practices to Promote Gender Parity	Maternal leave and a conducive work environment	Page 76
Composition	Governing body	HNBA Group is chaired by Mrs. Rose Cooray and the Board	Page 18
	Senior Leadership	Gender analysis by employment category sets out the proportion of female Employees.	Page 74
	Middle Management		
	Other Major Employment Categories		
	Recruitments	Refer gender analysis of recruits	Page 75
	Promotions	Refer gender analysis of promotions	Page 77
	Key Departments		Page 77
	Major Geographic Location		Page 77
	Proportion of Women at Work 12 Months After Maternity Leave		Page 76
	Proportion of Women in IT, Engineering and Production Related Activities		Page 77

FUND MANAGEMENT

With Assets under Management of Rs. 35.7 Billion, the investment strategy is key to financial stability and profitability of the Group.

Management of investment funds requires deep insights into financial markets together with a sound knowledge of the insurance business to ensure that asset allocations are in line with the objectives, that maturity profiles are aligned, and returns are optimised. Investment strategies vary with the times and the strategy adopted for 2022 take into account the uncertainty in key market variables while altering the risk appetite on selected asset classes.

FIXED INCOME

Strategy Adopted - Overweight

With CBSL tightening its monetary policy by 700 basis points (bps) in April 2022 and 950 bps for the year, the Company gradually increased its exposure to the fixed income instruments. Given the high market risks which persisted, the investments were made very selectively, specially to highly rated debentures and bank FDs and short tenor Treasury Bills. Considering the domestic debt restructuring risks, investments in the medium to longer tenor Treasury Bonds were made on a calculated basis in maintaining the Asset and Liability Management (ALM) at healthy levels. The portfolio duration was increased via selected asset classes to lock in investments at higher interest rates.

UNIT TRUSTS

Strategy Adopted - Underweight

With the increasing trend of interest rates which prevailed during most part of the year, Unit Trust investments were reallocated to other high yielding fixed income asset classes.

FOREX

Strategy Adopted - Overweight

The USD interest rates were at historically high levels. Together with LKR devaluation of 82% during the year, the forex investments yielded significantly more than the LKR investment returns. Therefore, the Company adopted an overweight strategy on the forex portfolio during the year.

EQUITY

Strategy Adopted - Underweight

With the expectation of risk weighted returns of equity investments to be negative or be insufficient to consider a significant increase in exposure, the Company underweighted its exposure to equity investments during the year.

DETERMINING STRATEGY

The Board of HNB Assurance has appointed an Investment Committee comprising experienced professionals to assist them in managing the financial investments of the Company, which is the largest item on the balance sheet. The Investment Committee meets at least four times a year to review the investment performance, guide the management on the investment strategy, to evaluate the market opportunities and risks of the investments of the Company and the subsidiary and also to ensure sustainability of investment decision making.

ACTIVITY IN 2022

Execution of the investment strategy effectively and efficiently resulted in an increase of investment income by a massive 70% for the year. Most of the strategies adopted by the management by accurately forecasting the macro-economic variables turned positive results for the Company's investment income. The forecasts for interests to

increase drastically and maintaining funds in shorter tenors and accurately forecasting the lackluster performance of Colombo bourse, justified the underweighting on equity investments.

INVESTMENT INCOME

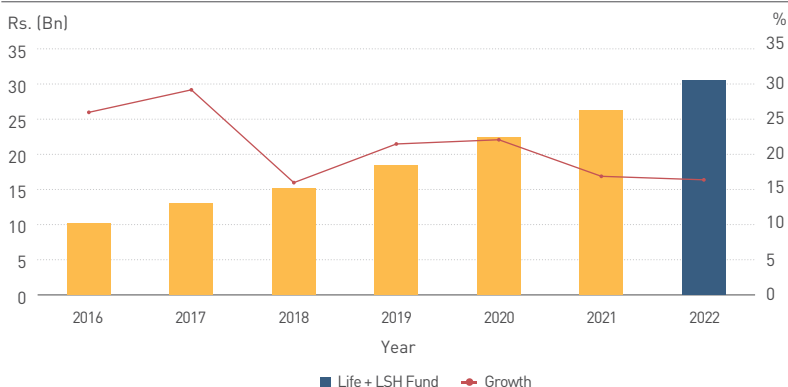
The Company's investment income reached Rs. 3.9 Billion. with a 70.1% growth compared with 2.3 Billion recorded for 2021. During the year under review, the sharp increase in the interest rates and the prudent investment strategies adopted by the management contributed to this massive growth in investment income. Further, in securing higher yields for the next year also, the fund management team locked in to selected medium to longer tenor fixed income instruments which supported the Asset Liability Management (ALM) requirements of the Life Insurance business.

FUNDS UNDER MANAGEMENT

Total funds under management increased by 16.3% to Rs. 30.5 Billion in 2022 with the Life Fund accounting for 19.6% growth whilst providing 83% contribution to the total funds under management and the Life shareholders' fund accounted for 2.7% growth whilst providing 17% contribution to the total funds. The extraordinary growth in the Life fund was supported by 24% growth in GWP and 70% growth in the investment income for the year.

Funds Under Management - HNBA

Rs. 30.5 Bn. in 2022

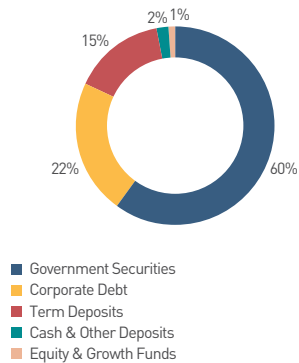


Supported by the steep increase in the life fund, the Company’s financial investments increased by 21% to Rs 29,845 Million. Active asset management strategies enabled us to navigate the high volatilities prevailed in the market during the year and optimise financial returns from our funds under management. During the year, we adopted many new investment strategies with a high level of focus for investment risk management as well. Therefore, exposure to some asset classes were limited. The Management also adopted many strategies considering the highly volatile interest rate environment prevailed in deciding the maturity mix of the portfolio as well. With the above decisions taken by the management, the average duration of the portfolio increased during the year whilst the average portfolio credit quality was also maintained at very high levels of AA- to AA+. The above strategies supported by the high interest rates prevailed in the market, the Company’s investment income increased by massive 70% to Rs. 3,905 Million. The cumulative average yield of the fund also increased drastically to 14.7% from 9.5% recorded during the previous year.

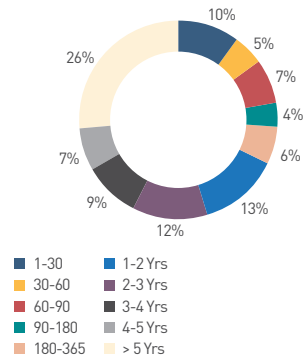
Government securities account for the bulk of the portfolio with Rs.18.5 Billion as at the close of the year. During the year, investments in Treasury Bills increased due to its high yield and the lower risks attached to the instrument. As at the year end a total of Rs. 5.8 Billion was invested in Treasury Bills. Investments in corporate debt and term deposits amounted to Rs. 6.7 Billion and Rs. 4.7 Billion respectively at the close of the year. The total Unit Trust portfolio was divested during the year due to the increasing trend of the interest rates prevailed during the year as well as the elevated level of the market risks prevailed.

The Company maintains a healthy maturity mix of assets and liabilities to manage liquidity through its structured ALM process. Accordingly, 25.7% of funds are invested in long term instruments with over five year maturity while healthy liquidity positions were maintained with 32.75% of funds invested in instruments maturing within one year.

Asset Allocation - HNBA



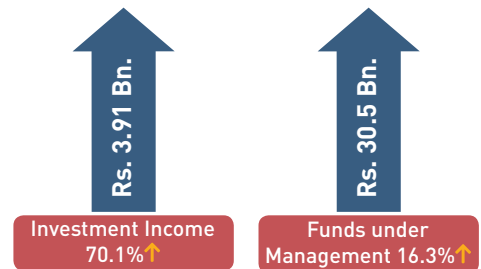
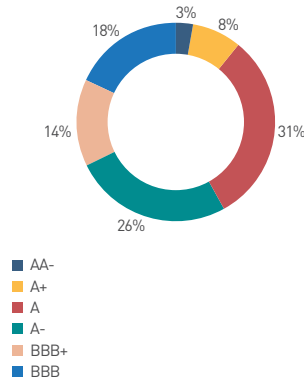
Maturity Mix - HNBA



Please refer page 99 of the Financial Capital Review

Asset Mix- Term Deposits & Debentures	Life	General
AAA	-	-
AAA-	-	-
AA+	-	-
AA	-	-
AA-	308	69
A+	875	205
A	3,543	1,159
A-	2,882	446
BBB+	1,550	197
BBB	2,022	275
BBB-	-	-
	11,180	2,351

Asset Quality - HNBA



FUND MANAGEMENT

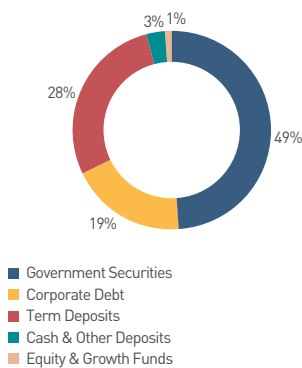
HNB GENERAL INSURANCE

The Investment income of the HNBGI recorded a significant growth of 145% reaching Rs. 959.5 Million by the year end of 2022 in comparison to the Rs. 391.6 Million recorded in 2021. This growth is mainly attributed to the prudent strategy adopted by the management in timing the investment decisions to reap the most out of the increase in interest rates, where the HNBGI was able to re-price most of the investments at higher interest rates. Further, the investment income benefited from the strategy adopted in its foreign currency investments, in which the HNBGI recorded a massive gain through the sharp devaluation in the local currency of 82% during the year.

Total Funds Under Management (FUM) of the HNBGI showed only a marginal growth of 0.4% with a FUM of Rs. 4.92 Billion by the year end 2022 in comparison to the Rs. 4.91 Billion recorded in 2021. The growth was deeply constrained due to the high outflows from the fund to accommodate a large volume of claims and other relevant costs escalation during the year under review.

EFFECTIVE ASSET ALLOCATION

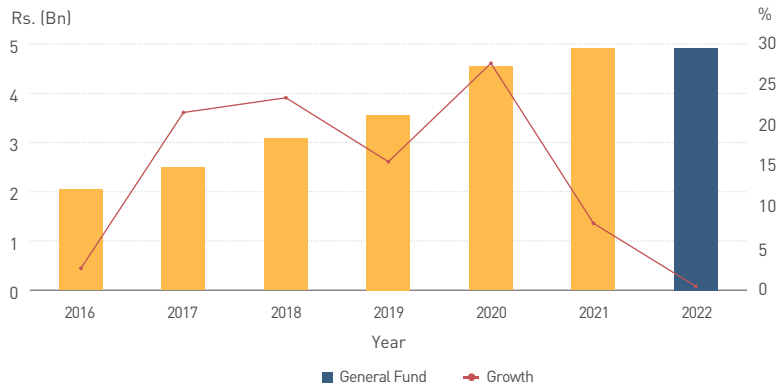
Asset Allocation - HNBGI



A greater share of the asset mix of the HNBGI is invested in Government Securities amounting to Rs. 2.4 Billion, which is 49% of the total portfolio as at close of the year. The historically high level of inflation and the foreign currency shortage in the country led the CBSL to increase the interest rates by

Funds Under Management - HNBGI

Rs. 4.9 Bn. in 2022



unprecedented margins where the yield of the Government Securities increased the most among the other fixed income instruments. However, the investments were mainly made into the Treasury Bills against the Treasury Bonds, given the lower risks attached to the Treasury Bills in terms of any form of Domestic Debt Restructuring.

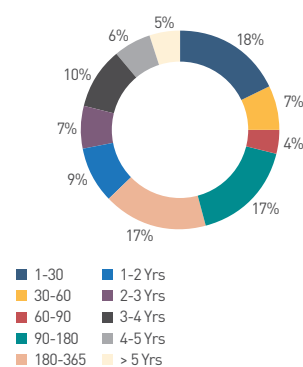
As at the year end, a total of Rs. 1.4 Billion was invested in Term Deposits which is 30% of the total portfolio. A larger portion of the term deposits were invested in relatively lower yielding foreign currency deposits amounting to Rs. 682 Million, which is 14% of the total portfolio. Accurate forecasting of the local currency depreciation by the fund management team, the HNBGI made an exchange gain of Rs. 237 Million. via its foreign currency holdings. A 5.7% of the total portfolio is invested in Sharia compliant Instruments which is maintained as a separate investment portfolio as per the Takaful Insurance rules. As a strategy of further increasing the investment yield, the management selectively prematurely uplifted some of the low yielding fixed deposits and re-invested at higher interest rates throughout the year.

Moreover, the total Unit Trust portfolio was divested during the year with the trend of increasing interest rates, as well as considering the preeminent level

of market risks, persisted during the year. Similarly, the exposure to equity investments was brought down after meticulous analysis of the economic variables and forecasts to curtail potential capital losses given the poor performance of the ASPI during the year.

As per HNBGI's ALM process, as at the year-end 63% of the investments were within the maturity of less than one year to match most of the insurance business liabilities which are falling under less than one year as well as to maintain a healthy liquidity position. The balance funds are invested for more than one year term instruments to increase the investment income.

Maturity Mix- HNBGI



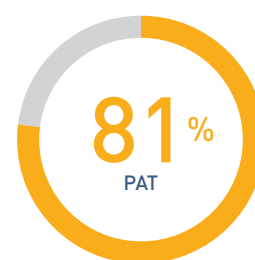
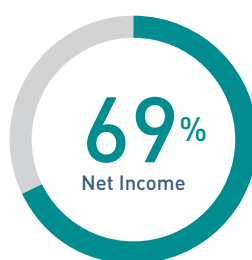
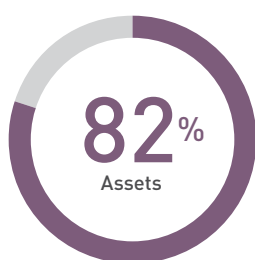
BUSINESS LINE REVIEW



LIFE INSURANCE

HNB Assurance PLC (HNBA) has achieved outstanding success recording its highest GWP to date, despite numerous challenges faced in the service-intensive insurance industry. We also posted the highest GWP growth among mid to large players in the industry recording a 26% growth. A comprehensive suite of insurance solutions, a rapidly growing sales force, investments in digitalisation and an increasingly customer centric culture supported this achievement.

Relevance to the Group



Key Performance Indicators	Unit	2022	2021	2021	Variance 2022
Gross Written Premium	Mn.	8,911	7,091	5,487	26%
Profit After Tax	Mn.	1,484	1,000	724	48%
Life Fund	Mn.	24,364	20,063	16,833	21%
Claims Ratio (Without Maturities)	%	11%	10%	9%	(1%)
Expense Ratio	%	47%	42%	45%	(5%)
Premium Persistency	%	83%	87%	76%	(4%)
Lapse Ratio	%	48%	43%	41%	(5%)
Capital Adequacy Ratio	%	306%	277%	338%	29%

Value Delivered to Stakeholders

Rs. 2.2 Bn.

Claims paid

Rs. 57 Mn.

Paid as Bonus

8.5%

Dividend rate for non-participatory Policyholders

Rs. 547.5 Mn.

Dividends

Rs. 1.1 Bn.

Remuneration



11,757

Training hours

194

MDRT winners

Rs. 892 Mn.

Commission

Rs. 2.9 Mn.

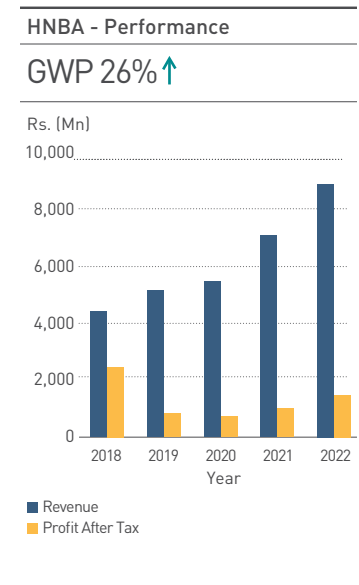
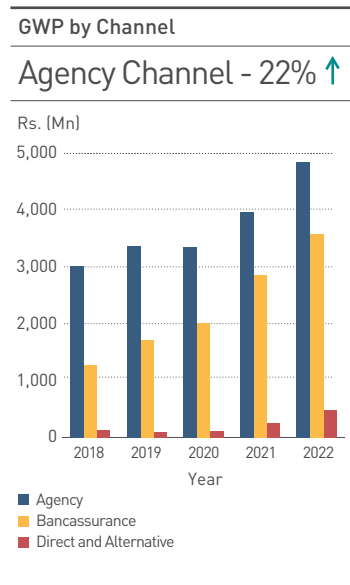
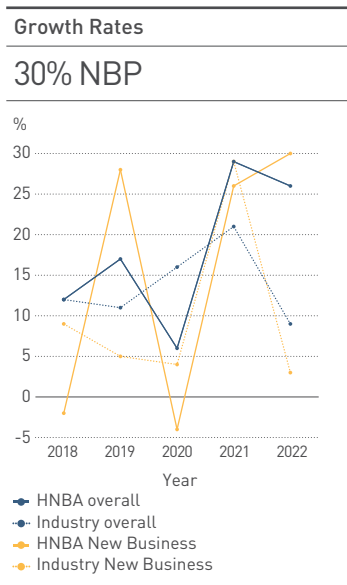
CSR spend

Rs. 86 Mn.

Taxes

Our focus on innovation and island-wide presence has enabled us to stay relevant and consistently grow our market share while maintaining financial stability. HNBA is ranked 6 in the Life insurance industry and improved our market share to 6.5%. We strive to enhance value generated for stakeholders through innovation in our products, people and processes.

Highlights		
Strategic Priorities		
Sales force expansion	Enhancing Customer Experience	Technological Transformation
<ul style="list-style-type: none"> 30 new incubator branches 3,648 Advisors 281 new field Managers Launch of the Model Branch concept 194 Million Dollar Round Table (MDRT) qualifiers 	<ul style="list-style-type: none"> Expansion of call centre Increased engagement with customers Customer empowerment through digital platforms 	<ul style="list-style-type: none"> Implementation of new Core system 98% of new business coming through e-buddy Launch of auto underwriting 

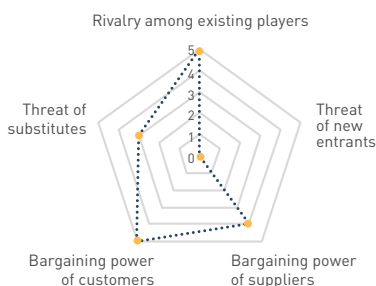


LIFE INSURANCE

2022 REVIEW

In 2022, we embarked on a journey to achieve 10% market share in 5 years. This was no easy feat as rapidly increasing inflation, reaching a high of 73.7% by September 2022, dampened disposable incomes affecting both New Business and Renewals. Additionally, as Life Insurance is a long-term product requiring one to one consultations and careful customizations, limited access to customers lead to difficult conversions. The effects of the pandemic, fuel crisis and social unrest continued to hinder in person interactions with customers. However, there were pockets of opportunities identified through careful market and customer segmentation, and analysis as the crisis also drew attention to the need for financial safety nets to build resilience in times of extreme uncertainty and volatility. HNBA leveraged the strength of its innovative product portfolio covering protection, risk management and retirement, savings and endowment needs to service these potential customers to record one of the best years in its history. (Refer Risks and Opportunities on pages 56-58).

Industry Analysis



Despite the low insurance penetration, the Sri Lankan Life insurance industry remains competitive as depicted in the graph. Threat of new entrants is very low, as insurance is a highly regulated industry which requires a considerable capital investment. Substitutes are available in the form of savings with high interest rates but substitutes for the life protection need is limited. Reinsures

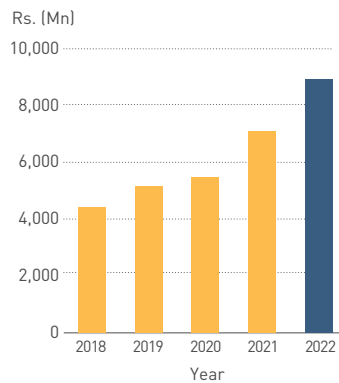
and intermediaries include dominant players resulting in high bargaining power. Life Insurance is still an unsought good and customers have a number of insurers to choose from. This translates to high bargaining power of customers. Accordingly, the insurance industry in which the Company operates is an extremely challenging one.

DRIVING INCOME GROWTH Premium Income

HNBA recorded an impressive GWP of Rs. 8,911 Million with a growth rate of 26%, outperforming the industry growth rate of 9% and recording the growth amongst the medium and large players in the industry. This was driven largely by a combination of expansion and productivity enhancement of sales force, expansion of branch network, product innovation and proactively seeking opportunities and investment in digitalisation.

Gross Written Premium

Rs. 8.9 Bn in 2022

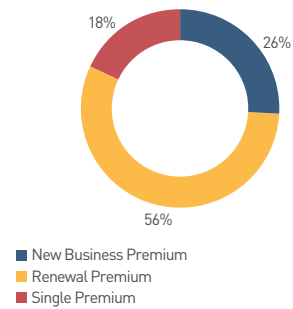


Key Focus Areas in Premium Income Growth

- Productivity enhancement of sales force
- Expansion of branch network
- Product innovation
- Proactively seeking opportunities
- Investment in digitalisation

GWP Composition - 2022

16% Renewal Growth

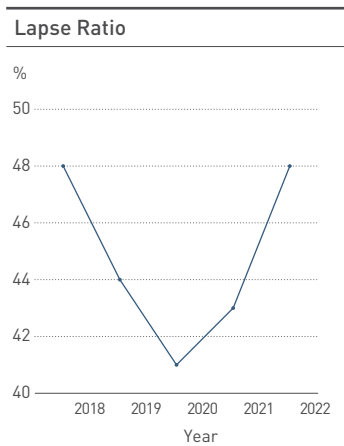


Despite the challenging macroeconomic setting, premium from New Business grew by 30% to reach Rs.2,269 Million while the premium from Renewals grew by 16% to reach Rs.4,997 Million. SupremeHealth Unlimited launched during the year has established itself as one of the best health insurance products in the market and has made notable contribution to New Business. GWP from Individual Customers, which contributed to over 95% of the total GWP, grew by 22% while the premium from Corporate Customers doubled with heightened focus on Group Life business. While both Partnership and Agency channels contributed strongly towards overall performance, Partnership channel's overall contribution to GWP increased to 47% of Life GWP, up from 34% in 2021. The Agency channel, which brought in 60% of endowment NBP, recorded a 25% growth while Partnership Channel contributed with a NBP growth rate of 37%. (please refer further details on sales channels on pages 61-64)

LAPSE AND PERSISTENCY RATIOS

However, Lapse Ratio and Premium Persistency of the Company has deteriorated in 2022 due to adverse economic conditions that prevailed in the country. Strengthening of the Policy Conservation Unit and Call Center where customer complaints are handled while policy premiums are followed up

are initiatives taken by the Company to improve these KPIs as they are key drivers of GWP and Profitability growth.



POLICY COUNT

HNBA recorded a growth of 16% in new policy count which was an impressive achievement in the prevailing market conditions. Different strategies were implemented by the two key business channels to drive policy count while maintaining the target average premium size.

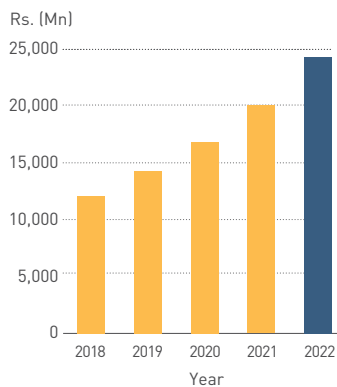
During the year we also witnessed an increase in Interest income due to the upward pressure on interest rates and tight liquidity in financial markets. Sound investment strategy of HNBA, under the expert advice of the Investment Committee supported strong returns from interest bearing securities. LKR depreciation led to gains on foreign currency deposits while poor performance of the Colombo bourse impacted return from equity investments although impact was marginal. Accordingly, Investment income grew by 66% to reach Rs. 4,009 Million while Funds under Management increased by 16% with Government Securities contributing to 61% of the fixed income securities.

MANAGING THE BOTTOM LINE

HNBA delivered a Profit Before Tax (PBT) of Rs. 1,994 Million, recording a growth of 37% while Profit After Tax increased by an impressive 48% to reach Rs.1,484 Million. Life insurance

business contributed Rs. 1,280 Million to PBT through the surplus transfer from the Life fund which was recommended by the Appointed Actuary. This marked a 31% increase from 2021. Strong GWP growth, increase in investment income fuelled by both growth in Funds under management and higher yields on investment were catalysts to this achievement. Income growth surpassed rise in expenses due to inflationary pressures and LKR depreciation and increase in Net Benefit and Claims enabling remarkable bottom line results.

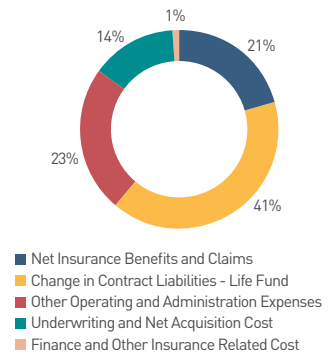
Life Fund



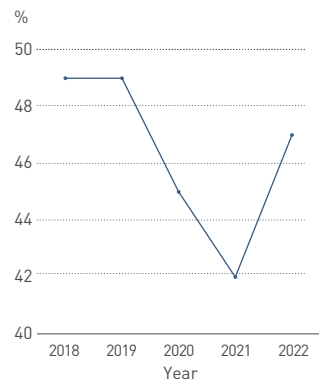
Net Benefit and Claims increased by 36% to Rs. 2,224 Million driven mainly by maturity claims of Rs. 1,264 Million, which were expected and higher surrenders of Rs. 601 Million due to prevailing economic conditions. Medical claims also saw a slight uptick due to medical inflation. Accordingly, Budgeted Claims Ratio was exceeded and recorded to be 26% (2021: 24%) and the Claims Ratio without Maturities increased up to 11% from 10% in 2021. Underwriting and Net Acquisition Costs grew by 31% to Rs. 1,437 Million to support the 26% growth in GWP. Other Operating and Administrative expenses increased by 47% on account of inflationary pressure and the uptick in foreign exchange rates as costs especially IT related are directly linked to it. However, due to extensive expense management strategies exercised throughout the year, Company Expense Ratio was maintained at 47% (2021: 42%) which was below the budgeted level.

Benefits, Claims and Expense Composition

47% Expense Ratio

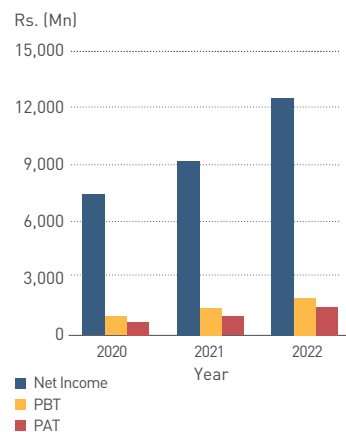


Expenses Ratio



Net Income, PBT & PAT

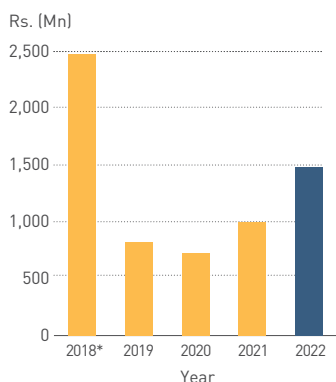
36% Net Income Growth



LIFE INSURANCE

Profit After Tax

48% PAT Growth



* Includes adjustment for deferred tax of Rs. 1.4 Bn.

GROWTH & STABILITY

Only two insurance companies underwriting Life Insurance business in Sri Lanka have obtained a rating from an internationally reputed ratings agency and HNBA is one of them. HNBA maintained its Insurer Financial Strength rating at A+(lka) by Fitch Ratings Lanka Ltd until end December 2022. However, due to the sovereign downgrade and related recalibration of all rated insurance companies, HNBA was also downgraded two notches to A- (lka) in January 2023 and remains on Rating Watch Negative purely due to the country situation.

Total assets of the Company increased by 14% to Rs. 33,719 Million driven by the growth in Financial Investments. Equity contracted marginally by 4.8% despite the 18% growth in Retained Earnings. This was due to sharp decrease in Available for Sale Reserves on account of drop in market values of Available for Sale investments in Treasury Bonds and Bills consequent to sharp increase in interest rates during the year. However, this decrease is temporary and will reverse over the tenor of the investments. The funding structure remains stable being fully Equity funded with a total equity of Rs. 6,693 Million. Total Liabilities increased by 20% to Rs.27,025 Million, driven by 21% growth Life Fund reflecting the commendable business growth.

PEOPLE, TECHNOLOGY & CULTURE

People and our digital infrastructure have synergised to drive cost efficiencies and boost productivity throughout the organisation. The acceleration of digitalisation which was prompted by the pandemic, has facilitated the technological empowerment of a young and enthusiastic team. Capitalising on our digital platforms over 98% of new business are now captured digitally, supporting faster turnaround times and significant reduction in usage of paper. High levels of Employee and Business Partner engagement together with capacity building initiatives resulted in HNBA producing 194 Million Dollar Round Table (MDRT) winners, surpassing our target of 175 and inspiring the team to reach higher. A strong concern for people remains a core strength that has enabled us to nurture a high energy culture that remained buoyant amidst declining business confidence in the country. We have reinforced our efforts to retain people due to the high levels of economic migration observed in the market and have also been able to attract suitable talent to meet our requirements due to the strong perception of our brand as a preferred Employer.

GIVING BACK TO THE COMMUNITY

As insurance providers we are obliged to provide protection and uplift lives of our customers. However, as responsible corporate citizens we go beyond our obligations and create value for the community through various CSR activities initiated every year. These initiatives can be broadly categorized in to health and wellbeing, arts and culture, education, environment and religious harmony.

HNBA

During the year we have provided 166,686 life insurance covers to our customers, a 5% increase compared to the previous year. HNBA went beyond our contractual obligations by disbursing 471 ex-gratia payments. Further, we also took initiative to make 435 COVID related payments, despite the exclusion of pandemics under insurance covers.

We partnered with our parent HNB in uplifting the livelihoods of financially vulnerable individuals of the country. Accordingly, life insurance covers were provided for those who obtained micro finance loans from the HNB. During the year more than 4,468 insurance covers were issued under this scheme.

Health and Wellbeing

- We continued our water stewardship program by donating water filters to 4 school situated in areas with limited access to drinking water.
- 3 programs carried out to educate the community on healthy lifestyle habits.
- Took initiative to educate people to manage their finances amidst the economic crisis. 10 webinars were carried out under this program.
- Donation of urgently needed medicine to the District General Hospital in Trincomalee as many hospitals across the country was faced with severe medicine shortages.

Arts and Culture

- The company provided financial assistance to blind musical orchestra with the objective of helping the differently abled.
- A special insurance policy and cash grant was provided to Nethmi Ahinsa, the youngest Sri Lankan medal winner in the Commonwealth Games.

Education

- A special cash grant to Ms. Rashmi Nimesha who obtained outstanding results obtained at the G.C.E. Advanced Level Examination despite being physically challenged
- Donation of school supplies was made to the students of the Galapitiya School in Meegalawa.
- Donation of school stationery for the children receiving treatment in the Thalassemia unit of the North Colombo Teaching Hospital
- Conducted 4 grade five scholarship programs to help children prepare for the examination.

Environment

- The company embarked on a pilot project to help protect Sri Lankan crocodilians as well as humans by creating awareness of the crocodile habitats and warn people to avoid such waterways. This was piloted in the Kataragama area which is frequented by visitors who are not from the area who put themselves unwittingly in harm's way.



Display of Awareness Signboards in Kataragama Area



School Water Projects - Helping less privileged schools with clean drinking water during school hours: Mahanelubewa School in Hindogama, Nikawewa Anura Maha Vidyalaya, Ihala Uswewa Dharmasoka Vidyalaya in Anamaduwa, Assadduma Primary School



Cash Grant & Insurance Cover to Ms. Nethmi Ahinsa Fernando (youngest Sri Lankan medalist at the commonwealth games for wrestling – bronze medal in 2022) & cash grant to her coach Mr. Suranga Kumara



Donation Medicine to District General Hospital in Trinco

OUTLOOK

Our unwavering commitment to our strategy to become a Tier 1 player and reach 10% market share within the next 4 years remains steadfast. We recognise the challenges presented by the current economic climate but remain highly focused on identifying and capitalizing on areas of opportunity that will drive growth.



Cash Donation Ms. Rashmi Nimesha Outstanding results obtained at the G C E Advanced Level Examination



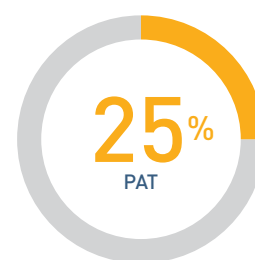
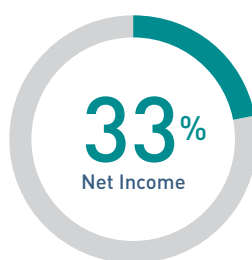
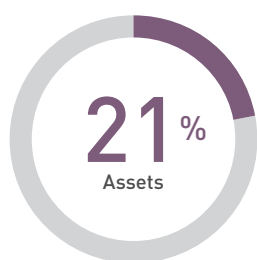
Donation to Thalassemia Unit Affiliated to North Colombo Teaching Hospital

Our rigorous approach to monitoring performance, along with the development of fit-for-purpose products and a positive organizational culture, are key strengths that will enable us to remain determined and achieve our strategic goals in the year ahead. We believe that by staying razor focused on these core strengths, we will be well-positioned to succeed in the marketplace and deliver significant value to our stakeholders.

GENERAL INSURANCE

HNB General Insurance Limited (HNBGI) caters to the Motor, Non-motor segments whilst offering Takaful solutions. Over the years we have built a reputation of a fast growing, stable insurance provider due to our innovative product range, collaborative partnerships and omnichannel presence. These strengths are well supported by continuous investments in technology which is key for sustainable growth.

Relevance to the Group



Key Performance Indicators	Unit	2022	2021	2020	Variance 2022
Gross Written Premium	Mn	6,821	5,649	4,998	21%
Profit After Tax	Mn	450	338	451	33%
General Insurance Contract Liabilities	Mn	4,182	3,736	3,309	12%
Claims Ratio		72%	63%	55%	14%
Expense Ratio		38%	37%	39%	3%
Combined Ratio		110%	100%	94%	10%
Capital Adequacy Ratio		239%	260%	255%	[8%]

Value Delivered to Stakeholders

Rs. 3.3 Bn.

Claims paid

Rs. 103.5 Mn.

Paid as dividends

5,270

Training hours



Rs. 222 Mn.

Taxes

Rs. 603.4 Mn.

Commission

Rs. 944 Mn.

Remuneration

Highlights

Strategic Priorities



STRATEGIC DIRECTION

HNBGI has its medium term plan set to becoming the 5th largest General Insurer by 2026. This journey began in 2022 and this strategic direction encompass five main goals that the company desirous of reaching.

Rescoping the Playing Field

HNBGI intends to build on its strengths to grow its key business channels in

terms of Brokers, Agency and HNB and related companies.

Reshape Value Proposition

HNBGI has a comprehensive product portfolio covering both Motor and Non-Motor. HNBGI strives to differentiate and simplify products to cater to exact needs of customers while offering packaged products as necessary. It also aims to digitize processed to bring products closer to the customer base.

Building Trust

By training and creating a learning organization HNBGI aims to develop its people to deliver superior service to its customers. Further to build trust in the HNBGI brand, we hope to engage with customers through branding, marketing activities and working in collaboration with academic and professional bodies.

Responding to New Trends

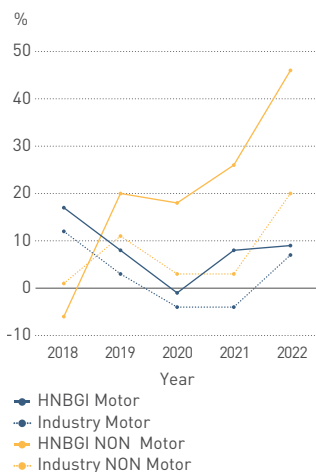
Improving product propositions such as developing specialty products in response to market trends and managing customer life cycles HNBGI hopes to make headway in the General Insurance market.

Focus on Pain Points

Addressing pain points is key in winning customers or losing them. HNBGI focuses on providing a superior service at the point of a claim, being easily accessible and focuses on removing unnecessary bottlenecks in the customer experience journey. Through these we hope not only to retain our customers but also to attract new ones.

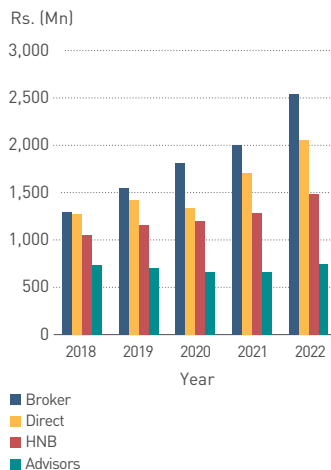
Growth Rates

Non Motor 46% ↑



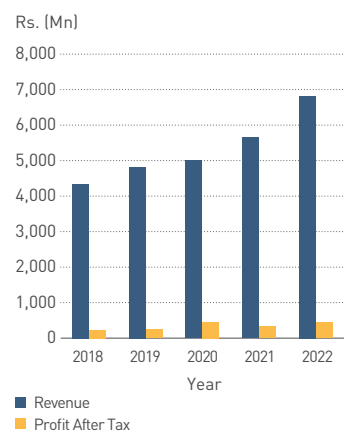
GWP by Channel

Broker 27% ↑



HNBGI - Performance

GWP 21% ↑

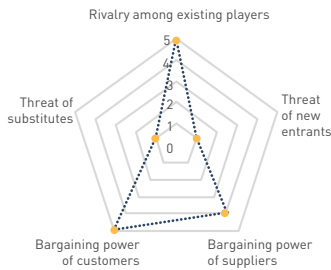


GENERAL INSURANCE

2022 REVIEW

In a year of unprecedented uncertainties, we delivered an outstanding performance through execution of our effective business strategy and optimum resource allocation. Continuation of import restrictions on motor vehicles and diminishing disposable income due to historically high inflation affected both New Business and Renewals. The social unrest and the pandemic highlighted the need for insurance products such as medical and fire and the Company aggressively perused these opportunities. We capitalized on our strength of innovative products by developing specialized products such as insurance for bicycles, cyber insurance, and professional and bankers indemnity that catered to the current need on the market.

Industry Analysis



Reinsurers are significant partners of insurance business and have significant bargaining power due to their size and the very small size of the local General Insurance market. During the year, the negative economic conditions prevailing in the country resulted in global reinsurers re-evaluating their partnerships with Sri Lankan insurers. Due to vehicle import restrictions motor insurance market has become stagnant which has intensified competition between rivals. Minimal differentiation of products has drastically reduced the switching cost and the customers are increasingly becoming price sensitive, especially with the reducing disposable income levels of individuals

and rising costs for corporates and SMEs. Accordingly, bargaining power of policyholders is high in both Motor and Non-Motor markets. While regulatory requirements maintain the bar high for new companies to enter to the industry, low product differentiation and high price competition intensify the rivalry amongst existing players. In the General Insurance business, substitutes remain low.

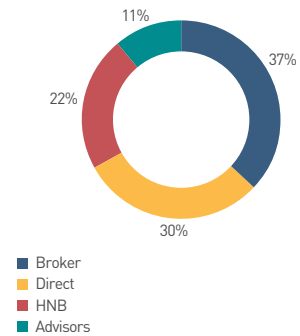
DRIVING INCOME GROWTH

HNBGI outpaced the industry growth with a GWP of Rs. 6,821 Million, recording a growth of 21%. This was driven by a combination of product innovation and active pursuit of opportunities. Motor Insurance which contributes to 62% of the GWP, recorded a growth of 9%, led by increase in premium prices as the value of vehicles increased due to import restrictions. On the Non-Motor front, Fire and Engineering marked a 27% growth while Marine Insurance grew by 93%, due to the acquisition of large corporate clients. Medical Insurance GWP grew by 66% and miscellaneous category reported a growth of 44% due to the introduction of specialty products. HNBGI maintained a Gross retention ratio of 80% due to our increased focus on customer engagement.

The Broker channel made a contribution of 37% to the top line with a growth rate of 4% while the Agency channel grew by 14%, making a contribution of 11%. The HNB channel recorded an impressive growth of 15% by leveraging on Group synergies and made a GWP contribution of Rs.1,385 Million. GWP contribution from HNB Finance PLC exceeded Rs.100 Million during the year while contributing to 22% of total GWP and Direct channel contributed to a significant 30% during the year 2022.

GWP Composition

Broker 37%



MANAGING THE BOTTOM LINE

Growth in topline and other revenue by 21% and 110%, respectively enabled the General Insurance business to mitigate the effects of a 28% increase in claims and expenses and thereby record a Profit Before Tax growth of 21%. The high interest rates prevailing in the country led to an interest and dividend income of Rs. 672 Million, recording a growth of 87%. The Company executed a prudent investment strategy under the expertise of the Board Investment Committee which supported to improve the income generated from Financial Assets.

General Insurance also recorded a gain on foreign currency of Rs. 280 Million on USDs denominated financial instruments which boosted other revenue significantly. In addition, 36% growth in fee and commission income also supported profitability.

Net benefits and Claims increased by 35% to Rs.3,327 Million which was led by Motor and Medical classes while a few large Fire claims also contributed to the increase.

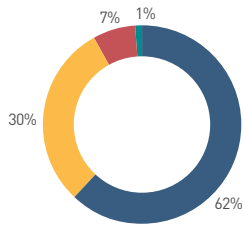
The Claims Ratio of the Company increased to 72% compared to the 63% recorded in 2021. Following factors underpinned the increase in Claims Ratio.

- Increase in number of motor and non-motor claims intimations reported which has grown by 16% compared to previous year

- LKR depreciated over 45% against USD resulting in appreciation in the spare parts prices
- Increase in motor vehicle spare part prices with imposition of import barriers
- Increase in labor charges and material expenses due to high inflations

On the expense front, despite the soaring inflation and the effects of LKR depreciation which resulted in higher costs, the Expense Ratio was managed just 1% above last year, at 38% due to effective expenses management strategies.

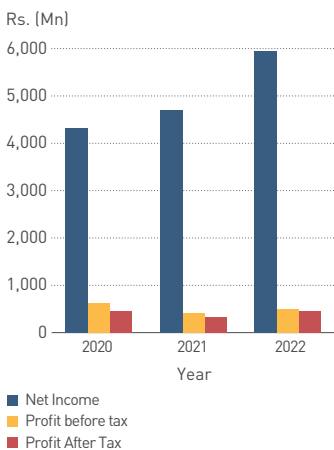
Benefits, Claims and Expense Composition



- Net Insurance Benefits and Claims
- Other Operating and Administration Expenses
- Underwriting and Net Acquisition Cost
- Finance and Other Insurance Related Cost

Underwriting and Net Acquisition Expenses increased by 6% to Rs.398 Million with the increase in GWP. Inflationary pressure and devaluation in the Rupee led to a 25% increase in Other Operating and Administrative Expenses. Competition among players led to increase in promotional expenses.

Performance



- Net Income
- Profit before tax
- Profit After Tax

Accordingly, HNBGI reported a Profit Before Tax of Rs.495 Million, a growth of 21% and a Profit After Tax of Rs.450 Million, recording an impressive growth of 33% amidst uncertainties.

GROWTH AND STABILITY

Total Assets of HNBGI increased by 13% to Rs. 8,549 Million led mainly by the increase in Financial Investments and Premium Receivables. Funding structure remains stable with a CAR of 239%. Total liabilities increased by 18% to reach Rs.6,294 Million mainly due to 12% increase in Insurance Contract Liabilities driven by the growth in GWP.

Due to the sovereign downgrade, HNBGI’s rating of the A+(lka) was downgraded to A-(lka) with a Rating Watch Negative in January 2023.

PEOPLE, TECHNOLOGY AND CULTURE

We enhanced our efforts in digitisation at the onset of the pandemic and facilitated the technological enablement of a dynamic team. HNBGI’s increased focus on people and technology has resulted in driving cost efficiencies and productivity, evident by the faster turnaround times and minimized manual interference. We strive to maintain a culture of high energy and positivity amidst the dismal business environment in the country and have strengthened our efforts to retain talent due to talent migration observed across many industries in the county.

GIVING BACK TO THE COMMUNITY

HNBGI has made significant progress in environmental sustainability by actively promoting renewable energy projects by covering risks for solar, hydro and wind power projects. During 2022 the Company settled a claim payment exceeding Rs.185 Million from a wind power plant. HNBGI also launched an all-risk bicycle policy during the year while promoting Motor Insurance for hybrid and electric vehicles. Under this initiative we have provided Motor Insurance for more than 9,500 hybrid and electric vehicles.

HNBGI also conducted an awareness campaign for road safety. This was conducted by Dr. Jayalath Edirisinghe, Senior Lecturer, Department of Civil Engineering University of Peradeniya. This was followed by several social media campaigns to promote road safety.



Awareness programs on road safety

OUTLOOK

We are on a quest to be within the top 5 General Insurance providers in Sri Lanka by 2026 and are ready to exploit new opportunities for sustainable growth. HNBGI remain focused on enhancing our talent and delivering an innovative and relevant product line within a dynamic and technologically driven environment in order to achieve our strategic aspirations in the coming year.

REVIEW OF CAPITALS

Interconnections and Interdependencies



FINANCIAL CAPITAL

Enhancing our financial capital is critical for our business growth while strong and stable capital position underpins our value proposition to stakeholders.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Business growth through innovative products and sales force expansion	Shareholders' Funds	Rs.Mn	7,798	8,123	[4%]
	Financial Investments	Rs.Mn	34,624	29,094	19%
	Insurance Contact Liabilities – Life Fund	Rs.Mn	24,583	20,343	21%
• Prudent investments under expert advise	Insurance Contact Liabilities – General Insurance	Rs.Mn	4,182	3,736	12%
• Leverage on Group synergies	Equity to Asset Ratio		19%	23%	[4%]
	Market Capitalisation	Rs.Mn	6,435	7,260	[11%]
	P/E Ratio		3.52	5.93	[41%]
	Return on Assets		4.8%	3.6%	1.2%



HUMAN CAPITAL

Our dynamic team plays a key role in our business growth, especially under the current challenging environment. Continuous investments in our people enabled us to deliver outstanding results outpacing the industry.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Providing flexible learning solutions	Number of Employees		1,328	1,217	9%
	Number of New Recruits		376	280	34%
• Increased engagement through digital platforms	Number of Promotions		144	130	11%
	Employee Turnover		22%	17%	5%
• Revision of incentive schemes to reflect market rates	Number of Training Programs		156	114	37%
	Total Training Hours	Hrs.	17,027	8,615	98%
	GWP per Employee	Rs. Mn	11.78	10.39	13%
	Female Representation		39%	38%	1%



INTELLECTUAL CAPITAL



DIGITAL CAPITAL

Intangible assets such as our culture, systems and processes, brand value and Governance structure plays a critical role in our value creation process.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Development of new products to address the current market requirements	Brand Value HNBA	Rs.Mn	790	701	13%
	Brand Value HNBGI	Rs.Mn	604	608	[1%]
	Number of New Products/ Riders		1	1	0%
• Improved processes and procedures through digitisation	Investment in Technology	Rs.Mn	334	211	58%
	Fitch Rating HNBA		A-(lka)	A+(lka)	
	Fitch Rating HNBGI		A-(lka)	A+(lka)	



SOCIAL AND RELATIONSHIP CAPITAL

Our success is determined by relationships with external stakeholders. We strive to enhance the value delivered to them in the long-run while staying constantly engaging with them.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Revision of incentive schemes	Number of Policyholders		344,990	334,904	3%
	Number of Advisors		3,983	3,108	28%
• Training programs in collaboration with IRCSL	Number of Brokers		65	62	5%
	Number of Assessors		69	73	(5%)
	Commission Paid	Rs.Mn	1,495	1,247	20%
	Need of the hour product solutions for customers	Claims and Benefits paid	Rs.Mn	5,552	4,096
• Increased engagement	% of Customer Complaints Resolved - Group		90%	98%	(8%)
	No. of Micro Insurance Policies		4,583	3,160	45%



MANUFACTURED CAPITAL

Manufactured Capital is the combination of physical infrastructure together with Property, Plant and Equipment that is a crucial input in our value creation process.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Maintaining a healthy mix of owned and rented premises	Number of Branches		67	63	6%
	Capital Expenditure	Rs.Mn	236	194	22%



NATURAL CAPITAL

As an environmentally conscious organisation, we strive to minimise the use of natural resources by embracing modern technology and by driving efficiency.

Value creation activities during 2022	KPIs	Unit	Value as at 31.12.22	Value as at 31.12.21	Growth
• Increased use of digital platforms to minimise the use of paper	Electricity Consumption	Units	1,409,737	1,427,769	(1%)
	Water Consumption	Litres	11,572,247	11,071,801	4%
	Paper Recycled	kg.	12,958	10,436	24%

FINANCIAL CAPITAL REVIEW

HNB Assurance Group recorded a strong performance in an exceptionally challenging year, delivering top line and bottom-line growth well above industry average. Focus on strategy and capital management facilitated financial stability to steer through the volatility of 2022 and has provided a strong foundation as we seek to navigate the uncertainties in 2023.

MANAGING FINANCIAL CAPITAL

As a regulated financial services organisation, management of financial capital is critical to manage liquidity and the regulatory capital requirements, maintaining financial stability of the Group and its entities. Apart from Gross Written Premiums received by the entities, the Group also receives a significant Investment Income from the assets under its management and this is carefully managed under the guidance

of the Board Investment Committee.

The Audit Committee plays a key role in the financial reporting process while the Group's Risk Management Committee ensures risks are monitored and actions are taken to ensure stability. The Strategy Committee of the Board seeks to optimise returns to Policyholders and to Investors while rationalising costs and managing risks. The Board maintains overall responsibility for management of this vital capital.

THE INCOME STATEMENT

For the Year Ended 31st December,	Life		General		Group	
	2022	2021	2022	2021	2022	2021
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Gross Written Premium	8,911	7,091	6,821	5,649	15,638	12,647
Net Written Premium	8,438	6,736	5,129	4,355	13,473	10,998
Net Earned Premium	8,438	6,736	4,744	4,113	13,087	10,756
Total Other Revenue	4,097	2,491	1,209	576	5,174	2,919
Net Income	12,535	9,227	5,953	4,689	18,261	13,675
Total Benefits, Claims and Other Expenses	(10,542)	(7,774)	(5,457)	(4,278)	(15,876)	(11,926)
Profit Before Taxation	1,993	1,453	496	411	2,385	1,749
Income Tax Expense	(510)	(452)	(45)	(73)	(555)	(525)
Profit for the Year	1,483	1,001	451	338	1,830	1,224

STRONG GROWTH AND PROFITABILITY

Revenue

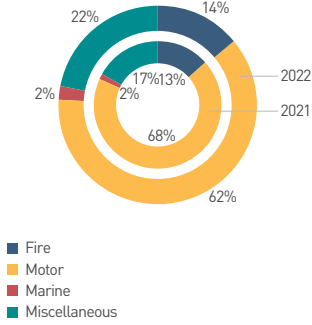
Gross Written Premium (GWP)

Growth of Gross Written Premium visibly picked up pace over the past two years as both companies seek to level up their rankings in the country's insurance sector. Life and General business delivered 26% and 21% growth

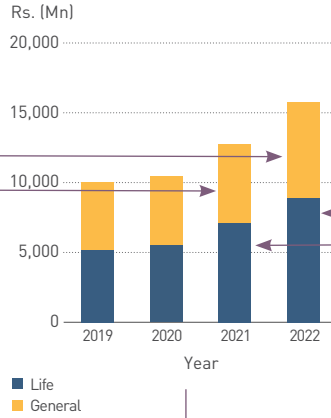
respectively, to record a Group revenue of Rs.15.6 Billion. Growth in GWP was supported by expansion of the sales force, improving productivity, technology and customer service excellence. It is noteworthy that these results were achieved despite economic turmoil in the country and a continuing ban on import of motor vehicles which accounts for

more than 50% of the industry's general insurance business. Life insurance accounted for 57% of the total GWP of the Group while General Insurance accounted for the balance. Further, details on GWP can be found in the business line reviews on page 82 for HNBA and page 88 for HNBGI.

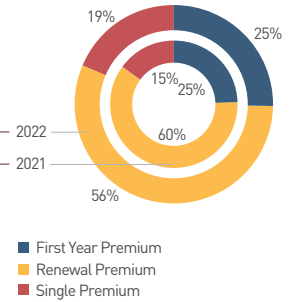
General Insurance GWP - Class-wise



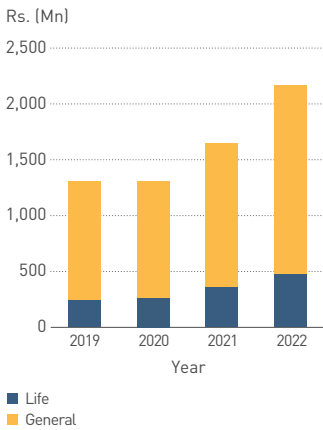
Gross Written Premium - Group



Life Insurance GWP - Premium Type

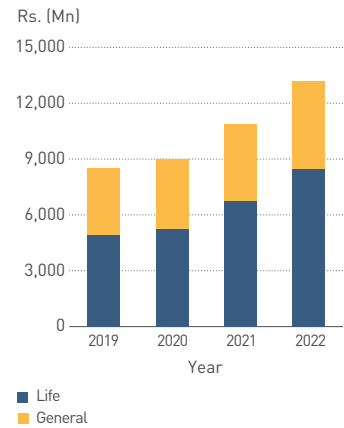


Premium Ceded to Reinsurers



Premiums ceded to Reinsurers increased by 33% for Life Insurance in line with topline growth and by 31% for General Insurance due to the change business mix as Non-motor contribution to General insurance GWP increased to 38% from 32% the previous year. Net Earned Premium for Life Insurance increased by 25% in tandem with GWP growth. However, Net Earned Premium for General Insurance increased by 15% only due to the higher reinsurance outgo and transfer to unearned premium reserves due to the higher business volumes recorded in the last quarter. Overall, Net Earned Premium increased by 22%.

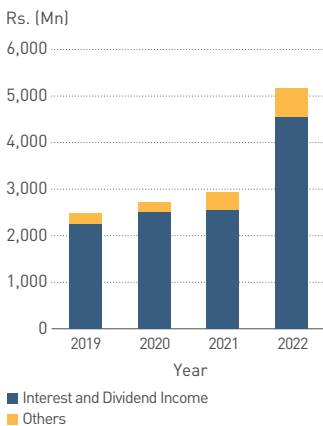
Net Earned Premium



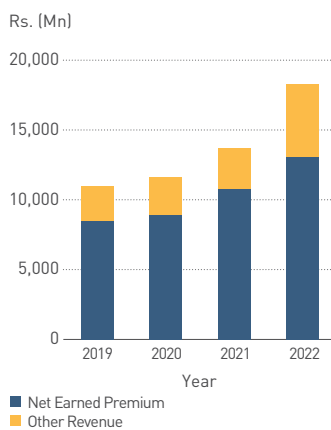
NET INCOME

Net Income was boosted by Other Revenue of Rs. 5.17 Billion, primarily driven by Interest and Dividend income which saw a growth of 77% at Group level as the portfolio of investments under management benefitted from high interest rates. Accordingly, Other Revenue accounted for 28% of Net Income in 2022 compared to 21% in 2021. Life Insurance continued to be the dominant contributor accounting for 68% of Net Income in 2022 compared to 66% in the previous year. Apart from Rs. 4.5 Billion interest and dividend income, the Group recorded Rs. 324 Million as Net realised and unrealised gains, up by 145% due to the gains recorded on foreign currency deposits consequent to appreciation of the US Dollar by 82%.

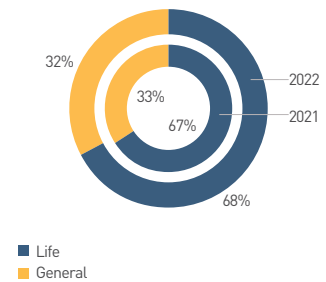
Other Revenue



Analysis by Type of Revenue



Analysis of Total Revenue by Segment



FINANCIAL CAPITAL REVIEW

BENEFITS, CLAIMS & OTHER EXPENSES

Total Benefits, Claims and Other Expenses increased by 33% to Rs.15.9 Billion during the year as an uptick in claims was seen while inflation resulted in higher expense growth.

Net Benefits, Claims and Expenses	2022 Rs. Mn.	2021 Rs. Mn.
Net Insurance Benefits and Claims	5,579	4,223
Change in Contract Liabilities - Life Fund	4,340	3,249
Other Operating and Administration Expenses	4,000	2,893
Underwriting and Net Acquisition Costs	1,822	1,456
Finance and Other Insurance Related Costs	134	104
Total Benefits, Claims and Other Expenses	15,876	11,926

Net Insurance Benefits & Claims

Net Insurance Benefits and Claims increased due to increase in claim intimations and economic conditions as set out below.

Life	2022 Rs. Mn.	2021 Rs. Mn.
Death & Other	140	105
Hospitalisation	152	113
Maturity	1,264	1,022
Surrender	601	392
Annuity	13	14
Total	2170	1646

Life claims increased due to maturities which were higher than last year but expected. Additionally, surrenders increased due to the economic situation. The increase in medical claims was due to medical inflation of 30% in 2022.

Claims ratio with maturities increased to 26%, up by 2% while claims ratio without maturities increased by 1% to 11%.

General	2022 Rs. Mn.	2021 Rs. Mn.
Motor	2,538	1,929
Non-Motor	872	650
Total	3,410	2,579

Motor claims increased due to normalisation of traffic as people returned to work and the increased cost of spare parts. Non-Motor claims increased due to a few large claims on fire-insurance and medical inflation. Overall claims ratio increased to 72% from 63% last year.

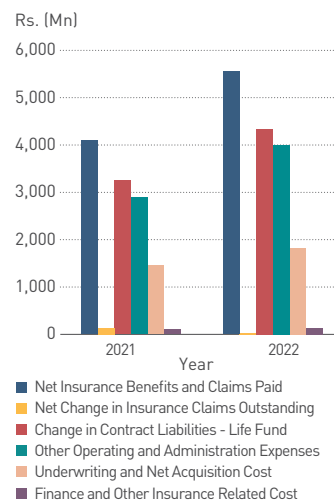
The Change in Contract Liabilities - Life Fund

The transfer to Life Fund increased by 34% to Rs.4.3 Billion which was significantly higher than the business growth. Growth in Investment Income and controlled Expense Ratio resulted in this high growth. 90% of the transfer is generated from Universal Life Fund where the highest business growth is recorded. Higher transfer to Life Fund is beneficial for the Company in the long run.

Underwriting and Net Acquisition Costs

Underwriting and Net Acquisition Costs increased by 25% to Rs.1.8 Billion in line with business growth. Life insurance incurred 16% of its GWP as Net Acquisition costs, 1% higher than the previous year due to the higher growth in new business which has a higher cost of acquisition. General insurance incurred 6% of GWP as acquisition cost, 1% lower than the previous year due to changes in the class and channel mix.

Net Benefits, Claims & Expenses



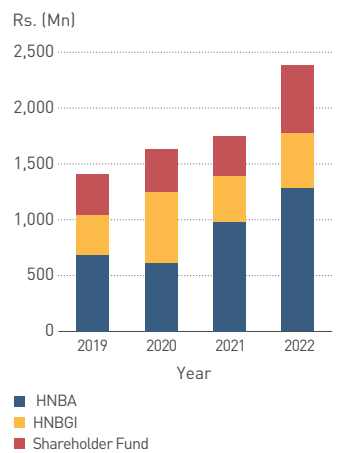
Other Operation and Administration Expenses

Other expenses increased by 38% to Rs. 4 Billion despite the cost rationalisation initiatives due to inflationary pressure. IT related costs included under this category increased significantly due to the depreciation of the LKR. Staff expenses which contributed to 50% of operational expenses, increased by 28% due to investment in training and development of Employees and expansions. A 60% growth was seen in selling expense, which accounted for 25% of Other operating expenses, due to brand building and expenses on sales promotion related activities.

PROFIT BEFORE TAX

Profit Before Tax (PBT) for the Group increased by 36% to Rs.2.4 Billion supported by strong business growth across both segments. Life Insurance business, including a Surplus Transfer to Shareholder amounting to Rs. 1.3 Billion, continued to be the dominant contributor to Group profits accounting for 64% of PBT with a growth of 31%. Rs. 1.1 Billion of the Life Surplus was transferred in September 2022 while balance was transferred in December 2022 following valuations carried out by the Appointed Actuary. Please refer page 85 for life insurance profitability. General insurance contributed to 21% of total with a PBT of Rs. 496 Million. Please refer page 90 for further details on General Insurance profitability.

Profit Before Tax - Group



TAXATION

The Group recorded an Income Tax Expense of Rs. 555 Million with 92% of it being from Life Insurance business.

Growth in tax at Group level was limited to 6% despite the increase in the tax rate during the year. This was due to the high base effect in Life insurance as 2021 tax expense included a deferred tax reversal of Rs. 100 Million and a lower tax charge in General insurance in 2022 due to gains on Sri Lanka development bonds and USD deposits which arose due to translation to LKR.

Total amount of brought forward tax losses of Life Insurance business were utilised against taxable income as at 31st December 2022 and Rs. 273.5 Million Deferred Tax Asset recorded in Life Insurance as at 31st December 2021 was fully absorbed during the year.

The Inland Revenue (Amendment) Act, No. 45 of 2022 was certified on 19th December 2022 as an amendment to the Inland Revenue Act, No. 24 of 2017. As per this, standard rate of income tax was increased to 30% from 24% with effect from 01st October 2022. As the amendment effected in the middle of year of assessment 2022/23, tax liability of the Company and subsidiary was computed and accounted on pro rata basis splitting same year of assessment in to two equal segments following a more prudent approach.

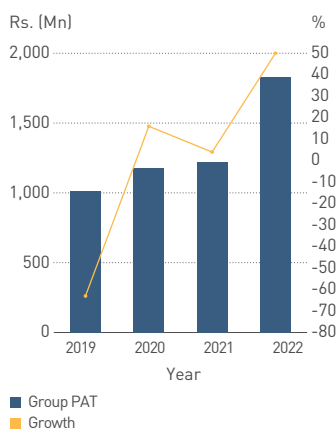
PROFIT AFTER TAX

The Life Insurance business reported an impressive growth of 48% in Profit After Tax (PAT) which was supported by Rs. 450 Million of PAT from the subsidiary. Accordingly Group PAT grew 50% to reach Rs. 1,831 Million. Significant growth in profitability affirms the Group's commitment to deliver as expected even amidst unforeseen challenges. The returns to our shareholders by way of dividends and the worth of a HASU share are detailed in our Investor Information on pages 144 to 151.

OTHER COMPREHENSIVE INCOME

Other Comprehensive Income recorded a negative Rs. 293 Million in 2022 compared to the negative Rs. 50 Million recorded in 2021. This was due to the decrease in the value of Available For Sale Financial assets, primarily Treasury bills and bonds, of the company and subsidiary due to the 950 basis point increase in the interest rates during the year. Unrealised losses on AFS categorised Government Securities are a temporary loss which will be reversed over the life of the asset.

Profit After Tax - Group



FINANCIAL CAPITAL REVIEW

FINANCIAL POSITION

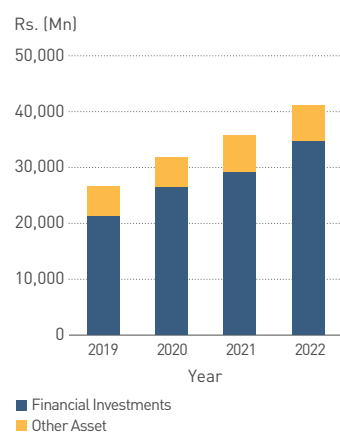
Balance Sheet

For the Year Ended 31st December,	Life		General		Group	
	2022	2021	2022	2021	2022	2021
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Assets						
Financial Investments	29,845	24,667	4,779	4,427	34,624	29,094
Investment in Subsidiary	1,150	1,150	-	-	-	-
Other Assets	2,724	3,647	3,770	3,142	6,472	6,775
Total Assets	33,719	29,464	8,549	7,569	41,096	35,869
Equity and Liabilities						
Stated Capital	1,172	1,172	1,150	1,150	1,172	1,172
Retained Earnings	6,552	5,549	1,270	1,096	7,823	6,645
Other Reserves	(1,031)	311	(165)	(5)	(1,197)	306
Total Equity	6,693	7,032	2,255	2,241	7,798	8,123
Liabilities						
Insurance Contract Liabilities	24,583	20,343	4,182	3,736	28,764	24,079
Current Tax Liabilities	209	20	45	42	254	62
Other Liabilities	2,233	2,069	2,068	1,550	4,279	3,605
Total Liabilities	27,026	22,432	6,294	5,328	33,298	27,746
Total Equity and Liabilities	33,719	29,464	8,549	7,569	41,096	35,869

ASSETS

Total Assets of the Group increased by 15% to Rs 41.1 Billion reflecting sustainable and consistent growth of the Group. Growth is driven largely by Financial Investments which increased by 19% to Rs. 34.6 Billion accounting for 84% of Total Assets. The Group's Capital Expenditure during the year amounted to Rs. 236.4 and Property, Plant & Equipment grew by 48% accordingly. Reinsurance Receivable and Premium Receivable contributes to 53% of Other Assets which have grown in line with business growth.

Total Assets



LIABILITIES

Group Liabilities increased by 20% to Rs. 33.3 Billion driven by growth in insurance contract liabilities which account for 86% of total liabilities. Insurance contract liabilities of the Life Insurance segment increased by 21% to Rs 24.6 Billion and Contract Liabilities of the General Insurance segment increased by 12% to Rs 4.2 Billion.

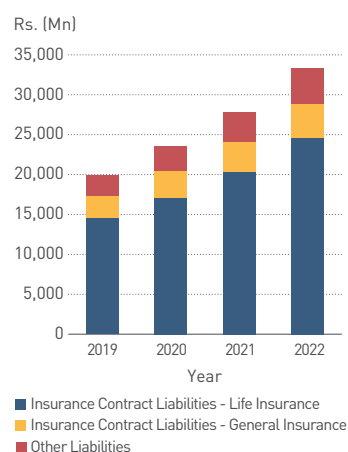
The Life Fund, which comprised 99% of Life Contract liabilities, was valued by the Appointed Actuary as at 31st December 2022 and the valuation report is disclosed on page 184. The life fund is further categorised into three funds namely Participating, Non-Participatory and Universal Life Fund as per the directions of the Insurance Regulatory Commission of Sri Lanka.

The valuation report of the IBNR/ IBNER is disclosed on page 185.

Group's Current Tax Liability increased to Rs. 254 Million along with Life Insurance Current Tax Liability increase of 308%

with the full utilisation of the brought forward tax losses.

Liabilities



FINANCIAL INVESTMENTS

Instrument	Life		General		Group	
	2022	2021	2022	2021	2022	2021
	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.	Rs. Mn.
Government Securities	18,543	12,175	2,427	2,087	20,970	14,262
Debentures	6,665	6,340	958	865	7,623	7,205
Term Deposits	4,514	5,937	1,392	1,278	5,907	7,215
Equity Shares	123	215	2	3	125	218
Investments in Units	-	-	-	194	-	194
Total	29,845	24,667	4,779	4,427	34,625	29,094

As of 31st December 2022, Financial Investments of the Group increased by 19% to reach Rs. 34.6 Billion. The Company recorded a 21% growth in Financial investments while the subsidiary showed only a 8% increase. Investments in Government Securities was overweighted to take advantage of high interest rates prevailed during the year and the group exposure to Government Securities grew by 47% to reach Rs. 21 Billion. Investments in Treasury Bonds amounted to 61% of the total exposure to Government Securities. The Company's investments in Treasury Bonds were increased by 70% to maximize the returns from higher yields from longer tenor Bonds and to achieve ALM matching.

The Group also reduced the exposure to Term Deposits since interest rate differential with Government Securities proved Term Deposits to be less attractive. However Term Deposit exposure of the subsidiary increased by 9% due to the exposure to US Dollar deposits which almost doubled the value with the appreciation of US dollar. Investments in Equity Shares of the Group reduced by 43% with the decline in ASPI by 31% year to date as of 31st December 2022 (ASPI 2022 - 8,490 points). No new Equity investments were made by the Group during the year.

Asset allocation under each category of classification is disclosed under Note 11 in page 263 of this report.

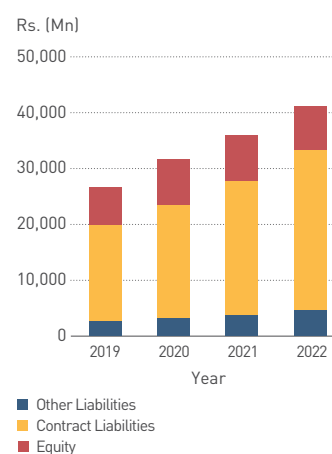
RECLASSIFICATION OF TREASURY BONDS (AFS TO HTM)

Carrying value of the Treasury Bond portfolio of the Company stood at Rs. 6,525 Million as of 01.04.2022 with Rs. 5,397 Million under Available for Sale (AFS) category and Rs. 1,128 Million under Held to Maturity (HTM) category. During the financial year, the Company Reclassified Rs. 2,659 Million worth Treasury Bonds from AFS to HTM category after considering the intention and ability (this is in line with guidelines for reclassification under LKAS 39) to hold the identified Treasury Bond portfolio till maturity after evaluating and establishing that there was adequate liquidity to honour Life Policyholder liabilities after the reclassification. After the reclassification, carrying value of the AFS and HTM Bond portfolio was Rs. 2,738 Million and Rs. 3,787 Million respectively. (refer page 264 for further details)

CAPITAL STRUCTURE

Group equity decreased by 4% to Rs 7.8 Billion although Retained Earnings increased by 18% as the Life Policyholders Available for Sale Reserve Fund decreased by Rs. 1.3 Billion and Available For Sale Reserve fell by Rs. 322 Million. This was mainly due to the fall in the value of Government security investments classified as Available For Sale due to the 950 basis point increase in the policy rates and will be reversed over the tenure of the asset. The Group is fully equity funded.

Capital Structure



FINANCIAL CAPITAL REVIEW

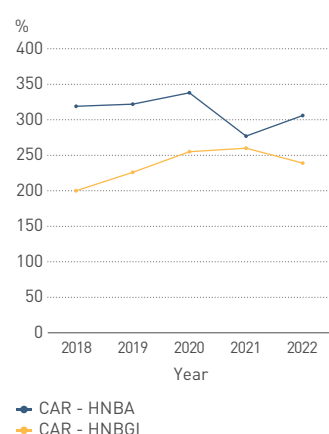
FINANCIAL STABILITY

Capital Adequacy

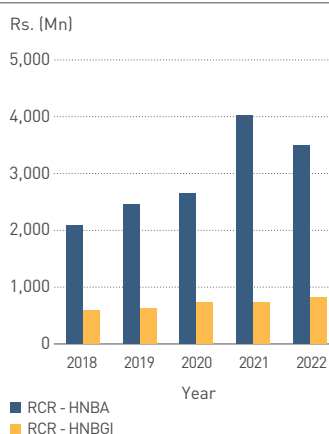
Focus on maintaining strong capital buffers ensured that the Group maintained Capital Adequacy Ratios throughout the year, closing with 306% and 239% for Life and General Insurance respectively which are well above the regulatory requirement of 120% and the regulatory intervention level of 160%. The Group carries out regular stress tests on its capital adequacy levels. Both companies maintained Total Available Capital levels above minimum regulatory requirements.

	HNBA		HNBGI	
	2022	2021	2022	2021
Total Available Capital (TAC) (Rs. Mn.)	14,514	11,140	1,947	1,903
Risk Based Capital Requirement (Rs. Mn.)	3,487	4,023	813	732
Risk Based Capital Adequacy Ratio	306%	277%	239%	260%
Statutory Minimum Threshold	120%	120%	120%	120%

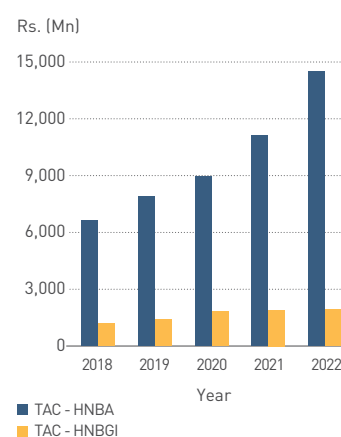
Capital Adequacy Ratio



Risk Based Capital Requirement



Total Available Capital (TAC)



Approved Assets

Both HNBA and HNBGI continuously met the requirements of the Determination 1 of IRCSL by maintaining approved assets at 100% of the Long-term insurance fund and 100% of the technical reserves of the respective businesses, in line with the stipulated level of 100%.

Regulatory Restricted Reserve

As per the Direction 16 of the regulatory the Company maintains its restricted regulatory reserve in term deposit investments to the value of Rs. 388 Million for the reserve of Rs. 381 Million.

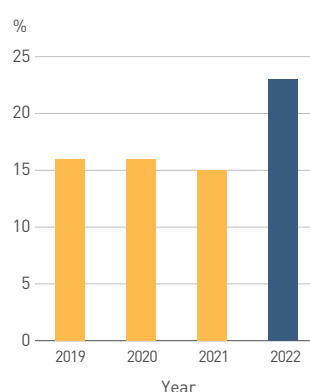
SLFRS 17: Insurance Contracts

SLFRS 17 is to be effective from 1st January 2025. The Group has already carried out a gap analysis on and is in the process of commencing the implementation phase. Further, both companies are investing in upgrading its core systems during the year which will also support preparation for SLFRS 17.

Return of Equity (ROE)

The Group recorded a Return on Equity of 23% (2021: 15%) despite a challenging year. The 8% Increase was due to the higher profitability in the Group. ROE of the Company increased to 22% compared to 14% in 2021.

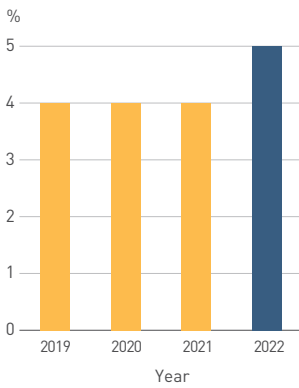
Return of Equity - Group



Return on Assets

Return on Assets was maintained at 5% at Group and Company level (2021:4%).

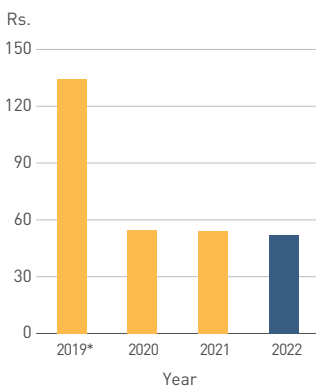
Return on Assets - Group



Net Assets Per Share

Net Assets per Share decreased by 4% to Rs. 51.99 because of decrease in Available for Sale Reserves, on account of increase in fair value losses recorded during the year attributable to the sharp increase in market rates. 26% of the Group’s Treasury Bond portfolio is classified as Available for Sale. It must be noted that the AFS reserve movements arising from the Treasury Bond portfolio are temporary and will get reversed over the tenor of the Bonds.

Net Assets Per Share - Group

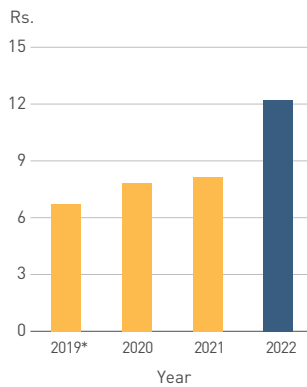


* Prior to 1:3 subdivision

Earnings Per Share (EPS)

Earnings Per Share of the Group was Rs. 12.20 in 2022 (2021: 8.16). 50% growth in EPS which reflects the growth in profitability.

Earnings Per Share - Group

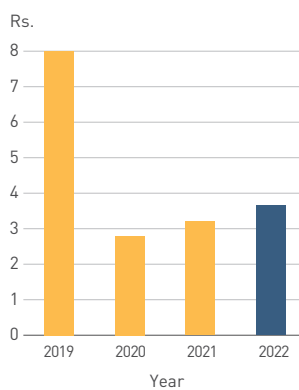


* 2019 adjusted for subdivision of shares

Dividend Per Share

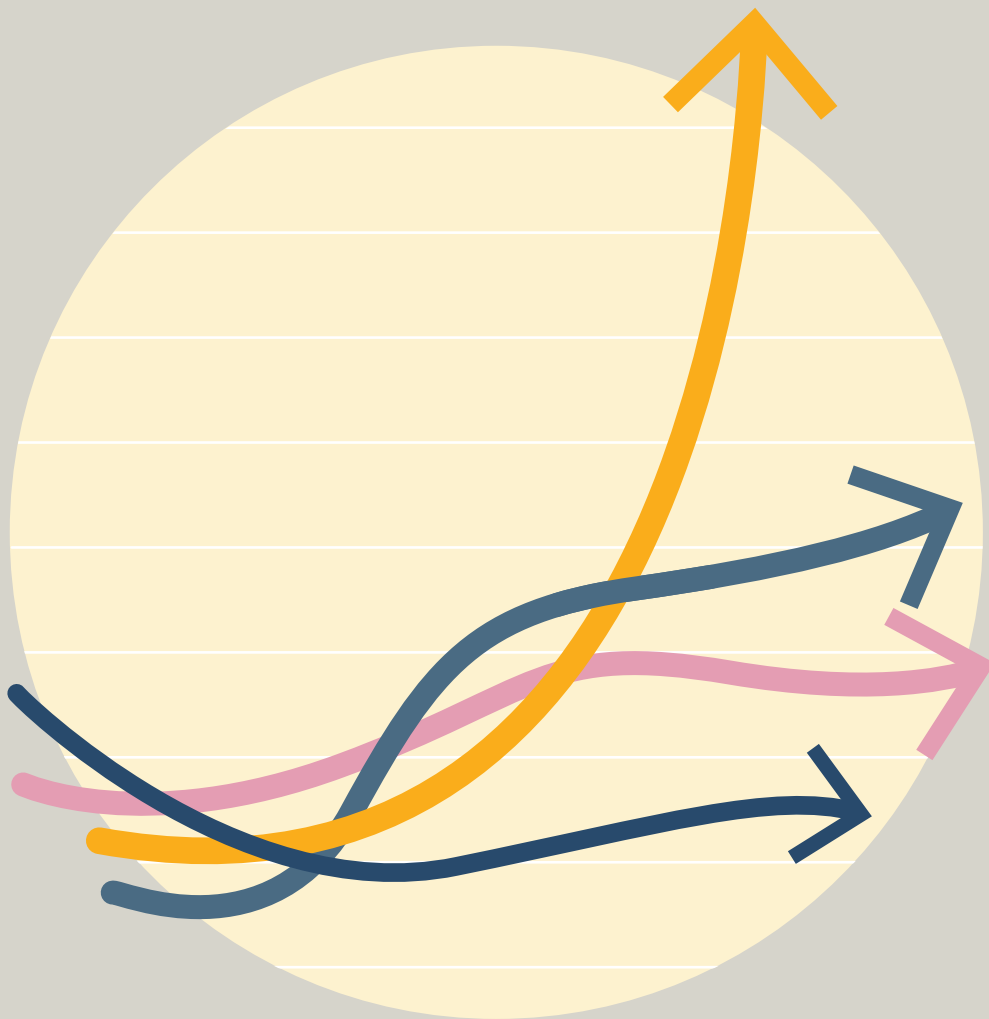
First and final dividend of Rs. 3.65 (2021: Rs.3.20) was declared by the Board subject to the approval of the Shareholders at the forthcoming Annual General Meeting. Total dividend payout will be Rs. 547.5 Million.

Dividend Per Share - Group



* Prior to 1:3 subdivision

ABOVE ALL WE EXCEL



GOVERNANCE & LEADERSHIP

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Corporate Governance at HNB General Insurance Limited **128** | Risk Management Review **131** |
Investor Information **144** | Compliance Summary **152** |

STRATEGIC LEADERSHIP

Dear Stakeholder,

As our Country seeks a path to financial stability and shared prosperity, corporate governance becomes more relevant to the journey that lies ahead of us. Encompassing risk management, transparency and accountability, and the nurturing of relationships between the Company, its Shareholders, and other stakeholders, corporate governance seeks to maintain an equilibrium between often conflicting priorities to enable organisation to create value. At HNB Assurance, the Board has committed to uphold high standards of governance through a fit for purpose governance structure and a framework of policies.

It is a vital layer in management of risks which are elevated at present due to successive sovereign downgrades which have had a direct impact on the ratings of HNB Assurance and HNB General Insurance. It is encouraging to note that the ratings of both companies are at the top of the industry and that the Group is one of a handful of industry players to obtain ratings which in itself serves as testimony to the integration of corporate governance in the Group. As risk management needed to respond to high levels of volatility, the Board stepped up its vigilance, enlisting the assistance of the Board Risk Management Committee, the Audit Committee and the Strategy and Investment Committees who have carried out vital analysis to ensure that the company is well-prepared to respond to unexpected events.

As an insurer, we are deeply aware of the impact of climate change and inequalities on our business as we are impacted financially by these. A deeper penetration rate for the

industry remains elusive largely due to inequalities although there is a desperate need to build safety nets for the most vulnerable. This year we engaged an external consultant to conduct a gap analysis on our Economic, Social and Governance (ESG) Reporting and we will be integrating these principles into our value creation processes as we look to forge ahead in this vital area with a Board led ESG agenda.

On behalf of HNB Assurance PLC Board of Directors, I declare that the principles of good Corporate Governance are applied consistently across the Group and that the Corporate Governance Report themed Effective Leadership provides a fair account of Corporate Governance practices within the Group. I am also pleased to report that the Group complies with the relevant provisions of the Code of Best Practice of Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

In accordance with requirements of the same, I affirm that HNBA has a Code of Conduct and Ethics which is applicable for all employees of HNBA and its subsidiary HNBGI which is communicated during orientation of all new employees and available on the intranet and accessible by all employees. Individual employees performance appraisal mechanism includes pre-determined objectives which include upholding the corporate values and abiding by the Code of Conduct and Ethics which are addressed by the line manager when conducting the appraisal. There are no violations of the provisions of the Code of Business Conduct and Ethics to the best of my knowledge.



Corporate governance is an evolving field, changing with the issues of the respective eras. As your Chairperson, I am committed to shaping the governance agenda to ensure that it is fit for the future and embraces all stakeholder concerns to build sustainable value creation in the years ahead.

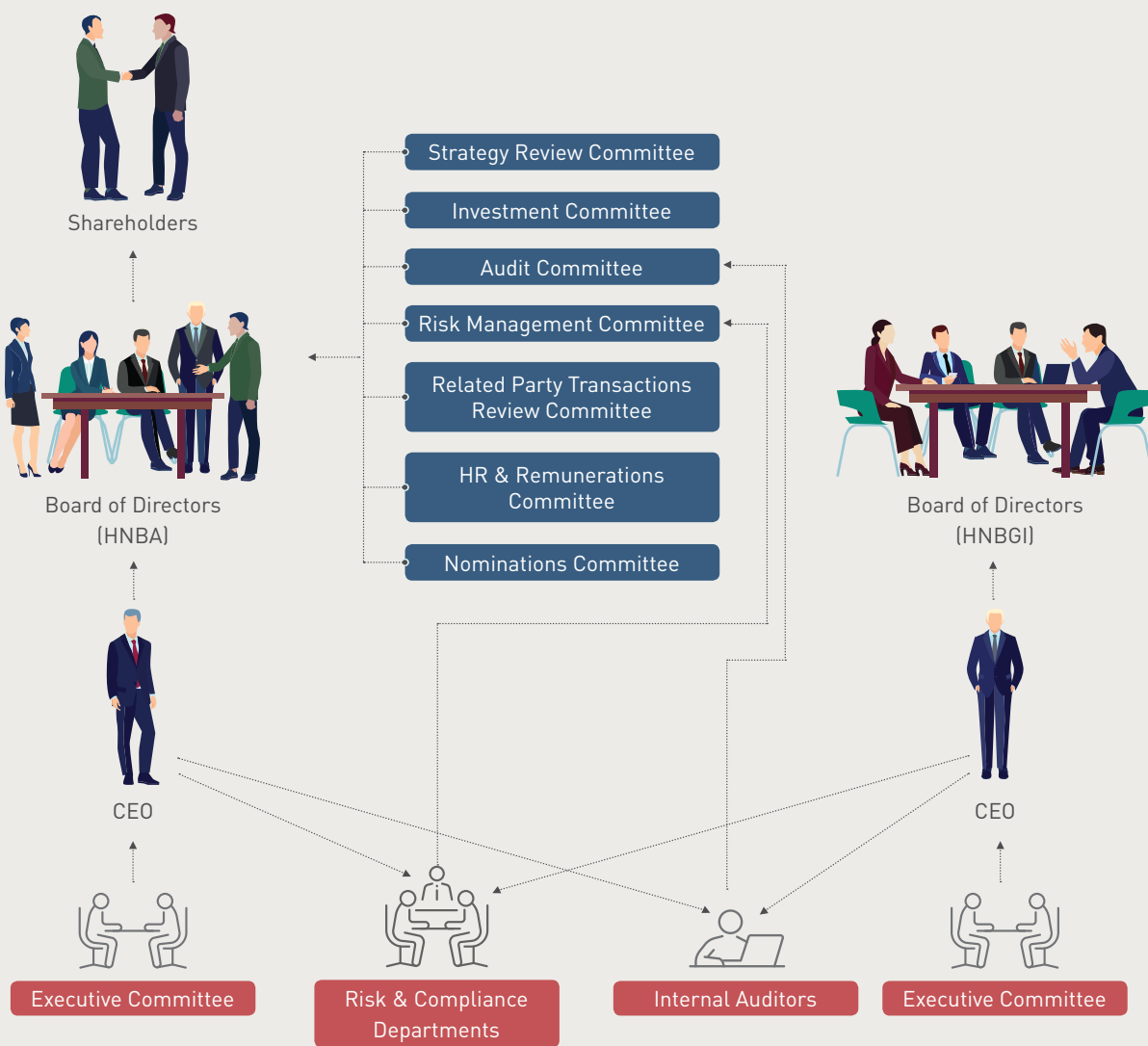
Rose Cooray
Chairperson

17th February 2023

CORPORATE GOVERNANCE

EFFECTIVE LEADERSHIP

The importance of effective governance and leadership was highlighted more than ever in 2022 amidst the headwinds of macroeconomic uncertainties, social unrest, and lingering effects of the pandemic. HNBA Group governance weathered these challenges and recorded the best performance in its history, demonstrating effective leadership and governance.



The Administration of the Board is the responsibility of the Company Secretary who is an Attorney-at-Law with over 20 years of experience.

Statement of Compliance

HNB Assurance PLC complies fully with the Corporate Governance requirements of Rule No.7.10 of the Listing Rules of the Colombo Stock Exchange refer pages 126 to 127.

Further, the Company is substantially compliant with the Code of Best Practice on Corporate Governance issued by CA Sri Lanka refer pages 113 to 123 compliant with the Corporate Governance Framework for Insurers requirements of Direction No.17 and Direction No. 2 of 2022 (Revised) issued by IRCSL refer pages 124 and 125.

Compliance Framework

Mandatory

- Companies Act, No.7 of 2007
- Regulation of Insurance Industry Act, No.43 of 2000 and subsequent amendments thereto
- Sri Lanka Financial Reporting Standards
- Articles of Association
- Rules, regulations, determinations, directives and circulars issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka
- Motor Traffic Act, No.14 of 1951 and subsequent amendments thereto
- Listing Rules of the Colombo Stock Exchange (CSE)
- Central Depository System Rules
- Securities and Exchange Commission Rules
- Inland Revenue Act, No.24 of 2017 and subsequent amendment thereto

Voluntary

- Code of Ethics
- Global Reporting Initiative Sustainability Reporting Standards
- International Integrated Reporting Framework

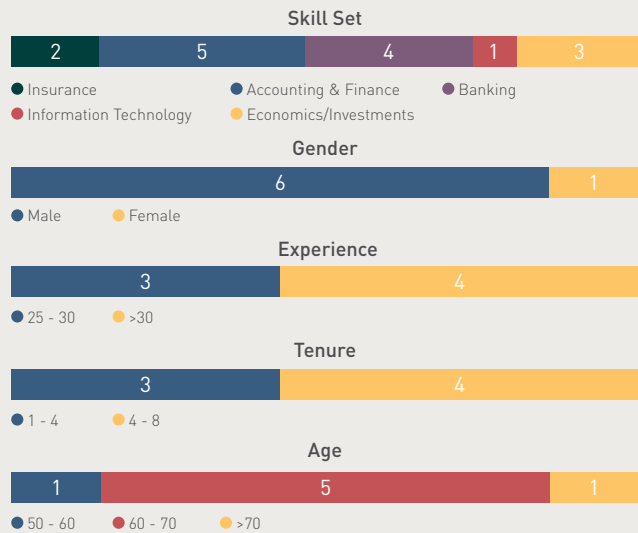
HNB General Insurance Limited (HNBGI)

HNBGI functions separately in accordance with regulations and has its own Board. Two Directors from HNBA's Board including the Chairperson serve on the Board of HNBGI which also has 2 Independent Non-Executive Directors facilitating board balance. HNBA Board sub-committees have oversight of the relevant functions of HNBGI in accordance with the provisions in the CSE Continued Listing Rules.

HNBGI has a separate CEO who is also the Principal Officer of the Company. Dedicated KMPs are responsible for matters specific to HNBGI. Supporting functions such as Finance, Marketing, Actuarial, HR, Legal, Investment, Risk and Compliance, Internal Audit are common to both entities.

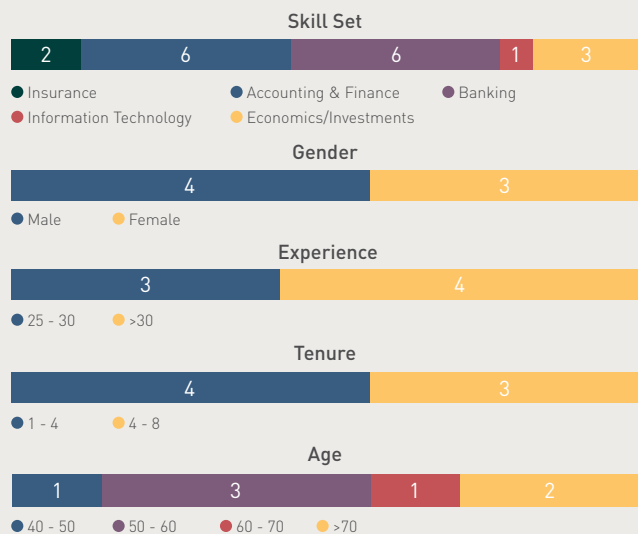
Board Composition – HNBA

Chairperson	1
Senior Independent Non-Executive Directors	1
Independent Non-Executive Directors	2
Non-Independent Non-Executive Directors	3



Board Composition – HNBGI

Chairperson	1
Independent Non-Executive Directors	2
Non-Independent Non-Executive Directors	4



CORPORATE GOVERNANCE

TONE FROM THE TOP

The Board has the ultimate responsibility in defining the overall strategic direction, policy frameworks, internal controls and reporting mechanisms that enables the effective oversight of the HNBA Group. Consequently, the Board sets the tone at the top by strengthening our corporate values through deliberations and guidance provided to the management. The Board remains true to the corporate values and beliefs that is shaping our

unique organisation culture while carrying out its duties with integrity. These matters are clearly identified in the Board Charter which defines the role of the Board with clear responsibility for setting the tone at the top.

COMPOSITION OF THE BOARD

The HNBA Board has the required skill set to carry out its duties while setting the tone at the top. The composition also safeguards the balance of power with 7

Non-Executive Directors of whom 3 are independent. It is the responsibility of the Nominations Committee to determine the required skill set and experience of the Board to function effectively. The selection process is also carried out by the Nominations Committee who ensure the right fit of potential candidates for the Board to ensure that the composition of the Board meets the business needs and aspirations of the Group.

BOARD CHARTER

Summary of the Board Charter, which sets out the functions and the responsibilities of the Board is given below,

The Board	The Directors	Other Matters
<ul style="list-style-type: none"> • Role of the Board • Board composition and Board proceedings • Diversity of the Board • Appointment of new Directors • Contribution to the corporate strategy • Performance monitoring • Self-evaluation • Orientation for new Directors • Obligations towards its Shareholders, Employees, and other stakeholders • Compliance with laws, rules, directions, and regulation 	<ul style="list-style-type: none"> • Duties of Directors • Dealings with shares of HNB Assurance PLC • Information to Directors • Confidentiality of non-public information • Independent advice at the expense of the Company • Other Board appointments 	<ul style="list-style-type: none"> • Duties and responsibilities of the Chairperson • Duties and responsibilities of the Chief Executive Officers & Senior Management • Committees of the Board • Role of the Secretary to the Board

CODE OF CONDUCT AND ETHICS FOR DIRECTORS

Directors are required to comply with the HNBA Group Code of Conduct and Ethics for Directors. Further, all Directors, Senior Management, and other specified persons who may have access to price sensitive information are required to comply with the Share Dealing Policy and Code.

HNBA Group Code of Conduct for Directors is summarized below,

Conflict of Interest	Directors should avoid conflicts of interest. Examples for conflicts of interest are provided in the Code
Corporate Opportunities	Directors are prohibited from taking for themselves or their own Company or other companies with which they have a fiduciary relationship, any opportunities arising as a result of the Director holding a directorship in the Company, unless such opportunities are fully disclosed by the interested Director and approved by the disinterested Directors
Protection and use of assets	All Directors must protect the Company's assets and ensure their efficient use for business needs of the Company.
Reporting	Directors are expected to promote ethical behaviour and create a culture of compliance with all applicable laws, rules, and regulations and report instances of illegal or unethical behaviour
Enforcement	The Board (or the members of the Board who are not conflicted) will review and investigate any allegation of a breach of this policy by a Director, with or without the participation of any Director who may be the subject of such report.
Confidentiality	Directors must maintain the confidentiality of non-public proprietary information entrusted to them by the Company or its customers or other parties with whom the Company does business, except when such disclosure is authorised or legally required. This principle applies to all communications, whether oral, written, or electronic.
Dealings with third parties	Only the persons named in the Code are authorised to deal with third parties on behalf of the Company. Compliance with Laws and Regulations and Fair Dealing - Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.
Compliance and fair dealing	Directors are expected to carry out their responsibilities in compliance with all laws, rules, and regulations applicable to the Company and with the highest standards of business ethics.

CORPORATE GOVERNANCE

ROLE OF CHAIRPERSON, CEO AND BOARD SECRETARY

Roles of Chairperson and CEO are segregated in accordance with the best practices, creating a balance of power and authority. Their roles are defined as follows,

Role of Chairperson	Role of CEO
<ul style="list-style-type: none"> • Chairing the Board and the Shareholders' meetings • Ensuring that the operations of the Board are managed effectively • Ensuring that all key and relevant issues are discussed by the Board in a timely and constructive manner • Taking appropriate steps to provide effective communication with Shareholders and to ensure that Shareholders' views are communicated to the Board as a whole • Ensuring that good corporate practices are followed 	<ul style="list-style-type: none"> • Developing, recommending, and implementing the Company's policies and strategies that reflect the long-term objectives and priorities approved by the Board • Assuming full accountability to the Board for all aspects of the Company's operations and performance • Maintaining a continuous dialogue with the Chairperson and other Directors • Representing the Company and managing the Company's day-to-day business • Monitoring operational and financial results closely following plans and budgets • Establishing adequate operational, planning, and financial control systems

ROLE OF THE BOARD SECRETARY

The Board Secretary plays a key role in ensuring the functions of the Board are carried out effectively and seamlessly. Key aspects of the role of the Board Secretary are,

- Support the Chairperson, the Board, and the sub-committees by ensuring a proper flow of information.
- Ensure that policies and procedures are followed.
- Provide necessary advice and assistance to the Board and Directors in respect of their duties.
- Facilitate the effective operation of the Board and Board sub-committees.
- Maintain relationships between the Company, its Shareholders, and Regulators, including assisting the Board in discharging its obligations to Shareholders

BOARD SUB-COMMITTEES

The Board has appointed 7 sub-committees with clearly defined Charters for each committee setting out the areas of oversight, authority and duties. It is the Chairperson's responsibility to manage the agenda and the frequency of the meetings to ensure effective oversight of matters assigned to the Committees. Minutes of the sub-committee meetings are

Mandatory	
Nominations Committee	Page 164
Audit Committee	Page 156
Human Resources and Remunerations Committee	Page 160
Related Party Transactions Review Committee	Page 162
Voluntary	
Investment Committee	Page 165
Risk Management Committee	Page 167
Strategy Review Committee	Page 169

tabled at the Board meeting immediately following the sub-committee meeting and Chairpersons of the sub-committees also provide an update and clarification on relevant matters at the Board meetings.

The Nominations Committee, Audit Committee, Related Party Transactions Review Committee, Human Resources and Remuneration Committee, and the Risk Management Committee carried out self-evaluations of their performance during the year. The composition of the Board sub-committees, meetings, and their roles and activities are given in the respective Committee Reports.

APPOINTMENT, RE-ELECTION AND RESIGNATION

Shareholders appoint Directors at the Annual General Meeting and separate resolutions for the election/re-election for each Director are included in the Notice of meeting included in the Annual Report. Section 27 of the Articles of Association of HNBA permits the Board to appoint any person as a Director to fill a casual vacancy arising from the resignation of a Director or to increase the size of the Board. Directors appointed in this manner hold office until the next Annual General Meeting where they can offer themselves for re-election.

Directors other than the Chairperson are required to retire by rotation and seek re-election at least once every three years. Accordingly, Dr. Sivakumar Selliah retires by rotation at the Annual General Meeting to be held on the 31st March 2023 as set out in the Notice of Meeting on Page 345. Directors who wish to resign prior to expiry of their period of appointment are required to give notice in writing for acceptance by the Board together with the reasons for doing so.

Appointments and resignations are promptly informed to the CSE by the Board Secretary for dissemination to the investing public.

The Nominations Committee assesses the collective skills and expertise of the Board and its committees to determine a suitable candidate profile. Potential candidates are then reviewed through a formal and transparent process. Recommendations are made to the Board for the appointment of Directors who consider the recommendations in making new appointments to the Board. All new appointments require approval by the IRCSL as per the Regulation of Insurance Industry Act and the Board confirms the appointment only on receipt of such approval.

INDUCTION AND TRAINING

All Directors appointed for the first time are formally inducted with a one-day programme which includes a discussion with the Chairperson, and introduction to the Senior Management of the Group, to gain an overview of the industry regulations and strategy. They are also given an induction pack which comprises the Articles of Association, the Code of Ethics for the Board, Board Charter, Board sub-committee Charters, Share Dealing Policy and Code and the Regulation of Insurance Industry Act and other regulations.

Directors are updated on changes to regulations and industry trends by the Senior Management regularly. Opportunities are provided to all Directors for gaining knowledge and insights on Corporate Governance and matters relating to directorship for which the cost is borne by the Company.

BOARD MEETINGS & INFORMATION

The Board meets monthly, while sub-committees meet according to agreed schedules. The Audit Committee and the Risk Management Committee meet quarterly while other sub-committees meet less frequently.

The agenda is prepared by the Board Secretary in consultation with the Chairperson for Board meetings and secretaries of sub-committees do the same with the respective Chairpersons. The agenda and board papers are made

available to the Directors at least one week ahead enabling Directors to prepare for the Board meeting, facilitating informed deliberations and decision making by the Board. Directors also have access to Senior Management for clarification before or during the meeting as well.

Directors are kept up to date on key development by Key Management Personnel who make presentations on important issues that impact the business of HNBA. Attendance of Board members at Board and sub-committee Meetings are given on page 176 of the Annual Report of the Board of Directors.

- 14 Board meetings were held 2022
- Sub-committee meetings were held as follows:

Sub-Committee of the Board	Number of Meetings
Nominations Committee	1
Audit Committee	7
Human Resources and Remunerations Committee	4
Related Party Transactions Review Committee	4
Investment Committee	7
Risk Management Committee	6
Strategy Review Committee	4

BOARD EVALUATION

The Board conducts an annual self-evaluation of its performance using wide-ranging criteria including, the composition of the Board, skills, and experience of the members, adequacy of sub-committees, proceedings of meetings, and quality of reports and materials submitted. Responses were compiled by the Board Secretary for discussion by the Board at its 17th February 2023 meeting to improve the effectiveness of the Board. Audit, Related Party Transactions Review and Risk Management Committees also conducted self-evaluations in a similar manner which were reviewed by the respective committees and the Board.

PERFORMANCE EVALUATION OF THE CEO

The Board, in consultation with the CEO sets realistic financial and non-financial targets in line with short, medium and long-term objectives. The performance of the CEO is evaluated against these targets at the end of each year and the variable component of CEO's remuneration is determined based on the achievement of these set targets.

REMUNERATION

HNBA has a formal mechanism in place to determine remuneration which is clearly defines in the Group's remuneration policies. Remuneration policy is designed to shape the right behaviours, aligning remuneration and rewards with corporate values and strategic goals. The Chairperson of the Board is also a member of the Human Resources and Remuneration Committee and CEO attends meetings by invitation supporting alignment. The Charter of the Human Resources and Remuneration Committee is empowered to obtain professional advice from within and outside the Company as may be required to support fair remuneration, balancing stakeholder interests.

The Human Resources and Remuneration Committee and the Board are entrusted with ensuring that remuneration packages for CEOs and KMPs are sufficient to attract and retain skilled and experienced professionals. Accordingly, remuneration levels are regularly benchmarked to the market and salary surveys are reviewed periodically to align to the market, business needs and the HNB Group.

CORPORATE GOVERNANCE

The performance-related elements of the remuneration package of the CEO and other Executive employees are linked to corporate and individual performance. Objectives for the CEO are set at the beginning of the year to align his interests with those of the Company and these are cascaded to KMPs. Remuneration comprises of a fixed component and a variable component which is linked to pre-determined performance targets. Performance-related remuneration schemes are not applied retrospectively and the HNBA Group does not have any long-term incentive schemes, including share option schemes.

Governance and Conduct

- Articles of Association
- Board Charters
- Board sub-committee Charters
- Code of Ethics for Directors
- Code of Business Conduct
- Integrity Reporting Policy
- Procedure Manuals
- Guidelines
- Circulars

Internal Controls

The Board of Directors play a key role in monitoring and risk reviewing internal controls of the Group that supports the communication of reliable information, timely regulatory compliance and safeguarding assets and reputation of the Group. Accordingly, the Group has adopted the Three Lines of Defence Model to manage risk and control with clear segregation of roles in the three pillars which is discussed in more detail in the Risk Management Review.

The third pillar which comprises Internal and External Audit assures the Audit Committee of the effective operation

Directors' Fees and Remuneration (Rs.Mn)

	HNBA		HNBGI	
	2022	2021	2022	2021
Directors' fees	14.5	14.4	9.2	9.3

Remuneration of Non-executive Directors

Remuneration of Non-Executive Directors is determined by the Human Resources and Remuneration Committee. They are not eligible for performance-based remuneration schemes and are paid on their attendance at meetings. Their remuneration takes account of the need

Specific Matters

- Shareholders' communication Policy
- Share Dealing Policy
- Risk Management Policy
- Compliance Policy
- Investment Policy
- Financial Authority Manual
- Procurement Policy
- IT Security Policy
- Anti-Money Laundering Policy
- Credit Policy

of the first and second pillars which are the key business functions and the risk management function respectively. Further, the Board receives financial and operational compliance statements monthly from the CEO and relevant Key Management Personnel which serves as a checklist for regulatory and prudential matters.

Internal Audit

Internal Audit provides assurance that the policies, processes and internal controls are functioning effectively in compliance with the relevant regulatory and policy frameworks. The Audit Committee reviews the scope

to attract people of talent, integrity, and ability in line with market norms. However, Non-Executive Directors who are nominees of the Parent Company are paid a nominal fee for their services.

Please refer to page 305 for the details on Directors' remuneration.

Policy Framework

The Board has a comprehensive policy framework in place to guide management in the routine operations of the Group. The policies articulate the expected conduct, processes, and procedures and provide thresholds and boundaries where deemed necessary. The policy framework is tabulated below.

Performance and Talent Management

- Total Reward Policy
- Performance Management Procedure
- Remuneration and Benefit Guideline
- Talent Calibration Guideline
- Education Reimbursement Procedure
- Overseas Training Procedure
- Telecommuting Policy

of the internal audit to ensure that it is sufficient to provide the assurance required by the Board. The Committee also reviews audit plans, findings, and progress reports at the quarterly meetings. Internal audit is outsourced to Messrs Ernst & Young Chartered Accountants to enhance the objectivity of the review. The Audit Committee meets the Internal Auditors without the presence of the Executives/ Senior Management at least once a year to provide an opportunity for the Internal Auditors to air any concerns they may have without reservation.

External Audit

The External Auditors are appointed by the Shareholders on the recommendation of the Board. The Audit Committee makes recommendations to the Board on the appointment of the External Auditors following the processes agreed with the Board for evaluating the effectiveness of the audit and the independence of the Auditors. External Auditors are not employed for non-audit work unless such work has been pre-approved by the Audit Committee. Care is taken to ensure that tasks undertaken by the External Auditors have no adverse effect on the independence of their audit work or the perception of such independence. Details regarding fees paid to External Auditors appear on page 305. The Audit Committee holds an “in camera” meeting with the External Auditors at least once each year.

Organisation Culture

The organisation culture is an integral part of Corporate Governance as behaviours of the Employees is a key determinant of the successful achievement of strategic goals. Several factors combine to shape a positive culture including corporate values, tone at the top, pressure for performance, structures of remuneration schemes, work environment etc. The Board seeks to set the right tone at the top upholding high standards of conduct and ensuring that policies, codes and controls are relevant and fit for purpose. The effective functioning of performance management systems, training and development, whistle blowing and grievance mechanisms, open communication lines, prudent risk appetites, and internal control reinforce the organisation culture.

IT GOVERNANCE

IT Governance Policies

The Board, in line with the HNB Group information Security Policy has adopted a policy to provide direction to the management in handling risks relating to information and cyber security. The HNBA Group also developed policies on super user access management, usage of internet and work from home further strengthening the information security environment.

IT Governance Structure

The Board has overall responsibility for IT Governance and are assisted in this by the Risk Management Committee. The Group Chief Information Officer reports to the Group CEO and is also part of the IT Steering Committee and the Executive Committee who are responsible for the implementation of agreed IT projects and the smooth running of digital platforms. The Company has appointed an IT Security Administrator who reports to the Chief Information Officer to identify any non-compliances or risks from within the IT Department. Further, an Officer qualified in Information Technology has been appointed from the Risk and Compliance Department to review the IT security activities independently from the Operations Management.

IT Governance Monitoring

The Company reviewed its processes to identify risks relating to information and cyber security and has included these in the Company’s risk register



with the existing and proposed actions to mitigate them. The implementation of relevant control measures is monitored by the Risk and Control Department. The Information Security and System Compliance Officer monitored compliance with the Information Security policy and submitted Compliance Reports to the Board Risk Management Committee meetings during 2022. The Board also carried out a review of the Companies’ information security environment through an external firm specialized in IT security audits. The Board and the Board Sub-Committees have reviewed the reports relating to information security during the year, and have discussed the IT road map to address IT security matters.

Accountability

The Board is accountable to Shareholders for the performance of the Company and has a duty to uphold their rights. The Board seeks to address the following concerns of this key stakeholder:

- Provide a reasonable return on investment to Shareholders.
- Provide a satisfactory distribution of dividends out of the profits earned.

- Timely communication with Shareholders regarding affairs of the Company.

The ‘Shareholders’ Communication Policy’ in place enshrines the concept of timely dissemination of information about the financial performance, strategic goals and plans, material developments, governance and risk profile of the Company to Shareholders, enabling them to make informed decisions. The Group has multiple

CORPORATE GOVERNANCE

channels for communicating with Shareholders including timely filings with the CSE, website, press releases, quarterly and annual reports, and other printed and electronic media. Price sensitive information is promptly notified to the CSE for dissemination to the investing public through their website as well.

The Annual Report

The Annual Report is a key communication to Shareholders and we go well beyond mere legal requirements to ensure that it provides a comprehensive review of our performance during the reporting year. We benchmark international best practices in corporate reporting and have been at the forefront of the ESG (Environment, Social & Governance) Reporting evolution as early adopters of the Integrated Reporting Framework and the GRI Standards. Accordingly, we have embraced a more extensive reporting agenda to communicate a plethora of variables that impact our delivery of value to stakeholders in a structured manner.

Submission of Quarterly Returns

Quarterly returns were submitted to CSE as given below:

Quarter Ending	Date of Submission to CSE
31st December 2021	14th February 2022
31st March 2022	04th May 2022
30th June 2022	02nd August 2022
30th September 2022	11th November 2022

Annual General Meeting

The Annual General Meeting is the most important Shareholder engagement event on the calendar and high levels of Shareholder participation is encouraged through advanced communication of date and the availability of comprehensive information presented according to international best practice. Notice of the Meetings is circulated 15 days in line with the statutory requirements while the date is notified through the CSE 19 weeks prior to the date of the meeting. The Chairperson ensures the availability of all Chairpersons of Board sub-committees at the meeting to provide clarification of matters relating to their areas of oversight. Additionally, the External Auditors are also present to provide clarifications that may be required.

Summarised Minutes of the 20th AGM held on 31st March 2022

MATTERS DISCUSSED AT THE AGM

During the AGM, Chairperson replied to the queries raised by the shareholders. The questions/concerns so raised and the comprehensive answers for the same are given below for the benefit of all shareholders and particularly for

those shareholders who were unable to participate the AGM.

One of the shareholders expressed his satisfaction towards the outstanding financial performance of the Group and stated that despite the negative impact caused by the economic turbulence and covid disruptions, the Group has recorded excellent results during the year. Moreover, he congratulated the awards received the Company from the renowned institutions and emphasized the award obtained for the Annual report.

Whilst highlighting the remarkable business achievement, he went on to mention that the profit of the Group has been increased by 48 Mn. Further he highlighted that the other revenue of the group has been increased by 206 Mn and stressed that net earned premium has also been raised by 1829 Mn.

He also pointed out the enhancement of claims, however observed that it is inevitable when considering the nature of the business. In addition, he also raised his concerns on the current dividend rate and mentioned that he would expect

lucrative dividend rate in future with the growth of the business. In conclusion, the member thanked the Board of Directors and the Senior Management for their dedication and commitment towards the excellent performance.

Response

Responding to the concerns raised in relation to the current dividend rate, the Chairperson stated that the Company has progressively enhanced the dividend rate during the past five years and 14% growth is witnessed when compared to the last year.

One of the shareholders whilst congratulating for the outstanding business achievement, inquired whether the Company has considered the aspect of inorganic growth in order to enhance the business portfolio.

Response

Responding to the query raised, the Chairperson stated that the Management had been thinking towards the said aspect and has already arranged discussions on same as the current local market opportunities are limited.

Further, the Member congratulated both CEOs on their demanding positions and thanked the Board of Directors and the Senior Management for their exceptional performance amidst the challenges.

COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The table below summarises HNBA Group's compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
SECTION 1 - The Company			
A Directors			
A.1 The Board			
A. 1.1	Board Meetings	The Board meets monthly to discharge its responsibilities as described on page 109. Attendance at Board meetings and Board Committee meetings are given on page 176 of the Annual Report of the Board of Directors, Board meetings and information	☑
A1.2	Role of the Board	Refer page 106	☑
A.1.3	Compliance with laws and access to independent professional advice	The Board has set in place a sound organisation structure, policy framework, and internal controls to facilitate regulatory compliance and also ensure that decisions taken by the Board are compliant with regulatory requirements. The Board Charter provides for Directors to seek independent professional advice from external parties when necessary at the Company's expense.	☑
A 1.4	Access to advice from the Company Secretary	The Directors have access to the advice and services of the Company Secretary who plays a key role in facilitating the conduct of Board and General Meetings and ensuring that requirements of the Companies Act No.7 of 2007 and the Listing Rules of the CSE are complied with. The appointment and removal of the Company Secretary is a matter for the whole Board.	☑
	Indemnifying the Board, Directors, and key Management personnel	As a subsidiary of HNB Group, HNBA and HNBGI Board Directors and Key Management Personnel are covered under Directors and Officers Liability Cover obtained by HNB.	☑
A 1.5	Independent judgment of the Directors	Directors of HNBA exercise independent judgement on all matters set before the Board without bias.	☑
A 1.6	Dedicating adequate time and effort	Directors devote sufficient time to the affairs of the Company to discharge their duties effectively. Board papers are circulated at least one week before the meeting providing sufficient time for familiarization with matters included in the agenda and to call for any further information.	☑
A.1.7	Calls for resolutions	One-third of the Directors may call for a resolution to be presented to the Board in the best interests of the Company.	☑
A 1.8	Training of Directors	On appointment, Directors receive a Letter of Appointment outlining the terms of appointment, duties, and responsibilities, and expected time commitments. Additionally, a formal induction programme is arranged for newly appointed directors as soon as practicable which is co-ordinated by the Chairperson, CEO, and the Company Secretary.	☑

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.2	Chairman & the Chief Executive Officer		
A. 2.1	The decision to combine the posts of Chairman and CEO	There is a clear division of responsibilities at HNBA with separation of the roles of the Chairman and CEO. See Role of the Chairperson and CEO on page 108.	☑
A. 3	Chairman's Role	Please refer to the Role of Chairperson on page 108 in the Corporate Governance Report.	☑
A. 4	Financial Acumen	As HNBA is a financial services company, financial acumen is a prerequisite for all Directors. All Directors have a sound knowledge of finance ensuring sufficiency of financial acumen as given in their Board profiles while five are members of professional finance or accounting Organisations.	☑
A.5	Board Balance		
A.5.1	Include Non-Executive Directors of sufficient calibre and number	All Directors are Non-Executive. The composition is given on page 105.	☑
A.5.2	Three or two-third of Non-Executive Directors appointed to the Board, whichever is higher should be 'Independent Non-Executive Directors'	The Company has three Independent Non-Executive directors, which constitute one-third of the total Non-Executive Directors of the Company. The Company maintains the composition of Directors in accordance with Section 7.10 of the Listing rules and the requirements of the Company's Articles of Association.	☒
A.5.3	Independence criteria	All three Independent Directors are independent of management and free of any business or other relationship which could or be perceived to materially interfere with the exercise of their unfettered and independent judgement.	☑
A.5.4	Annual Declaration by Non-Executive Directors	Each Non-Executive Director submits a signed declaration annually concerning his independence/non-independence against specified criteria which is in line with Schedule K of the Code.	☑
A.5.5	Annual determination of independence of Directors by the Board	The Board has reviewed the declarations referred to in A.5.4 above and ascertained that three Directors are independent following the criteria set out in section 5.5 of the Code.	☑
A.5.6	Alternate Director to a Non-Executive Director	Dr. Prasad Samarasinghe was appointed as an alternate Director to Mr. Damien Fernando who is a Non-Independent Non-Executive Director. Dr. Prasad Samarasinghe is also a Non-Independent Non-Executive Director.	☑
A.5.7	Appoint a Senior Independent Director if Chairman and CEO are the same or the Chairman is not an independent Director or the Chairman is the immediately preceding CEO	As the Chairperson of the Board is a Non-Independent Non-Executive Director the Company has appointed a Senior Independent Director. Additionally, roles of Chairperson and the CEO are segregated and Chairperson is not the immediately preceding CEO.	☑
A.5.8	Senior Independent Director to be available for confidential discussions with directors	Dr. Sivakumar Selliah was appointed as the Senior Independent Director in January 2022.	☑
A.5.9	Chairman meeting with the Non-Executive Directors	The Chairperson holds a meeting with only Non-Executive Directors present without CEO present at least once a year.	☑
A.5.10	Recording concerns	Where applicable, any conflict/concerns that cannot be unanimously resolved are recorded in the Board Minutes.	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.6.	Supply of Information		
A.6.1	The obligation of the Management to provide appropriate and timely information	All Board members receive information regarding the operations and performance of the Group monthly basis.	☑
A.6.2	Board papers to be provided 7 days before Board Meeting and minutes provided after the meeting.	Board papers are provided one week before the Board meeting.	☑
A.7	Appointments to the Board		
A.7.1	Establish a Nomination Committee	The Board has established a Nomination Committee and their report is given on page 164.	☑
A.7.2	Nominations Committee to assess the composition of Board annually	The Nomination Committee assesses the composition of the Board annually and makes recommendations to the Board on necessary changes. The Board was expanded in line with the same as set out on Changes to Board Composition on page 106.	☑
A.7.3	Disclosure of Appointment of a New Director	Upon the appointment of a new Director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the Director.	☑
A.8	Re-Election		
A.8.1	Non-Executive Directors should be appointed for a specified term and subject to re-election and their appointment is not automatic.	Directors other than the Chairperson and the Nominee Directors, are required to retire by rotation and seek re-election at least once every three years. Accordingly, Dr. Sivakumar Selliah retire by rotation at the Annual General Meeting to be held on the 31st March 2023 as set out in the Notice of Meeting on page 345. Additionally, appointments of Directors appointed after the AGM are valid only until the next AGM at which they can offer themselves for re-election	☑
A.8.2	Re-election	All Directors who are retiring by rotation in terms of the Articles of Association of the Company submit themselves for re-election /re-appointment by the Shareholders of the Company at the forthcoming Annual General Meeting of the Company. Only one Director retires this year and his resume is given on page 24 and 25.	☑
A.8.3	Resignation	Director resigning from his or her position as a Director is expected to provide a written communication to the Board formally along with reasons for such resignation. Upon acceptance of the resignation by the Board, the CSE is informed promptly of the resignation and the reason. This procedure was followed during the year for the resignations of Mrs. Siromi Wickramasinghe.	☑
A.9	Appraisal of Board Performance		
A.9.1	Have in place a formal process for reviewing the performance of the Board and its sub-committees	The Board conducted a self-evaluation of its performance, using a checklist which covered a range of areas including, but not limited to the composition of the Board, skills, and experience of the members, adequacy of sub-committees, proceedings of meetings, and quality of reports and materials submitted. Responses were compiled by the Board Secretary for discussion by the Board. The objective of this evaluation is to improve the performance of the Board to enable the achievement of the Company's objectives.	☑
A.9.2	Appraisals of the Board and the sub-committees		☑

CORPORATE GOVERNANCE

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
A.9.3	Have a process to review the participation, contribution, and engagement of each director	The Nominations Committee reviews the participation, contribution, and engagement of each Director before recommending for re-election.	☑
A.9.4	State the evaluation process in the Annual Report	Complied with above disclosures and information on page 109.	☑
A.10	Disclosure of information in respect of Directors		
A.10.1	Profiles of the Board of Directors and other related information	The names of the Directors of the Board and their profiles are given on pages 24 to 27.	☑
A.11	Appraisal of CEO		
A.11.1	The setting of the annual targets and the appraisal of the CEO	The performance evaluation of the Chief Executive Officer carried out by the Chairperson, in line with the financial and non-financial objectives set out in consultation with the Board at the commencement of each financial year.	☑
A.11.2	The performance of the CEO should be evaluated by the Board.		
B.Directors' Remuneration			
B.1	Remuneration procedure		
B.1.1	Establishment of the remuneration committee	The Board has established an HR & Remuneration Committee with an agreed Terms of Reference which includes matters covered in Schedule C of the Code including remuneration of Executive Directors.	☑
B.1.2	Composition of Remuneration Committee	The HR & Remuneration Committee comprises Non-Executive Directors of whom the majority are independent. The Chairman is Dr. Sivakumar Selliah who is an Independent Director.	☑
B.1.3	Names of Directors to be given in the Annual Report	Names of the members of the HR & Remuneration Committee are given in the Report of the HR & Remuneration Committee on page 160.	☑
B.1.4	Determination of the remuneration of the Non-Executive Directors	The Board determines the fees and expenses payable to Non-Executive Directors as per the Articles of Association of the Company. Directors' fees comprise a fixed fee and exclude any variable component.	☑
B.1.5	Consultation with the Chairman and the CEO	The HR & Remuneration Committee determines the CEO's remuneration. The Committee consults the CEO on proposals regarding executive remuneration. No director is involved in determining his/her own remuneration.	☑
B.2	The level & makeup of Remuneration		
B.2.1	The level and makeup of the remuneration should be sufficient to attract, motivate and retain Executive Directors of the required quality	The HR & Remuneration Committee is responsible for determining remuneration policy including that of the CEO and the Key Management Personnel. Remuneration packages are structured to attract, retain, and motivate them taking into consideration their roles and responsibilities, skills, experience, attributes.	☑
B.2.2	Executive Directors' compensation should be designed in the long term success of the company	Currently, there are no Executive Directors on the Board.	☑
B.2.3	Remuneration Committee to judge where to position remuneration relative to other companies	The HR & Remuneration Committee compares the remuneration levels of the company with those of comparable companies in the industry and is sensitive to changes in the remuneration levels. It reviews reports of salary surveys periodically to get an indication of comparable industry standards.	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
B.2.4	Remuneration Committee to be sensitive to employment and remuneration conditions within the Group	The HR & Remuneration Committee considers the remuneration levels of the HNB Group when deciding on remuneration levels for the HNBA Group.	☑
B.2.5	Performance based remuneration	Performance based remuneration of Employees, including the CEO, is directly linked to the achievement of agreed targets and goals by the company and the individual	☑
B.2.6	Executive share options	The Company has no share option available to its Directors.	N/A
B.2.7	Designing schemes of performance-based remuneration	Refer to the Report of the HR and Remuneration Committee on page 160	☑
B.2.8 & B.2.9	Early Termination of Directors	As the Board comprises solely of Non-Executive Directors, there are no provisions for compensation for early termination of contracts. The Remuneration Committee will determine the remuneration of the CEO in the event of early termination regarding the contract of employment.	☑
B.2.10	Levels of remuneration for Non-Executive Directors	All Non-Executive Directors other than Nominee Directors who are Employees of HNB are remunerated in line with market practices. HNB employed nominee Directors are paid a nominal fee only on their attendance at meetings.	☑
B.3.	Disclosure of Remuneration		
B.3.1	Disclosure of Remuneration	<ul style="list-style-type: none"> Report of the HR and Remuneration Committee on page 160 Notes 43 in the financial statements on page 305 provide information on the remuneration of the Board as a whole. 	☑
C.	Relations with Shareholders		
C.1	Constructive use of the AGM and Conduct of General Meetings		
C.1.1	Dispatch of Notice of AGM and related papers to Shareholders	Notice of Meeting, the Agenda for the Annual General Meeting, and the Annual Report are circulated to Shareholders within the stipulated time in the Articles of Association and the Code.	☑
C.1.2	Separate resolution for substantially separate issues.	Separate resolutions are proposed for substantially separate issues to provide Shareholders the opportunity to deal with each significant matter separately. The proxy form reflects this.	☑
C.1.3	Accurate recording and counting valid proxy appointments received for a General Meeting	All proxy appointments received are duly recorded and counted in respect of each resolution, where a vote has been taken by a show of hands. In the event the appropriate number of Shareholders give their intimation in writing and request for a poll, the procedure involved in voting would be circulated. In the absence of such intimation, all issues at the AGM will be passed by a show of hands.	☑
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the Shareholders directed to them by the Chairperson of the Company.	☑

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Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
C.1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	The procedures involved in voting will be circulated if the appropriate number of Shareholders give their intimation in writing and request for a poll. In the absence of such intimation, all issues at the General Meeting will be passed by a show of hands.	☑
C.2	Communication with Shareholders		
C.2.1	Channel to reach all Shareholders for timely dissemination of information	HNBA has multiple channels of communication to Shareholders which include the following: <ul style="list-style-type: none"> • Notifying CSE promptly for price sensitive information which is disseminated to the investing public including Shareholders • Press releases • Website 	☑
C.2.2	Disclose policy and methodology for communication with Shareholders	A 'Shareholders' Communication Policy' is adopted by the Company with the determination of ensuring that ready, equal, and timely access to balanced and understandable information about the Company's financial performance, strategic goals and plans, material developments, governance, and risk profile, etc., are available to the Company's Shareholders and the investment community at large. The objective is to enable Shareholders to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company.	☑
C.2.3	Disclose how the policy is implemented	The CEO is responsible for administering the policy and obtains the support of the Company Secretary in the implementation of the same. Accordingly, 22 notices were sent to the CSE for prompt disclosure of relevant matters which included appointment and resignation of Directors, dividends, quarterly financial statements, etc., were also submitted promptly to the CSE.	☑
C.2.4 & C.2.6	Contact person for Shareholder communications	The Company Secretary is the designated person for Shareholder communication and the contact information is provided on page 4.	☑
C.2.5	The process to make directors aware of Shareholder concerns	Matters raised by Shareholders at the Annual General Meeting are minuted and The Company Secretary communicates Shareholders concerns raised during the year to the Board.	☑
C.2.7	Formulate and disclose the process for responding to Shareholder matters	The Company encourages effective communication with the Shareholders and answers queries and concerns of Shareholders through the Company Secretary who will handle them, escalating concerns to the Board as may be deemed necessary.	☑
C.3	Major & Material Transactions		
C.3.1 & C.3.2	Disclosure of Major Transactions	During the financial year, there were no major transactions, which materially altered the Company's net asset base or the consolidated Group's net assets base. <p>In the unlikely event that the net assets of the Company fall below half of the Shareholders' funds, the Shareholders of the Company would be notified and an Extraordinary General Meeting would be called to propose the way forward in terms of the necessary statutory and regulatory requirements.</p>	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.	Accountability & Audit		
D.1	Financial & Business Reporting		
D.1.1	Present a fair and balanced Annual Report prepared following the laws and regulations with an explanation of deviations.	HNBA continues to strive for high standards of corporate reporting, going beyond compliance with regulatory requirements to adopt international best practices in reporting.	☑
D.1.2	Board responsibility for fair reporting extends to interim and price-sensitive report, regulatory reporting, and statutory information	The Board is assisted in the discharge of this duty by the Audit Committee who reviews the interim financial statements and routine regulatory reporting. The Board reviews other price-sensitive communications before release to ensure it presents a balanced view of the relevant matter.	☑
D.1.3	Board to obtain declarations from CEO and CFO regarding financial statements, financial records, effective operation of systems of internal controls, and risk management.	The Audit Committee and Board obtain declarations from the CEO and CFO on the proper maintenance of financial records, the true and fair view of the financial statements, and the effective operation of systems of internal control and risk management.	☑
D.1.4	Declarations by Directors	<p>The following information has been declared in the Annual Report of the Board of Directors from pages 172 to 179.</p> <ul style="list-style-type: none"> • Declaration that the Company has not engaged in any activity which contravenes laws and regulations is given on page 178. • Declaration that the Directors have declared all material interests in contracts involving the Company is given on page 177. • Declaration that the Company has made all endeavors to ensure the equitable treatment of Shareholders is given on page 177. • Directors have complied with the best practices of Corporate Governance is given on page 179. • Property, Plant & Equipment are reflected at fair value and, where they differ from fair value, adequate disclosures are made as given on page 175. • Declaration that the Directors have conducted a review of the internal controls covering financial, operational, and compliance controls and risk management is given on page 178. • Declaration that the business is a going concern is given on page 173 	☑
D.1.5	Statements by Directors and Auditors	<p>Pages 181 to 182 contains the statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements</p> <p>The Auditor's Report is provided on pages 186 to 189.</p>	☑

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Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.1.6	Annual Report should include Management Discussion & Analysis	<p>The Management Discussion & Analysis is given on pages 41 to 101 of this Annual Report covering the Disclosure requirements under this code.</p> <ul style="list-style-type: none"> • Business Model – pages 42 and 43 • Industry Structure and Developments – pages 52 and 53 • Opportunities and Threats – pages 56 to 58 • Risk Management – pages 131 to 143 • Internal Control Systems and their Adequacy – pages 170 and 171 • Governance – pages 103 to 130 • Stakeholder Relationships - pages 47 to 101 • Social and Environmental Protection Activities Carried Out by the Company – page 93 • Financial Performance – pages 94 to 101 • Investment in Physical and Intellectual Capital - page 92 • Human Resource/Industrial Relations Activities Carried Out by the Company – pages 73 to 77 • Prospects for the Future – page 92 	☑
D.1.7	Summon EGM if net assets value fall below 50% of shareholders' funds	As capital adequacy is well above the regulatory requirements, the issue does not arise. Provision to call for an EGM in the event net assets fall below 50% is embedded in the Articles of Association.	☑
D.1.8	Adequate and accurate disclosure of related party transactions	<p>HNBA has in place the following mechanisms to facilitate disclosures of related party transactions:</p> <ul style="list-style-type: none"> • A Related Party Transactions Committee to review the related party transactions every quarter • Each related party submits a signed and dated declaration quarterly to provide information on related party transactions • The Company Secretary maintains a record of related party transactions which is summarized and presented to the Related Party Transactions Review Committee each quarter. • Note 50 of the financial statements on page 314 sets out the information on Related Party Transactions. 	☑
D.2	Risk Management & Internal Control		
D.2.1	The board should monitor risk management and internal control systems and carry out a review of their effectiveness and report on the same in the Annual Report	<p>The Board is assisted in this duty by the Audit Committee and the Risk Management Committee whose reports are given on pages 156 and 167. They are supported by the Internal Auditors and the Risk and Compliance Department respectively who carry out their functions under the guidance of these two committees, reporting directly to them. The Committee are provided regular reports on related matters to facilitate the assessment of the effectiveness of the internal controls and risk management systems.</p> <p>The Board Statement of Internal Control on page 170 and 171 provides further information in this regard.</p>	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.2.2	Directors to confirm the assessment of principal risks and provide information on the same	This is provided in the Risk Management Committee Report. (Refer to pages 167 and 168 for further details)	☑
D.2.3	Internal Audit function	The Company's internal audit function is outsourced to Messrs Ernst & Young. Further, Risk and Compliance Department carry out periodic verifications. (Refer to Board Statement of Internal Control on page 170 and 171 for further details)	☑
D.2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls	The Audit Committee is responsible for ensuring that the Company has an effective internal control system. It reviews the effectiveness of the internal control system through the Internal Auditors and the Risk and Compliance Department. The minutes of the Risk Management Committee meetings are tabled at the Audit Committee meetings for review since the Audit Committee carries the responsibility for the Company's Risk Management practices. Minutes of both the Audit Committee and the Risk Management Committee meetings are tabled at Board meetings for review. Extended Disclosure on the Internal Control Process of the Company Internal Controls at HNBA (Refer Report of the Audit Committee on pages 156 to 159 for further details)	☑
D.2.5	Statement of internal control	The Board's Statement on Internal Control is given on pages 170 and 171.	☑
D.3	Audit Committee		
D.3.1	Establish an Audit Committee of at least three Non-Executive Directors	The Audit Committee comprises three Non-Executive Directors of whom two are independent. Two members of the Audit Committee are professional accountants with recent and relevant experience in financial reporting and control.	☑
D.3.2	Terms of Reference for Audit Committee	The Board has approved the Terms of Reference for the Audit Committee which is in line with that specimen set out in Schedule F of the Code. The Audit Committee Report on pages 156 to 159 provides further information regarding the same.	☑
D.3.3	Disclosures	The Audit Committee Report on pages 156 to 159 provides the information required.	☑
D.4	Related Party Transactions Review Committee		
D.4.1	Definition	Related party transactions are defined in accordance with LKAS 24	☑
D.4.2	Establish a Related Party Transactions Review Committee	The Board has established a Related Party Transactions Review Committee comprising three Non-Executive Directors of whom two are Independent. The Chairman, Dr. Sivakumar Selliah, is a Non-Executive Senior Independent Director	☑

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Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
D.4.3	Terms of Reference	The Related Party Transactions Review Committee Terms of Reference has been approved by the Board and addresses the matters set out in the Code. Refer to the Annual Report of the Board of Directors on page 172 and the Report of the Related Party Transactions Review Committee on pages 162 and 163 for further information.	☑
D.5	Code of Business Conduct & Ethics		
D.5.1	Board declaration for compliance with Code	HNBA Assurance employs a Code of Business Conduct and Ethics for Directors to provide guidance in maintaining an ethical business practice and conduct at all times. Further, the Company has adopted a Code of Business Conduct and Ethics for all its employees and has mandated that it should be followed without exception. The Code of Business Conduct and Ethics is intended to encourage accountability and openness and is in line with Schedule J of the Code	☑
D.5.2	Price sensitive information	Material and price-sensitive information is promptly disclosed to the CSE by the Company Secretaries.	☑
D.5.3	Monitor Share purchase by Directors/ KMPs	Refer to the Related Party Transactions Committee Report on page 162.	☑
D.5.4	Chairman's statement	Refer to the Chairperson's Message on Corporate Governance on page 103 and The Annual Report of the Board of Directors on the affairs of Company on pages 172 to 179.	☑
D.6	Corporate Governance disclosures		
D.6.1	Corporate Governance disclosures	The Corporate Governance Report on pages 104 to 123 comply with this requirement.	☑
SECTION 2 - Shareholders			
E.	Institutional Investors		
E.1.1	Shareholder voting	HNBA conducts regular discussions with Institutional Investors. The Annual Report provides a balanced review of the Group's performance supporting analysis and objective decision making. Shareholders are provided an opportunity to comment, discuss, and seek clarifications on any relevant issue with the Chairperson and Board at the AGM, on conclusion on formal proceedings or by prior appointment.	☑
E.2	Evaluation of Governance Disclosures	Institutional investors are provided sufficient information to deliberate on matters related to the structure and composition of the Board, facilitating the evaluation of the same.	☑
F.	Other Investors		
F.1	Investing and divesting decision	HNBA provides sufficient relevant and material financial and non-financial material in its Annual Report to facilitate meaningful analysis and obtaining independent annual advice regarding their investment.	☑
F.2.	Encouraging Shareholder participation and exercise their voting right	Refer Annual General Meeting section on page 112	☑

Reference to ICASL Code	Corporate Governance Principle	How We Comply	Compliance Status
G.	Internet of things and cybersecurity		
G.1	Internet of things and cybersecurity	Refer IT Governance on page 111	<input checked="" type="checkbox"/>
G.2	Appoint a Chief Information Security Officer	<p>A qualified Information Technology professional within the Risk and Control Department carries out the independent functions as the Information Security Officer envisaged by the Code. He is responsible for the implementation of the Cybersecurity Policy and the Data Classification Policy of the Group which have been adopted by the Board and are in line with that of the requirements of the parent company.</p> <p>Additionally, the IT Department has a dedicated IT Security Administrator who reports to the Chief Information Officer on matters related to the security of the Group's information assets.</p>	<input checked="" type="checkbox"/>
G.3	Cyber risk management to be a regular item on the Board agenda	The Board reviews cyber risk regularly and they are assisted in this by the Board Risk Management Committee.	<input checked="" type="checkbox"/>
G.4	Independent periodic review and assurance	<p>The Board also reviewed the Company's information security environment through an external firm specialising in IT security audits.</p> <p>During the year, the Board and the Board sub-committees have reviewed the reports relating to information security and has discussed the IT road map to address the IT security matters.</p>	<input checked="" type="checkbox"/>
G.5	The process to identify and manage cybersecurity risks	Refer IT Governance on page 111	<input checked="" type="checkbox"/>
H.	Environment, Society & Governance (ESG)		
H.1	Environment, society and Governance (ESG) Reporting	<p>This report has been prepared following the GRI Standards, the Integrated Reporting Framework, and the Code of Best Practice on Corporate Governance which facilitates voluntary reporting of ESG matters.</p> <p>The following reports provide further information:</p> <ul style="list-style-type: none"> • Environmental Reporting <ul style="list-style-type: none"> - Natural Capital Report on page 93 • Social Reporting <ul style="list-style-type: none"> - Human Capital Report on page 73 - Social & Relationship Capital Report on page 93 • Governance <ul style="list-style-type: none"> - Corporate Governance Report on page 104 - Annual Report of the Board of Directors on page 172 	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/> Complied <input type="checkbox"/> Not Complied N/A Not Applicable			

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In year 2018, Insurance Regulatory Commission of Sri Lanka issued the Direction number 17 introducing a Corporate Governance framework for insurers. These rules came into effect (extended effective date) from 01st July 2019 and IRCSL amended the Direction number 17 during the years of 2020 and 2022. latest new amendment Direction number 2 of 2022 (Revised) came into effect from 25th February 2022 onwards. Compliance of HNB Assurance PLC with these regulations is given in the table below:

Compliance status of HNB Assurance PLC with Corporate Governance Framework for Insurers.

Requirement	Compliance Status	How We Comply
Section A		
Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017.	Compliant	The Company's status of compliance with the relevant Corporate Governance Code is given from pages 113 to 123
Section B(1)		
The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka.
Section B(2)		
The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As at the date of this report no Director has served on the Board for more than nine years.
Section B(2) (i)		
Above 9 year rule shall not be applicable to major Shareholder Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Compliant	This rule is not applicable to Mr.Dilshan Rodrigo who complete nine years in 2022 as Director since He was nominated by the HNB.
Section B(2) (ii)		
Above 9 year rule shall not be applicable to Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year
Section B(3) (i)		
The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years
Section B(3) (ii)		
Notwithstanding above, Person who serves as a director and is over 75 years of age or above as at 01st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year
Section B (4)		
The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE	Compliant	The Company's compliance status with rule number 7.10 is given on pages 126 to 127

Requirement	Compliance Status	How We Comply
Section B (5)		
A person shall not hold offices as a Director of more than 20 companies/entities/institutions including of subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act, No.15 of 1995	Compliant	As at the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities
Section B (6)		
The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo stock exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken rectifying the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company.	Compliant	The Company has disclosed the Compliance status with Section 7.10 of the Listing Rules in Pages 126 to 127 of the Annual Report and it is published on the Company and CSE websites within the given time period.
Section B (7)		
The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months	Not Applicable	No such situation has arisen during the year
Section B (8) (a)		
The Insurer should provide a certification from the company secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been approved by passing the resolution at the general meeting. close relatives of the Director concerned and common Directors holding an ownership stake of the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to age of 75 years, a fresh resolution shall be passed with the certification from company secretary shall be submitted to the IRCSL.	Compliant	The Company has complied with this requirement on 01st of April 2022 while providing a certification from the Company Secretary to the IRCSL, that continuation of Directors beyond the age of 70 years, have been approved by passing the resolution at the general meeting.
Section B (8) (b)		
The Insurer shall provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association of relevant insurer and that such insurer complies with the provision of the companies Act.	Compliant	The Company has complied with this requirement on 01st of April 2022 by providing a written confirmation from Company Secretary to the IRCSL, that the continuation of Directors who beyond the age of 70 years, is not prohibited by the Articles of Associations

CORPORATE GOVERNANCE

COMPLIANCE WITH LISTING RULES SECTION 7.10

Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The Company is fully compliant with the Corporate Governance Rules as per Section 7.10 of the Listing Rules of CSE. The following table has been published in accordance with the requirement to disclose the level of compliance with such rules

Rule No.	Subject	Requirement	Compliance Status	Remarks
7.10 (a) (b) (c)	Statement of Compliance	Publish a statement of compliance with Corporate Governance Rules (Section 7.10 of the Listing Rules) in the Annual Report	Compliant	Please refer page 104 for the statement of compliance
7.10.1	Non-Executive Directors	Two or one-third of the total number of Directors, whichever is higher, shall be Non-Executive Directors	Compliant	All Directors are Non-Executive Directors
7.10.2 (a)	Independent Directors	Two or one-third of Non-Executive Directors appointed to the Board, whichever is higher, shall be independent	Compliant	Three out of seven Non-Executive Directors are independent
7.10.2 (b)		Each Non-Executive Director shall submit a declaration of independence or non-independence in the prescribed format	Compliant	Non-Executive Directors have submitted declarations during 2022
7.10.3 (a)	Disclosures Relating to Directors	The Board shall disclose the names of the Independent Directors in the Annual Report	Compliant	Please refer page 176 of the Annual Report of the Board of Directors for the names of Independent Directors
7.10.3 (b)		In the event a Director does not qualify as independent as per the Rules on Corporate Governance, but if the Board is of the opinion that the Director is nevertheless independent, the Board shall specify the basis for that determination in the Annual Report	Not Applicable	No such situation has arisen During the year
7.10.3 (c)		The Board shall publish a brief resume of Directors in the Annual Report, including their experience in relevant areas	Compliant	Please refer the profiles of Directors on pages 22 to 27
7.10.3 (d)		The Board shall provide a brief resume of newly appointed Directors to the Colombo Stock Exchange (CSE) for dissemination to the public	Not Applicable	No such situation has arisen During the year
7.10.5	Remuneration Committee	A listed entity shall have a Remuneration Committee	Compliant	Details of the Human Resources and Remuneration Committee is given on pages 160 and 161
7.10.5 (a)		The Remuneration Committee shall comprise of Non-Executive Directors, a majority of whom shall be independent	Compliant	The Human Resources and Remuneration Committee comprises Three Non-Executive Directors, of whom Two are Independent Non-Executive Directors
		One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Directors	Compliant	Dr. S Selliah (Senior Independent Non-Executive Director) functions as the Chairman of the Human Resources and Remuneration Committee

Rule No.	Subject	Requirement	Compliance Status	Remarks
7.10.5 (b)		The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer	Compliant	Please refer the functions of the Human Resources and Remuneration Committee on page 161
7.10.5 (c)		The Annual Report should set out names of the Directors serving in the Remuneration Committee	Compliant	Please refer page 161 for the composition of the Human Resources and Remuneration Committee
		Statement of Remuneration Policy	Compliant	Please refer the Human Resources and Remuneration Committee Report on pages 161 and 162
		Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer Note 43 on page 305
7.10.6	Audit Committee	A listed entity shall have an Audit Committee	Compliant	Details of the Audit Committee are given on page 156 to 159
7.10.6 (a)		The Audit Committee shall comprise Non-Executive Directors, a majority of whom shall be independent	Compliant	The Audit Committee comprises Three Non-Executive Directors, Two of whom are independent
		One Non-Executive Director shall be appointed as the Chairman of the Committee by the Board of Director	Compliant	Mr. Ashoka Goonesekere (Independent Non-Executive Director) functions as the Chairman of the Committee
		Chief Executive Officer (CEO) and Chief Financial Officer (CFO) shall attend Audit Committee meetings	Compliant	Both the CEO and the CFO attend the meetings by invitation
		Chairman or one member of the Committee should be a member of a recognized professional accounting body	Compliant	Please refer pages 24 to 27 for qualifications of the members of the Audit Committee. The Chairman is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL)
7.10.6 (b)		The functions of the Audit Committee shall be as set out in Section 7.10 of the Listing Rules	Compliant	Please refer page 156 for the Report of the Audit Committee
7.10.6 (c)		The Annual Report should set out: - Names of the Directors serving in the Audit Committee	Compliant	Please refer page 156 for the Report of the Audit Committee
		The Committee's determination of the independence of the Auditors and the basis for such determination	Compliant	Please refer page 156 for the Report of the Audit Committee
		A Report by the Audit Committee setting out the manner of compliance with the requirements set out in Section 7.10 of the Listing Rules	Compliant	Please refer page 156 for the Report of the Audit Committee

CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

HNBGI uses best practices as given in the Corporate Governance Codes issued by the CA Sri Lanka as guidance to its Corporate Governance framework. Corporate Governance Rules as per the Listing Rules of CSE also shape its Corporate Governance Framework. Further details regarding the governance framework of the Company are included below.

Corporate Governance at HNBGI

HNBGI is a fully owned subsidiary of HNBA. HNBGI was formed in 2015, by transferring the General Insurance business which was under HNBA. IRCSL has issued Corporate Governance framework applicable to all Insurers with effect from 1st July 2019. IRCSL amended the Direction number 17 during the years of 2020 and 2022. The latest new amendment came into effect from 25th February 2022 and the HNBGI shall comply with the said Direction and relevant disclosure regarding same stated in the table given on page 129.

Further, HNBGI followed the Corporate Governance rules applicable, as per Listing Rules and the best practices, as given in the Corporate Governance Codes issued by the CA Sri Lanka to shape its Corporate Governance Framework. The Corporate Governance environment of HNBGI Limited is discussed below:

The Board and the Directors of HNBGI

As at 31st December 2022, HNBGI comprises of Seven Non-Executive Directors, two of whom are Independent. Details on the Board of Directors appear in the section 5 of Annual Report of the Board of Directors on the affairs of HNBA for the year ended 31st December 2022 on page 176

Compliance with Corporate Governance Codes

Non-Executive Directors

As at 31st December 2022, all Directors of HNBGI were Non-Executive. Therefore, the requirement on the minimum number of Non-Executive Directors as per Corporate Governance Codes is satisfied.

Independent Non-Executive Directors

out of seven Non-Executive Directors, HNBGI had two Independent Directors during the year 2022

Roles of the Chairperson and the CEO of HNBGI

The functions of the Chairperson and the CEO are separated, to ensure balance of power and authority. Mrs. Rose Cooray and Mr. Sithumina Jayasundara held the positions of Chairperson and the CEO, respectively.

Board Functions

The Charter of the Board of Directors of HNBA also applies to the Board of Directors of HNBGI as well.

Board Meetings

14 Board meetings were held during the 2022 and the attendance of each Director at such Board meetings is given in the page 176 of the HNBA Annual Report 2022.

Board sub-committees of HNBGI

Board sub-committees of HNBA review the operations of HNBGI which fall under their purview. Accordingly, the following Board sub-committees of HNBA review the operations of HNBGI as well.

Audit Committee / Human Resources and Remuneration Committee / Nomination Committee / Related Party Transactions Review Committee / Risk Management Committee / Investment Committee / Strategy Review Committee

All the above Committees have representatives of the Board of HNBGI to ensure that the interests of HNBGI also considered during the meetings.

External Audit

HNBGI's external audit is carried out by Messrs. KPMG Chartered Accountants, who are the External Auditors of its parent company HNBA, as well as of the ultimate parent company Hatton National Bank PLC.

Internal Audit

Messrs. Ernst & Young, the Internal Auditors of the parent company, also function as the Internal Auditors of

HNBGI. Accordingly, in their audit plan, the Internal Auditors cover the operations of HNBGI as well. The audit plan is prepared in consultation with the Audit Committee and adequate steps are taken to ensure that it covers the high risk areas of HNBGI's operations.

Risk Management and Compliance of HNBGI

The Risk Management function of HNBGI is handled by the Risk and Compliance Department of HNBA. Considering the nature of the business, a separate Risk Register, Risk Appetite statement and Key Risk Indicators, are being maintained for HNBGI.

A compliance checklist, confirming compliance with applicable laws and regulations, is also prepared on a monthly basis for HNBGI. Relevant Operational Managers who are responsible for compliance with relevant rules and regulations sign off the said checklist. These checklists, together with a confirmation from the Compliance Officer, are tabled at the Audit Committee meetings, Risk Management Committee meetings and Board meetings.

Please refer the Risk Management Report of HNBA Group on page 131.

Codes and Policies

All policies applicable for HNBA are also applicable for HNBGI. Therefore, the Board sub-committees and the Internal Auditors monitors whether HNBGI also comply with the applicable policies, when carrying out its operations.

COMPLIANCE WITH THE CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

In year 2018, IRCSL issued the Direction number 17 introducing a Corporate Governance framework for insurers. These rules came into effect (extended effective date) from 01st July 2019 and IRCSL amended the Direction number 17 during the years of 2020 and 2022. latest new amendment Direction number 2 of 2022 (Revised) came into effect from 25th February 2022 onwards. Compliance of HNB General Insurance Ltd. with these regulations is given in the table below:

Compliance status of HNB General Insurance Limited with Corporate Governance Framework for Insurers.

Requirement	Compliance Status	How We Comply
Section A		
Insurers are recommended to adhere to the Code of Best Practice on Corporate Governance issued in 2017.	Compliant	HNBGI is not a listed entity, however its Parent Company's (HNBA) status of compliance with the relevant Corporate Governance Code is given from pages 113 to 123
Section B(1)		
The Board of an insurer must be comprised of a minimum of two Directors who are citizens and residents of Sri Lanka.	Compliant	All Directors of the Company are citizens and residents of Sri Lanka.
Section B(2)		
The total period of service of a Director of an insurer, other than Executive Directors, shall not exceed nine years, and such period in office shall be inclusive of the total period of service served by such Director.	Compliant	As at the date of this report no Director has served on the Board for more than nine years.
Section B(2) (i)		
Above 9 year rule shall not be applicable to major Shareholder Director representing a major corporate shareholder and /or Corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual Shareholder Director holding more than 50% could hold the directorship of the insurer for more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board.	Not Applicable	No such situation has arisen during the year
Section B(2) (ii)		
Above 9 year rule shall not be applicable to Technical Director, such Director be allowed to remain in office till the age of 75 provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior managerial level.	Not Applicable	No such situation has arisen during the year
Section B(3) (i)		
The age of a person who serves as a Director shall not exceed 75 years.	Compliant	No Directors have exceeded the age of 75 years
Section B(3) (ii)		
Notwithstanding above, Person who serves as a director and is over 75 years of age or above as at 01st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	Not Applicable	No such situation has arisen during the year

CORPORATE GOVERNANCE AT HNB GENERAL INSURANCE LIMITED

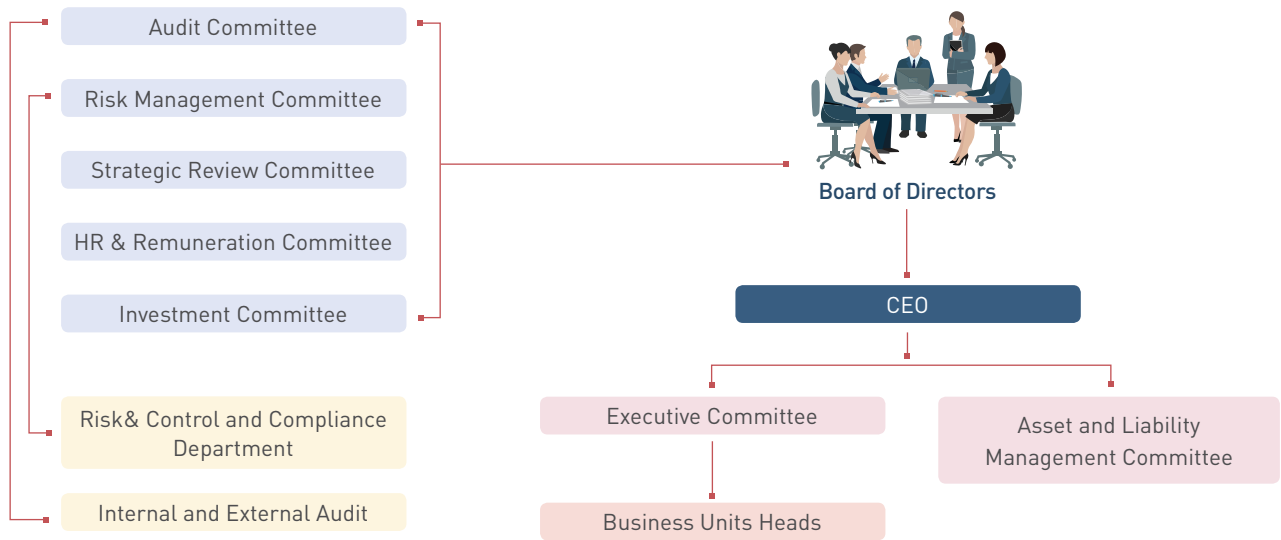
Requirement	Compliance Status	How We Comply
Section B (4)		
The Board of an insurer must adhere to Section 7.10 of the Listing Rules of the CSE	Compliant	The Company's Parent Company (HNBA) compliance status with rule number 7.10 is given on pages 126 to 127
Section B (5)		
A person shall not hold offices as a Director of more than 20 companies/entities/institutions including of subsidiaries or associate companies of the insurer, in not more than 10 specified business entities in terms of the Sri Lanka Accounting Standards Act, No.15 of 1995	Compliant	As at the date of this report, no Director holds directorship in more than 20 companies/entities/institutions and not more than 10 specified business entities
Section B (6)		
The Company is required to demonstrate compliance with this Direction by way of disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the Listing Rules of the Colombo stock exchange. If the Company is unable to confirm compliance, disclose the reasons for its non-compliance and the action that will be taken rectifying the said non-compliance within the period. The Annual Report of the Company should be accessible to the IRCSL and the general public via the website of the Company within five months after the Balance Sheet date of the Company.	Compliant	The Company's Parent Company (HNBA) has disclosed the Compliance status with Section 7.10 of the Listing Rules in Pages 126 to 127 of the Annual Report and It is published on the Company and CSE websites within the given time period.
Section B (7)		
The Insurer shall rectify its non-compliance in respect of B 1 to 6 above within three months from the date of Non-Compliance of same and inform the IRCSL immediately after three months	Not Applicable	No such situation has arisen during the year
Section B (8) (a)		
The Insurer should provide a certification from the company secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been approved by passing the resolution at the general meeting. close relatives of the Director concerned and common Directors holding an ownership stake of the company concerned shall be omitted from voting on the resolution. In respect of each further year extension up to age of 75 years, a fresh resolution shall be passed with the certification from company secretary shall be submitted to the IRCSL.	Compliant	The Company has complied with this requirement on 17th June 2022 while providing a certification from the Company Secretary to the IRCSL, that continuation of Directors beyond the age of 70 years, have been approved by passing the resolution at the general meeting.
Section B (8) (b)		
The Insurer shall provide a written confirmation from the Company Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association of relevant insurer and that such insurer complies with the provision of the companies Act.	Compliant	The Company has complied with this requirement on 17th June 2022 by providing a written confirmation from Company Secretary to the IRCSL, that the continuation of Directors who beyond the age of 70 years, is not prohibited by the Articles of Associations

RISK MANAGEMENT REVIEW

Risk Management is integral to the conduct of insurance business which is based on the principle of individuals or organisation transferring specific risks to the insurer who will compensate the insured in the event of loss. The Board bears ultimate responsibility for management of risk and has set in place a Risk Management architecture, policy framework and seeks to nurture a culture of risk awareness within the organisation in discharge of this duty.

RISK GOVERNANCE

HNBA Group has adopted a Three Lines of Defence model to governance of risk and the roles and responsibilities for Risk Management within the Group are graphically set out below:



1st Line of Defence Executive Management

- Design suitable Risk Management Framework
- Identify and analyse risks in terms of the above framework.
- Decide on the risk appetite of the Company, analysing controls in place and designing new controls required.
- Implement actions/additional controls required to mitigate risks above the Group/Company acceptable level.
- Monitor Performance of Risk Management Actions

2nd Line of Defence Risk Oversight

- Monitors effective implementation of Risk Management strategies.
- Coordinates with the Audit Committee, Risk Management Committee, Investment Committee and Internal and External Auditors and follows-up on their recommendations to improve the effectiveness of the Risk Management Process
- Makes continuous improvements to the Risk Management Framework where necessary, with the assistance of the Management and other relevant parties

3rd Line of Defence Independent Assurance

- Reviews effectiveness of controls in place to manage/mitigate risks and reports any deviations
- Recommends improvements and corrective actions where necessary
- Follows up continuously on effective implementation of Risk Management Strategies

RISK MANAGEMENT REVIEW

MANAGING RISK

Day to day management of risk is a shared responsibility with all three lines of defence accountable for effective functioning of their respective areas as set out in the Risk Management Framework as summarised below.

RISK MANAGEMENT FRAMEWORK

The Risk Management Framework is the authoritative document for managing risk which sets out the processes and responsibilities for identifying, measuring, managing, monitoring and reporting risk.

Risk Management Framework sets out the following:

Risk Management Objectives

- Risk Management and Internal Control
- General Control Environment
- Specific Internal Control Environment
- Risk Assessment

Risk Management at HNB Assurance Group

- Risk/Control Self-Assessment
- Risk Grading
- Monitoring Risk
- Management and Internal Control Programme
- Risk Management and Internal Control Responsibilities
- Risk Appetite Levels



RISK MANAGEMENT OBJECTIVES

Enhance value creation and stability of the Group by establishing an optimal risk-return profile which avoids greater than expected losses

Allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.

Maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

Maintain strong credit ratings and healthy capital adequacy ratios in order to support business objectives and maximise shareholders value.

Support decision-making processes by providing consistent, reliable and timely risk information.

THE RISK REGISTER

The Risk Department maintains a Risk Register which is tabled at the Executive Committee, the Board Risk Management Committee and the Board as a regular agenda item. It identifies the material risks faced by the Group/Company with regard to both core and supporting activities of the business.

The Risk Register plays a critical role in our Risk Management Strategy, enabling conduct of qualitative and quantitative risk analysis, design of appropriate risk responses to monitor and manage the risks.

RISK ASSESSMENT

Identified risks are assessed by risk owners through the Risk/Control Self Assessment processes using the matrix given below. This is reviewed by the Risk & Control Department to ensure that ratings are consistently applied throughout the Group.

	Rating
Impact	
Less than 5 Mn.	1 & 2
5 Mn to 50 Mn	3 to 5
50 Mn to 200 Mn.	6 to 8
Over 200 Mn.	9 to 10
Probability	
Less than 5%	1 & 2
5%-30%	3 to 5
30 % to 80 %	6 to 8
More than 80%	9 to 10

Additionally, quarterly risk reports are submitted to our Parent Company Hatton National Bank PLC along with the financial statements for monitoring purposes. Quarterly returns are also made to the industry regulator IRCSL on specified matters which include a Risk Assessment Summary which have been made within the stipulated time.

THE RISK APPETITE STATEMENT

Risk appetite is an integral part of the Risk Management Framework as it defines the tolerance levels for types of risk. The Board takes into account the strategic business goals, the operating environment, stakeholder expectations, regulatory requirements and the risk profile of the Group in determining the risk thresholds.

The Board and the Risk Management Committee monitor compliance with the risk tolerance limits to ensure that the risk profile of the Group is maintained at an acceptable level.

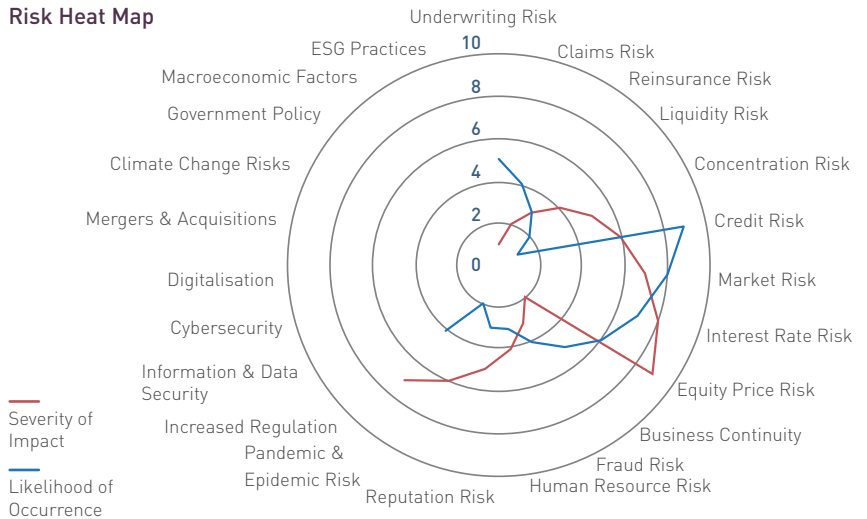
The Risk Appetite Statement identifies the following risks and sets out the appetite for each category of risks:



PRINCIPAL RISKS

The Risk Management Department maintains a risk register which monitors risks. The diagram below reflects the severity of impact and the likelihood of occurrence of the most relevant risks as at the close of the financial year and the top risks are discussed briefly below.

Risk Heat Map



RISK MANAGEMENT REVIEW

INSURANCE RISK - LIFE INSURANCE BUSINESS

- Underwriting Risk
- Reinsurance Risk
- Claims Risk

Insurance risk is the likelihood of a claim incident occurring as well as more general exposure relating to the acquisition and persistency of insurance business. Key risk drivers of Life Insurance business are mortality rates, longevity, lapse rates, discount rates, distribution expenses and management expenses.

Underwriting Risk

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. It can include underestimated liabilities arising from unpaid business written in previous years and underpriced policies in current use.

Developments in 2022

Rising inflation, taxation, political instability and the country's economic woes had a significant impact on disposable income and demand. Fuel shortages also impacted this highly customised business, limiting travel for effective customer engagement. Difficulties were overcome with expansion and development of the sales force, launch of a new rider and identifying pockets of opportunity to drive growth.

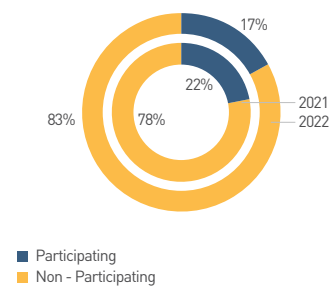
Risk Mitigation

- Diversification across a large portfolio of insurance contracts and geographical areas
- Segregation of duties between underwriting and sales with underwriting centralised at Head Office.
- Underwriting limits are clearly defined in the Manual of Financial Authority
- Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products to ensure that products are priced in line with risks covered.
- Medical reports are obtained from registered laboratories which are regularly reviewed by the Management to monitor the quality of service.
- Carrying out underwriting as per the guidelines set by the reinsurers.
- Focused training is provided on proper selling in Sinhala, Tamil and English to Insurance Advisors.
- A 'Customer Needs Analysis' Form is used to identify customer requirements and sell the most appropriate policy.

Risk Indicators

Participating Vs Non-Participating Policies (%)

HNBA is gradually increasing the proportion of non-Participating funds by selling more Non-Participating product. Such as privileged life.



Further details on Underwriting Risk Management are given in Note 4.2.2.1.2 on page 211.

Reinsurance Risk

Refers to retention of risks beyond the Company’s net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

📈 Developments in 2022	📉 Risk Mitigation	Risk Indicators			
<p>Waning of the pandemic improved mortality rates, reducing the reinsurance risk. However, the downgrading of sovereign risk and resultant withdrawal of re-insurers from the market affected the industry. Additionally, there was difficulty in remitting reinsurance premiums due to paucity of foreign exchange. However, HNBA was not affected as its main reinsurers Munich-Re continue to operate in the market and HNBA was also able to remit its reinsurance premiums. Despite this, reinsurance risk is elevated due to increased sovereign risk.</p>	<ul style="list-style-type: none"> • Strict adherence to reinsurers’ guidelines and regulatory requirements • Restructuring of reinsurance agreements with reinsurers regularly • A very close and professional relationship is maintained with all reinsurers. • Only reinsurers with ratings above the regulatory requirements are used as reinsurers. • Frequent review of the outstanding Reinsurance receivables. • Changes to the ratings of reinsurance companies are continuously monitored. 	Reinsurer	Country of Origin	Rating	Rating Agency
		Munich-Re	Germany	AA-/Stable	Fitch
		Munich-Re Retakaful	Malaysia (Retakaful)	AA-/Stable	Fitch
		Hanover Rs	Germany	AA-/Stable	Standard & Poor’s
		RGA	Island	AA-/Stable	Standard & Poor’s

➔ Further details on Reinsurance Risk Management are given in Note 4.2.2.1.3 on page 212.

Claim Risk

Claim Risk refers to the risk of over or under payment of claims, risk of not meeting the service standards set for claims payment process and claims cost exceeding the budgeted levels.

📈 Developments in 2022	📉 Risk Mitigation	Risk Indicators									
<p>While the claims risk reduced with the waning of the pandemic, medical inflation of 30% in 2022 exerted pressure on the claims risk. We are also closely monitoring the current developments regarding new variants of the COVID-19 virus and other epidemics and as these increase the claims risk. Availability of medicine was a key concern during the year due to the foreign exchange constraints. Lifestyle remains a key concern for claims risk although Sri Lanka’s obesity prevalence is lower than the regional average for South Asia.</p>	<ul style="list-style-type: none"> • An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year. • An in-house Actuarial Department headed by a qualified actuary monitors the Life Insurance business more closely and guide the Management to make more informed decisions. • Claims are reserved immediately at the intimation or on the availability of information on the death, injury or illness of an insured. • Service standards have been set on the time taken to process claims and these are monitored by the Management as well as by the Board Risk Management Committee. • Independent investigators are used to investigate claims to ensure fraudulent claims are identified • Financial authority limits are set based on the claim limits where the maximum limit is with the claims panel which is involved in making decisions with regard to significant/problematic claims and appeals made in respect of claims. 	Claim Ratio without Maturities									
		<p>HNBA claim ratio without maturities slightly increased to 11% in 2022 compared against 2021 and 2020.</p>									
		<table border="1"> <caption>Claim Ratio without Maturities</caption> <thead> <tr> <th>Year</th> <th>Claim Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>10</td> </tr> <tr> <td>2021</td> <td>10</td> </tr> <tr> <td>2022</td> <td>11</td> </tr> </tbody> </table>		Year	Claim Ratio (%)	2020	10	2021	10	2022	11
		Year	Claim Ratio (%)								
		2020	10								
		2021	10								
2022	11										
<p>%</p>											
<p>12</p>											
<p>10</p>											
<p>8</p>											
<p>6</p>											
<p>4</p>											
<p>2</p>											
<p>0</p>											
<p>2020 2021 2022</p>											
<p>Year</p>											

➔ Further details on Claim Risk Management are given in Note 4.2.2.1.4 on page 213.

RISK MANAGEMENT REVIEW

INSURANCE RISK IN GENERAL INSURANCE

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for a one-year period. Exceptions include Marine insurance contracts where coverage period is less than one year, and Title insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

Underwriting Risk

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. Underwriting risk could also arise due to a lack of understanding regarding changes in the environment such as the effect of climate change.

Developments in 2022

Restriction in vehicle imports and trade flows resulted in subdued demand for general insurance as Motor Insurance is the largest category in General Insurance.

Increased interest in medical insurance supported growth in general insurance as costs of healthcare increased significantly during the year. A comprehensive suite of products and sales force development initiatives supported growth in 2022.

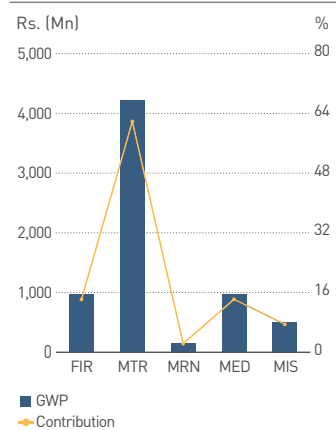
Risk Mitigation

- Diversification across large portfolio of insurance contracts and geographical areas
- Segregation of duties between sales and underwriting. The underwriting function is centralised at Head Office for both Motor and Non-Motor.
- Training and development of underwriting staff and distribution network team with the establishment of the General Insurance Academy which seeks to improve the technical knowledge of these key teams.
- Careful selection and implementation of underwriting strategies to diversify risk by type and level of insured benefits.
- Maintenance of statistical databases on all customer profiles and regular review of loss-making customers
- Strict control over issuance of cover notes and limiting these to the 60-day validity period.
- Manual of Financial Authority is available to give guidance on underwriting limits.
- Carrying out risk surveys and portfolio reviews.
- A risk-based pricing mechanism has been introduced for motor underwriting.
- Minimum premium levels have been set for certain vehicle categories.
- Underwriting is carried out considering the limits set in the Risk Appetite Statement.
- Staff incentive schemes consider both turnover and profitability
- Average premium prices with that of the average claims cost and the claims frequency is monitored on a daily basis to identify any changes in the business on an ongoing basis.

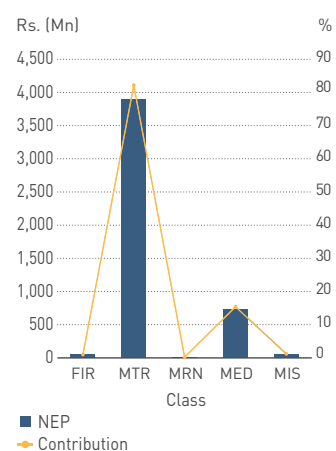
Risk Indicators

HNBGI GWP - Classwise

Motor is the highest contributor followed by medical and fire in year 2022.



HNBGI NEP - Classwise



Claim Risk

Claim Risk refers to the risk of over or under payment of claims, risk of not meeting the service standards set for claims payment process and claims cost exceeding the budgeted levels.

📈 Developments in 2022	⬇️ Risk Mitigation	Risk Indicators								
<p>Claims risk was significantly impacted by the increasing cost of spare parts and repairs due to devaluation of the rupee and the upward trend in inflation. The motor claims remained at a relatively low level due to the energy crisis during the first half of 2022 but increased as the country returned to normalcy. The increased market value of vehicles due to the inability to import vehicles supported increased premiums, offsetting the higher cost of claims to some extent.</p>	<ul style="list-style-type: none"> • Motor claims engineering and motor claims processing functions have been segregated to ensure proper segregation of duties. • Average size of the claims outstanding and a trend analysis on the claims outstanding amount is carried out to check any unusual movements in claims reserving. • The service of a qualified independent actuary is obtained semi-annually to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims. • All third-party claims are separately reviewed with the support of the Legal Department. • Closed file reviews are carried out periodically to identify any control lapses • Independent investigators are used to investigate claims to ensure fraudulent claims are identified • Increase the number of on-site offers for low value motor claims to provide a better service and reduce the administration cost of the claims process. • Financial authority limits are set based on the claim limits where the maximum limit is with the claims panel which is involved in making decisions with regard to significant/problematic claims and appeals made in respect of claims. 	<p>HNBGI Claims ratio</p> <p>Upward trend noted in the claim ratio of HNBGI during the year 2022.</p> <table border="1"> <caption>HNBGI Claims ratio Data</caption> <thead> <tr> <th>Year</th> <th>Claims Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>55</td> </tr> <tr> <td>2021</td> <td>65</td> </tr> <tr> <td>2022</td> <td>72</td> </tr> </tbody> </table>	Year	Claims Ratio (%)	2020	55	2021	65	2022	72
Year	Claims Ratio (%)									
2020	55									
2021	65									
2022	72									

➔ Further details on Claims Risk Management is given in Note 4.2.2.2.4 on page 215.

Reinsurance Risk

The risk of the premiums received from policyholders being insufficient to cover claims if the event or contingency insured against takes place. Underwriting risk could also arise due to a lack of understanding regarding changes in the environment such as the effect of climate change. Refers to retention of risks beyond the Company's net retention capacity without having adequate reinsurance and the inability of reinsurers to meet their commitments due to insufficient financial strength.

📈 Developments in 2022	Risk Indicators			
<p>Limitations in remitting foreign exchange and the withdrawal of reinsurers from the country necessitated a detailed review of reinsurance strategies during the year. However, we continue to maintain prudent levels of reinsurance in line with the Group Risk Appetite.</p>	Reinsurer	Country of Origin	Rating	Rating Agency
	General Insurance Corporation	India	B++	A M Best
	Ocean International Reinsurance Company Limited	Barbados	A-	A M Best
	The New India Assurance Co Ltd	India	B++	A M Best
	New Reinsurance Company Ltd	Switzerland	A+	A M Best
	National Insurance Trust Fund (NITF)	Sri Lanka	Government Security	
	Saudi Reinsurance Company, Labuan Branch	Saudi Arabia	A3	Moody's
	Lancashire Syndicates Limited (9329 at Lloyds)	United Kingdom	A	A M Best
	Antares Syndicate 1274 (AUL 1274 at Lloyds)	United Kingdom	A	A M Best
	Ascot, Atrium and Markel Syndicate *	United Kingdom	A	A M Best
	Fidelis Underwriting Limited	United Kingdom	A	A M Best
	Best Meridian International Insurance Company SPC	Cayman Islands	A-	A M Best

RISK MANAGEMENT REVIEW

Risk Mitigation

- Frequent review of the outstanding Reinsurance receivables
- A very close and professional relationship is maintained with all reinsurers and reinsurance brokers.
- Confirmed reinsurance is in place prior to issue of cover except in the case of some selected classes which are written on a net basis.
- Only a globally trusted and stable portfolio of reinsurance companies is used.
- Changes to the ratings of reinsurance companies are continuously monitored.

Further details on Reinsurance Risk Management are given in Note 4.2.2.2.3 on page 214.

FINANCIAL RISKS

HNBA is exposed to financial risk from its portfolio of investments in financial instruments which are subject to credit risk, market risk and liquidity risk. Stability of economy, fiscal and monetary policy, stability of the financial system, and vibrancy of capital markets impact the risk ratings. Appropriate policies and procedures have been set in place to manage these financial risks.

Credit Risk (Insurance Receivable and RI Receivable)

Uncertainty of the debtors' ability to meet obligations due to the Company.

Developments in 2022

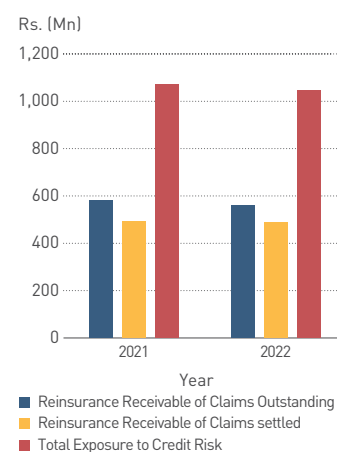
Credit risk continues to remain at elevated levels due to stressed economic conditions. HNBA has increased monitoring of credit and supported debt collection through the call centre,

Risk Mitigation

- Meticulous follow ups for premium outstanding.
- Periodic review policy cancellation and check the status of outstanding premium before settling claims.
- Periodic review of the premium receivables (RI) to provide adequate impairment provisions.
- Assessment of credit worthiness of reinsurers in selection and periodic review of their ratings.
- Review of outstanding balances monthly and ensure that all dues are collected or set-off against payables

Risk Indicators

Credit Risk - Reinsurance Receivables - Group



Further details on Credit Risk Management are given in Note 4.2.3.3 on page 221

Liquidity Risk

The inability of the Company to meet contractual obligations such as claim settlements and payments to reinsurers and other creditors due to the insufficient availability of cash and other liquid investments.

📈 Developments in 2022	📉 Risk Mitigation	Risk Indicators															
<p>The Group has remained liquid throughout the year with CAR well above regulatory requirements. However, we have strengthened stress testing in the wake of the pandemic to review liquidity and capital management strategies.</p>	<ul style="list-style-type: none"> The Group follows the Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy which is reviewed by the Investment Committee regularly. Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance and investment contract obligations. Reviewing the maturity mix of the investment portfolio by the Management and the Investment Committee on a regular basis. 	<p>Maturity Profile of Assets and Liabilities - Group</p> <table border="1"> <caption>Maturity Profile of Assets and Liabilities - Group (Rs. Mn)</caption> <thead> <tr> <th>Maturity Category</th> <th>Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td>Less than One year</td> <td>~16,500</td> <td>~2,500</td> </tr> <tr> <td>One year to Three years</td> <td>~8,500</td> <td>~500</td> </tr> <tr> <td>Three to Five Years</td> <td>~5,500</td> <td>~500</td> </tr> <tr> <td>More than Five Years</td> <td>~8,500</td> <td>~500</td> </tr> </tbody> </table>	Maturity Category	Assets	Liabilities	Less than One year	~16,500	~2,500	One year to Three years	~8,500	~500	Three to Five Years	~5,500	~500	More than Five Years	~8,500	~500
Maturity Category	Assets	Liabilities															
Less than One year	~16,500	~2,500															
One year to Three years	~8,500	~500															
Three to Five Years	~5,500	~500															
More than Five Years	~8,500	~500															

➔ Further details on Liquidity Risk Management are given in Note 4.2.3.4 on page 223

Credit Risk (Financial Instruments)

The risk of a loss due to counter party fails to meet its contractual obligations.

📈 Developments in 2022	📉 Risk Mitigation	Risk Indicators															
<p>As stressed economic conditions continued to elevate credit risks, HNBA adopted a cautious approach to investments in financial instruments, only investing in AA+ to AA- rated instruments. This risk is carefully monitored to optimise earnings while balancing the increasing risks.</p>	<ul style="list-style-type: none"> Investments are only made with entities approved by the Investment Committee. Any investments in any other entity are carried out only with the explicit approval of the Investment Committee. All investments in Corporate Debt Instruments, whether rated or not, are done after a detailed evaluation carried out by the Investment Management Team, who will recommend investments for approval by the Chief Investment and Strategy Officer, MD/CEO or the Investment Committee according to the Limits of Authority pertaining to investments. Single party exposure limits are decided based on the credit ratings and regulatory requirements and are monitored closely at different levels. Master Repo Agreements are signed with all primary dealers working with the Company in order to ensure zero level of default risk in respect of Government Securities bought through such parties in the event of their bankruptcy. Maintaining a custodian arrangement for Government Securities with Hatton National Bank. 	<p>Concentrations of Credit Risk - Financial Instruments</p> <table border="1"> <caption>Concentrations of Credit Risk - Financial Instruments (Rs. Mn)</caption> <thead> <tr> <th>Year</th> <th>Government Securities</th> <th>Corporate Debt Securities</th> <th>Term deposits</th> <th>Others</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>~14,000</td> <td>~7,000</td> <td>~7,000</td> <td>~2,000</td> </tr> <tr> <td>2022</td> <td>~21,000</td> <td>~8,000</td> <td>~6,000</td> <td>~1,000</td> </tr> </tbody> </table>	Year	Government Securities	Corporate Debt Securities	Term deposits	Others	2021	~14,000	~7,000	~7,000	~2,000	2022	~21,000	~8,000	~6,000	~1,000
Year	Government Securities	Corporate Debt Securities	Term deposits	Others													
2021	~14,000	~7,000	~7,000	~2,000													
2022	~21,000	~8,000	~6,000	~1,000													

➔ Further details on Credit Risk Management is given in Note 4.2.3.2 on page 219

RISK MANAGEMENT REVIEW

Foreign Currency Liquidity Risk

The inability of the Company to meet foreign currency contractual obligations such as claim settlements and payments to reinsurers and other creditors due to the insufficient availability of foreign currency.

Developments in 2022

HNBA earns premiums in Sri Lankan rupees but needs to pay reinsurance premiums in foreign currency to its overseas reinsurers. HNBA was able to pay the reinsurance premiums despite the foreign currency liquidity crisis in the country.

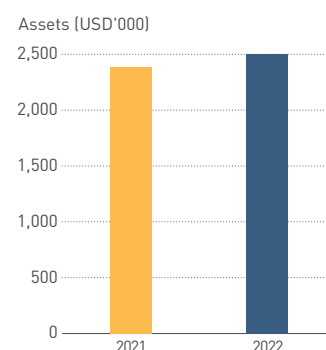
Note: No material liabilities were recorded on foreign currency denominated policies as at the reporting time.

Risk Mitigation

- The Group has been able to make the necessary payments up to the date of the report.
- Forward planning of foreign exchange requirements and early discussions with bankers on the same.
- As part of the HNB Group, HNBA has access to the expertise of the one of the largest banks in the country.

Risk Indicators

Foreign Currency Liquidity - Assets (USD'000)



Further details on Foreign Currency Risk Management is given on page 230

Market Risk

The risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of Interest rate risk, equity price risk and currency risk. As exposure to currency risk is minimal, this has not been elaborated further, except for the sensitivity disclosed below.

Developments in 2022

The sharp Increase in interest rates in 2022 resulted in higher earnings. However, the continued depreciation of currency is expected to impact dollar denominated investments although exposure is minimal. The subdued performance of the Colombo Stock Exchange will also have little impact on earnings due to minimal exposure to equity price risk.

Risk Indicators

Rs.Mn.	Interest Rate Risk		Equity Price Risk		Currency Risk	
	2021	2022	2021	2022	2021	2022
Assets	34,264	39,400	218	125	474	900
Liabilities	249	276	-	-	-	-

Sensitivity Rs.Mn.	2022							
	Yield Curve 100% bps		ASPI 10%		Exchange Rate 5%		Total	
	PBT	Equity	PBT	Equity	PBT	Equity	PBT	Equity
Increase/ Strengthening	-	(69)	8	6	45	32	54	(32)
Decrease/ Weakening		(72)	(8)	(6)	(45)	(32)	(54)	34

Risk Mitigation

- ALM guidelines are reviewed regularly by Investment Committee.
- Continuous monitoring on Macro economic changes by Investment Committee and Risk Committee.

Further details on Market Risk Management is given in Note 4.2.3.5 on page 226

Interest Rate Risk

The risk of fluctuations in the fair value or future cashflows of investments due to a change in market interest rates. This may result in under achievement of investment income, fall in fund value and inability to meet solvency standards as a result of a fall in bond prices due to a rise in interest rates.

Developments in 2022

- Interest rates increased sharply during the year as policy rates increased by an unprecedented 950 basis points in 2022.

Risk Indicators

Exposure – 2022				Rs.Mn
	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Assets	-	35,516	3,864	39,379
Liabilities	236	410	2,113	2,761
Sensitivity				
			Impact on PBT	Impact on Equity
100 bps Parallel Increase in All Yield Curves			-	(69)
100 bps Parallel Decrease in All Yield Curves			-	71

Risk Mitigation

- The Group follows the Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy.
- Macro-economic indicators and their impact on the Group's Investment Portfolio are monitored closely by the Management, Investment Committee and Risk Management Committee regularly.
- Necessary changes are made to the asset allocation and the maturity mix of investments on a periodic basis.
- Investments are classified in to different as required by Standards (SLFRS/LKAS) considering both the intention and the ability of the Company to hold such investments.

Further details on Interest Rate Risk Management is given in Note 4.2.3.5 on page 226

Equity Risk

The risk of fluctuations in equity investments due to change in equity market prices

Developments in 2022

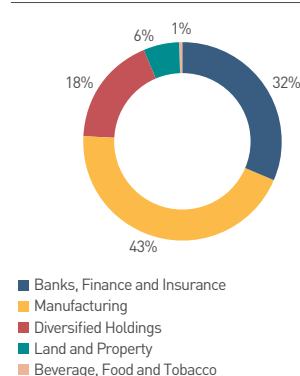
- The country's economic crisis and steep increases in interest rates weighed on the performance of the Colombo Stock Exchange with ASPI moving down from 13,338.49 to 8,489.66.

Risk Mitigation

- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectoral equity limits.
- Investments are mostly made in fundamentally sound stocks which are identified after an in-depth research and evaluation process by the internal investment management team.
- Equity portfolios are reviewed quarterly by the Investment Committee on a quarterly basis.
- Impact from market movement is monitored on a daily basis and warnings sent to CEO and CFO of high impact volatilities.

Risk Indicators

Equity Portfolio Diversification



Further details on Equity Risk Management is given in Note 4.2.3.5 on page 226

RISK MANAGEMENT REVIEW

OPERATIONAL RISK

- Business Continuity Risk
- Fraud Risk
- Human Resource Risk
- Reputational Risk

Operational risk is the possibility of incurring losses resulting from inadequate or failed internal processes, incidents caused by the actions of personnel or system malfunctions, or external events. This includes fraud, business interruptions, inaccurate processing of transactions, non-compliance regulations etc.

Developments in 2022	Operational risks are elevated due to the increasing inflation, interest rates and devaluation of the rupee which combine to provide motivation. This has been exacerbated with talent migration as over 300,000 people migrated during the year. HNBA continues to remain vigilant at all levels to manage operational risk, strengthening internal controls and reviewing their effectiveness.
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Business Continuity Risk

Definition	Interruptions to continuous operations due to unpredictable outbreaks such as COVID-19 or damages to infrastructure such as fire or flood, or IT outage, which can occur through malicious or accidental means or because of failure to fulfil contractual obligations by a company to the suppliers, customers or service providers
Developments in 2022	Business interruption increased during the first half of the year as the economic crisis led to social unrest and political instability. However, disruptions have been minimised to a large extent although mobility constraints and energy constraints remain requiring high levels of alert for potential disruptions. However, management has developed strategies to manage the energy and fuel shortages and also maintain the flexibility to work from home supporting minimal disruption in the event there are further disruptions.
Mitigations	<ul style="list-style-type: none"> • Implementing healthy and safety protocols in consultation with health authorities and building management to minimise risks at the workplace • Changing office layout to facilitate social distancing • Enabling employees to telecommute to minimise exposure • Working in two Teams to minimise exposure • Reinforcing health and hygiene practices through multiple channels including daily broadcasts of reminders at regular intervals • All employees were given BCP training with the assistance of a third party consultant to mitigate potential operational risks • Clear communications with third party providers and their staff on premises to mandate compliance with safety measures implemented by HNBA Group

Fraud Risk

Definition	Fraud risk commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion.
Developments in 2022	Fraud risk increased during the year as inflation increased significantly during the year with Sri Lanka ranking among the top 10 countries for high levels of inflation, with food inflation peaking in September 2022 at 94.9%.
Mitigation	<ul style="list-style-type: none"> • Internal audits are regularly carried out in the areas which are susceptible to fraud. • Risk and Control Department continuously monitoring the areas which are more vulnerable to the business. • Fraud risk register included in the Risk Management Policy to strengthen continuous monitoring. • Employee Code of Business Conduct Policy, Integrity Reporting Policy and Share Dealing Policy and Code are in place for the guidance of staff and streamline controls.

HR Risk	
Definition	An HR risk is any people, culture or governance factor that causes uncertainty in the business environment that could adversely affect the Company's operations
Developments in 2022	The economic crisis gave rise to a wave of migration with over 300,000 persons migrating during the year. Skilled person migration had a significant impact on the private sector. The Human Resource functions and Training & Development have been strengthened significantly to manage the issues although the current economic stresses continue to exert a drag effect on the outcomes.
Mitigation	<ul style="list-style-type: none"> • Motivating employees through rewarding schemes and trainings. • Counselling employees as and when they need counselling. • Conduct exit interviews and periodically carrying out induction programs. • Analysis of staff turnover is reviewed by the Management and the Board. • Employee surveys are carried out on a periodic basis. • Regular Management meetings and Distribution Management meetings are conducted to convey the key decisions taken at the top Management level and to communicate what is happening in the Company to all members of the Management Team. • Salary surveys are conducted periodically to ensure competitive salaries are given to the staff.

Reputation Risk	
Definition	Reputation risk is a top strategic business risk, being a key business challenge. A reputation risk that is not properly managed can quickly escalate into a major strategic crisis
Developments in 2022	HNBA Group guards its reputation zealously and encourages good conduct at all levels to minimise the risk with clear articulation of values, policies and a code of conduct. The overall stressed economic conditions elevate the risk levels and the Board remains vigilant in this regard, adopting a cautious approach to Risk Management.
Mitigation	<ul style="list-style-type: none"> • Internal audit reviews the internal controls of the Group through audits carried out and shares the findings with the Audit Committee. Corrective actions/implementation of recommendations are also monitored. • Employee Code of Business Conduct Policy, Integrity Reporting Policy and Share Dealing Policy and Code are in place for the guidance of staff and streamline controls. • Reputational risk management process included in the Risk Management Policy to strengthen the controls.

- IT RISK**
- Information and Data Security
 - Cybersecurity
 - Digitalisation

Risk of financial loss, disruption or damage to the reputation of the Company from some form of compromise of information to unintended parties and unauthorised access to our core systems or data/information. It also arises from failure of the company's information technology systems

Developments in 2022	Information and cyber risks continue to remain a top risk as the sophistication and frequency of cyber attacks increased during the year. Additionally, the Personal Data Protection Act No.9 of 2022 came in to effect during the year, strengthening the regulatory framework for data protection which necessitated increased vigilance over access to information.
Mitigation	<ul style="list-style-type: none"> • Continuous monitoring of cyber risks and information system risk by a specially dedicated system administrator and an officer from the Risk and Control Department. • Documented processes in placed such as Information Technology Policy and the policy has clearly defined roles, responsibilities and procedures. • KRI related to the IT risks are presenting to the Board Risk Committee on a continuous basis. • The Group has a business continuity plan and annual tests are carried out • Special IT training for employees prior to signing of Work from Home agreements which were put in place to manage information and cyber risks. • Commenced upgrading legacy systems of both HNBA and HNBGI which are expected to go live in 2023.

INVESTOR INFORMATION

Investor information outlines all information relevant for the performance of listed equity of the Company during the year that our investors would require to make informed decisions. HNBA considers it our duty to provide accurate and timely information to our Investors.

THE COLOMBO STOCK EXCHANGE PERFORMANCE FOR THE YEAR ENDED 31ST DECEMBER 2022

The Colombo Stock Exchange (CSE), which gained over 80% in 2021 and was one the best performing stock markets in the world at the time, was negatively impacted from the unfolded economic crisis of the country in 2022. At the beginning of the year, Country's rupee currency collapsed after the exchange rate was allowed to float almost after two years and it triggered a massive sell-off in the market and the foreign debt default in April negatively impacted the entire market sentiment. Island wide protests, high inflation, power cuts, taxation and consecutive calamities in the Country, led the stock market to fall as low as 7,000 points with short recovery in between.

The benchmark All Share Price Index (ASPI) declined by 30.6% YoY to 8,490 points, primarily due to macro-economic instability stemming from depletion of foreign currency reserves and other political agendas. The S&P SL20 index which features the CSE's 20 largest and most liquid stocks also recorded a decline of 37.7% YoY to 2,636 points. However, the negative performances were not only limited to the CSE but to the entire global equity markets due to the global recession fears. Despite the negative performance in the CSE, the year 2022 saw relatively higher daily turnover and a net foreign inflow to the market.

Rs. 3,847.20 Bn.

Market Capitalization

(2021 - Rs. 5,489.17 Bn.) ↓ (29.91%)

Rs. 2.98 Bn.

Daily Average Turnover

(2021 - Rs. 4.89 Bn.) ↓ (39.06%)

Rs. 686.60 Bn.

Total Turnover

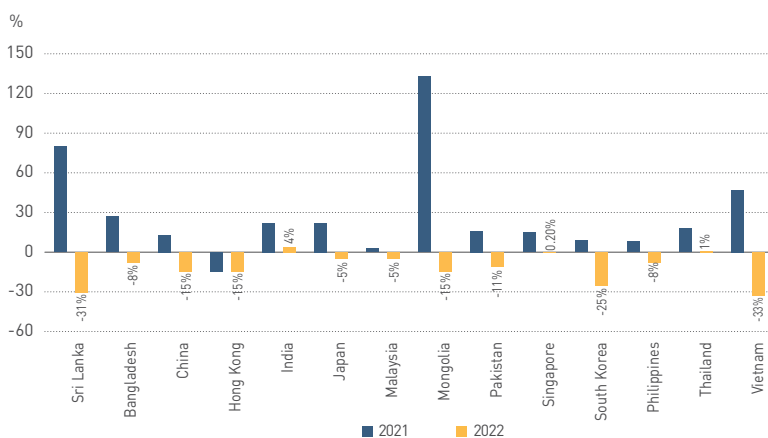
(2021 - Rs. 1,173.16 Bn.) ↓ (41.47%)

Rs. 51.00 Bn.

Net Foreign Inflow

(2021 - Rs. 52.65 Bn.) ↓ (3.13%)

Regional Market Performance



During 2022, commencement of the project to introduce a Central Counterparty System (CCP), is the second logical step following the Delivery Versus Payment (DVP) that was implemented in 2021. This will strengthen the profile of the CSE, minimize settlement risk, improve risk ratings globally and act as a catalyst for introducing new products. The other major development is the introduction of a new capital market product; Stock Borrowing and Lending (SBL) and Regulated Short Selling (RSS).

PERFORMANCE OF HNB ASSURANCE PLC (HASU)

During the year HASU operated as an active stock with high market activity by trading in 230 days from 231 market trading days. However, due to the turbulent environment, the liquidity of HASU decreased and 11.0 Million shares were traded during year 2022, which was a 45.4% decrease compared to the previous year. During the year, the share price decreased by 11.4% and total turnover of traded shares also decreased by 50.2% to Rs. 523.1 Million in 2022. During the year, the share price reached a high of Rs. 62.50 (13th January) and low of Rs. 28.00 (26th April). HASU share price closed at Rs. 42.90 recording a market capitalization of Rs. 6.4 Billion at the year end 31st December 2022.

STATED CAPITAL

The number of shares representing the Company's Stated Capital is given below.

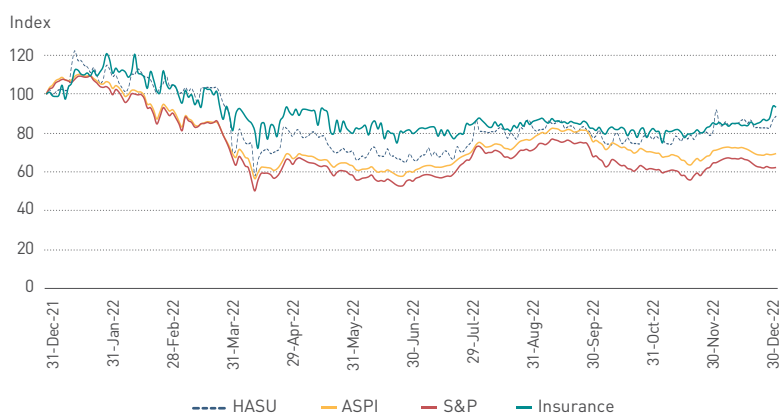
Stated Capital	Number of Shares	Class of Shares	Voting Rights
Rs. 1,171,875,000	150,000,000	Ordinary Shares	One Vote per Ordinary Share

MOVEMENT IN SHARE CAPITAL

Year	Detail	Basis	No. of Shares (000')	Share Capital (Rs.000')
2002	Prior to Public Issue	-	25,000	250,000
2003	Public Issue	-	-	-
2007	Bonus Issue	1:2	12,500	125,000
2011	Capitalization of Reserves	1:6	6,250	406,250
2011	Rights Issue	1:7	6,250	390,625
2020	Subdivision	1:3	100,000	-
	Total		150,000	1,171,875

HASU PERFORMANCE VS MARKET**HASU Performance Vs Market**

Rs. 6,435 Mn.

**SHARE PERFORMANCE**

	2022	2021	2020	2019	2018
Market Capitalization (Rs. Mn.)					
HASU	6,435	7,260	8,730	6,900	6,600
CSE	3,847,153	5,489,168	2,960,650	2,851,310	2,839,450
Market Price per share (Rs.) - Company					
Highest	62.50	64.00	178.00*	143.90	135.00
Lowest	28.00	42.30	55.10	98.60	72.60
Year end (VWA)	42.90	48.40	58.20	138.00	132.00

*The highest share price recorded is prior to the subdivision of shares, including share prices prior to 2020

INVESTOR INFORMATION

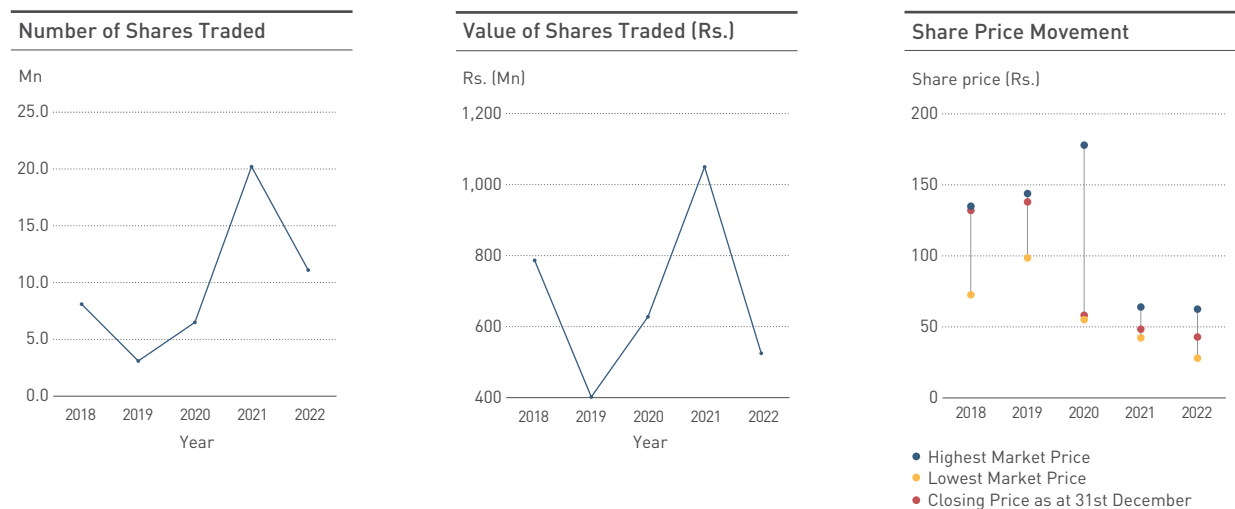
SHARE TRADING

	2022	2021	2020	2019	2018
Number of Transactions	9,139	14,186	7,760	3,535	6,024
Number of Shares Traded	11,009,317	20,157,342	6,502,845	3,100,694	8,076,234
Value of Shares Traded (Rs.)	523,084,080	1,049,843,639	627,625,766	401,941,061	786,616,771

SHARE PERFORMANCE RELATED RATIOS

	2022	2021	2020	2019	2018
Number of Shares in Issue (Mn.)	150.00	150.00	150.00	50.00	50.00
Basic Earnings per share (Rs.) – Group	12.20	8.16	7.83	6.73*	54.11
Basic Earnings per share (Rs.) – Company	9.89	6.67	4.83	5.51*	49.50
Net Asset Value per share (Rs.) - Group	51.99	54.15	54.63	134.29	114.89
Price to Book Value (Rs.)	0.83	0.89	1.07	1.03	1.15
Price to Earnings (Times)	3.52	5.93	7.43	6.83	2.44
Dividend Payout Ratio [%]	37	48	58	48	14
Dividend per share (Rs.)	3.65	3.20	2.80	8.00	7.00
Dividend Payment (Rs. Mn.)	547.50	480.00	420.00	400.00	350.00

* Restated based on the post subdivision weighted average number of ordinary shares as at 31st December 2020



BASIC EARNINGS PER SHARE

Earnings per Share (EPS) indicates how much money a Company makes for each share of its stock. HASU recorded healthy and steady EPS of Rs. 12.20 in year 2022 with a Year-on-Year increase of 50% (2021: Rs. 8.16) with the improved profitability of the Group.

PRICE EARNINGS RATIO

Price earnings ratio has decrease by 41% in 2022 against the previous year to 3.52 times from 5.93 times recorded in 2021, which shows the number of times to EPS required to cover the investment on HASU.

SHAREHOLDING

There were 4,490 registered Shareholders as at 31st December 2022 (2021-4,450).

a) Distribution and Composition of Shareholding

Distribution and composition of Shareholders as at 31st December 2022

Shareholding	Resident			Non-Resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares	No. of Shareholders	No. of shares	% on Total No. of shares
1-1,000 Shares	2,052	707,606	0.47	7	2,992	0.00	2,059	710,598	0.47
1,001-10,000 Shares	1,775	6,467,255	4.31	6	26,473	0.02	1,781	6,493,728	4.33
10,001-100,000 Shares	571	14,572,587	9.72	12	341,548	0.23	583	14,914,135	9.94
100,001-1,000,000 Shares	53	14,341,249	9.56	3	866,133	0.58	56	15,207,382	10.14
Over-1,000,000 Shares	11	112,674,157	75.12	-	-	-	11	112,674,157	75.12
Total	4,462	148,762,854	99.18	28	1,237,146	0.82	4,490	150,000,000	100.00

b) Analysis of Shareholders

i) Resident/Non-Resident

	31st December 2022			31st December 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	4,462	148,762,854	99.18	4,423	148,825,349	99.22
Non-Resident	28	1,237,146	0.82	27	1,174,651	0.78
Total	4,490	150,000,000	100.00	4,450	150,000,000	100.00

ii) Individual /Institutional

	31st December 2022			31st December 2021		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individual	4,322	31,095,619	20.73	4,282	32,017,271	21.34
Institutional	168	118,904,381	79.27	168	117,982,729	78.66
Total	4,490	150,000,000	100.00	4,450	150,000,000	100.00

PUBLIC SHAREHOLDING

The details of the public shareholding as at 31st December are given below.

	2022		2021	
	Shareholders	% on Total No. of Shareholders	Shareholders	% on Total No. of Shareholders
Number of Shareholders	4,478	99.73	4,437	99.71

	2022		2021	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Public Shareholding	53,001,838	35.33	52,952,727	35.30
Float Adjusted Market Capitalisation* (Rs.)	2,273,778,850		2,562,911,987	

The Company complies the minimum public Shareholding requirement under option 5 of section 7.14.1 (a) of the Listing Rules.

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

INVESTOR INFORMATION

TOP 20 SHAREHOLDERS

The 20 largest Shareholders as at 31st December 2022 together with their shareholding as at 31st December 2021 are given below.

Name of the Shareholder	2022		2021	
	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	6,945,224	4.63
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. Faizer Hashim	1,634,167	1.09	1,530,000	1.02
6. Mrs. A. Kailasapillai	1,500,000	1.00	1,500,000	1.00
7. Mrs. A.Selliah	1,500,000	1.00	1,500,000	1.00
8. Arunodhaya Investments (Private) Limited	1,350,000	0.90	1,350,000	0.90
9. Arunodhaya Industries (Private) Limited	1,350,000	0.90	1,350,000	0.90
10. Arunodhaya (Private) Limited	1,350,000	0.90	1,350,000	0.90
11 Rubber Investment Trust Ltd A/C NO 01	1,337,058	0.89	*	*
12. Andysel Private Limited	750,000	0.50	750,000	0.50
13. Corporate Holdings (Private) Limited A/C No.01	735,309	0.49	735,309	0.49
14. Mr. V.Sharda	609,000	0.41	609,000	0.41
15. Dr. S. Selliah	600,000	0.40	600,000	0.40
16. Corporate Holdings (Pvt.) Ltd A/C No.02	573,969	0.38	573,969	0.38
17. Suktam Holdings (Pvt) Ltd.	526,302	0.35	543,302	0.36
18. Guardian Fund Management Limited / The Aitken Spence And Associated Companies Executive Staff Provident Fund	510,000	0.34	*	*
19. MR. A.A.A. Rifkee	500,000	0.33	500,000	0.33
20. Buildmart Lanka (Pvt) Ltd	500,000	0.33	*	*
	117,978,737	78.65		
Other Shareholders	32,021,263	21.35		
Total Shareholders	150,000,000	100		

* Not included in the top 20 shareholder list in year 2021

DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

The details of the Directors' and Chief Executive Officer's shareholding at the beginning and at the end of the year are given below.

Name	No. of Shares as at 31st December 2022	No. of Shares as at 31st December 2021
Mrs. M A R C Cooray - Chairperson	112,624	94,235
Mr. D P N Rodrigo	540	540
Dr. S Selliah	600,000	600,000
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
Dr. T K D A P Samarasinghe Alternate Director to Mr. L U D Fernando	Nil	Nil
Mrs. S N Wickramasinghe (Retired w.e.f. 2nd October 2022)	N/A	67,500
Mr. Lasitha Wimalaratne (Chief Executive Officer)	Nil	N/A

COMPLIANCE WITH DISCLOSURE REQUIREMENTS AS PER THE LISTING RULES ISSUED BY THE COLOMBO STOCK EXCHANGE (CSE)**Submission of Financial Statements to the CSE**

As required by the Listing Rules, the Audited Financial Statements for the year ended 31st December 2021 were submitted to the CSE on 9th March 2022. The Interim Financial Statements of the 4th Quarter, for the year/quarter ended 31st December 2021, was submitted to the CSE on 14th February 2022. The Audited Financial Statements for the year ended 31st December 2022 will be submitted to the CSE within three months of the reporting date in line with the requirements of the CSE.

DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 7.6 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details / Reference	Status
7.6 (i)	Names of persons who during the financial year were directors of the Entity.	The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 176.	Complied
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein.	The principal activities of the Company and its subsidiary during the year are given in the Annual Report of the Board of Directors and Note 1.3 in Accounting Policies on page 195 respectively.	Complied
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	The 20 largest Shareholders as at 31st December 2022 together with their shareholding as at 31st December 2021 is given in Investor Information on page 148.	Complied
7.6 (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public Shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	The details of the public shareholding and float adjusted market capitalisation as at 31st December 2022 are given in Investor Information on page 147.	Complied
7.6 (v)	A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.	Shareholding of Directors and Chief Executive Officer is given in Investor Information on page 149.	Complied

INVESTOR INFORMATION

Rule Number	Requirement	Details / Reference	Status
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Information pertaining to material foreseeable risk factors is given on the Risk Management Report from pages 131 to 143	Complied
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	The Company did not encounter any material issues pertaining to employees and industrial relations during the year.	Complied
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Our fully owned subsidiary HNB General Insurance owns a land which has a cost of Rs. 68.6 Million. Further details are given on Note 8.1 to the Financial Statements on page 254	Complied
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Details on Company shares and share capital are given in Investor Information on page 145.	Complied
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories.	Distribution schedule of the number of holders and percentage holding is given in Investor Information on page 147.	Complied
7.6 (xi)	Ratios and market price information.	Given in Investor Information on page 146.	Complied
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	The Company uses the cost method as the accounting policy for maintaining records of Property, Plant and Equipment and the market value of such assets is considered not materially different to the book value. Details relating to the changes in the Company's fixed assets are given on Note 8 to the Financial Statements on pages 252 to 257.	Complied
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities	The Company did not raise funds to increase its Stated Capital during the year.	Complied
7.6 (xiv)	Employee Share Option Schemes and Employee Share Purchase Schemes	There are no 'Employee Share Option Schemes' or 'Employee Share Purchase Schemes' in the Company	Complied
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules.	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c, and 7.10.6 c of Section 7 of the rules are given in the Corporate Governance Report on pages 126 to 127	Complied
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.	There were no individual transactions exceeding the limit of 10% of the Equity or 5% of the total assets during the year with any related party of the Company. However, all related party transactions at aggregate level have been disclosed under Note 50 to the Financial Statements on pages 314 to 318.	Complied

DISCLOSURES IN THE ANNUAL REPORT AS PER SECTION 9.3.2 TO THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Number	Requirement	Details	Status
9.3.2 (a)	In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements	There were no non-recurrent related party transactions exceeding the aggregate limit of 10% of the Equity or 5% of the Total Assets. All related party transactions at aggregate level have been disclosed under Note 50 to the Financial Statements on pages 314 to 318.	Complied
9.3.2.(b)	In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the Listed Entity must disclose the aggregate value of recurrent Related Party Transactions entered into during the financial year.	<p>There were no recurrent related party transactions exceeding the aggregate limit of 10% of the Gross Written Premium. The Company carried out transactions with the Government of Sri Lanka and its related entities, where the aggregate amount of transactions have exceeded 10% of the Company's Gross Written Premium.</p> <p>Government of Sri Lanka has considered as a related entity of the Company considering the significant influence it has on the ultimate parent company, Hatton National Bank PLC.</p> <p>The terms and conditions of transactions carried out with the Government of Sri Lanka and its related entities were similar to those applicable to the general public. Details of transactions with the Government of Sri Lanka and its related entities are given on page 318 under Note 50 to the Financial Statements.</p>	Complied
9.3.2 (c)	Contain a report by the Related Party Transactions Review Committee, setting out	Please refer the Related Party Transactions Review Committee Report on pages 162 and 163	Complied
9.3.2 (d)	A declaration by the Board of Directors in the Annual Report as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Please refer page 177 for the confirmation by the Directors on compliance with the rules pertaining to Related Party Transactions	Complied

COMPLIANCE SUMMARY

Annual Report Disclosure Requirements as per the Companies Act, No. 07 of 2007

Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Relevant section in this Annual Report
Nature of the business of the Company and its subsidiary	Section 168 (1) (a)	Please refer page 173
Signed Consolidated Financial Statements of the Group for the accounting period completed	Section 168 (1) (b)	Please refer page 173
Auditors' Report on Consolidated Financial Statements of the Group	Section 168 (1) (c)	Please refer page 178
Changes in Accounting Policies made during the accounting period - Group and the Company	Section 168 (1) (d)	Please refer page 173
Particulars of entries in the Interests Register of the Company during the accounting period	Section 168 (1) (e)	Please refer page 177
Remuneration and other Benefits paid to the Directors of the Company and its subsidiary during the accounting period	Section 168 (1) (f)	Please refer page 177
Total amount of Donations made by the Company	Section 168 (1) (g)	Please refer page 179
Information on the Directorate of the Company during and at the end of the accounting period	Section 168 (1) (h)	Please refer page 175
Amounts payable to the Auditor as audit fees and fees for other services rendered to the Company and its subsidiary during the accounting period as a separate disclosure	Section 168 (1) (i)	Please refer page 178
Auditors' relationship or any interest with the Company and its subsidiary	Section 168 (1) (j)	Please refer page 178
Annual Report of the Board signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Please refer page 179

Disclosure Requirements as Per Schedule – I of The Code of Best Practice on Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka

Subject		Reference	Relevant section in this Annual Report
Annual Report	Chairman and CEO	A.2.1 and A.5.7	Please refer page 114
	Board Balance	A.5.5	Please refer page 114
	Nomination Committee	A.7.1	Please refer page 115
	Appointment of New Directors	A.7.3	Please refer page 115
	Appraisal of Board Performance	A.9.4	Please refer page 116
	Board Related Disclosures	A.10.1	Please refer page 116
	Disclosure of Remuneration	B.3 and B.3.1	Please refer page 117
	Major and Material Transactions	C.3 and C.3.1	Please refer page 118
	Audit Committee	D.3.3	Please refer page 121
	Code of Business Conduct and Ethics	D.5.1 and D.5.4	Please refer page 122
B. Remuneration Committee Report	Communication with Shareholders	C.2.2, C.2.3, C.2.4, C.2.5, C.2.6, C.2.7	Please refer page 118
	Members of Remuneration Committee	B.1.3	Please refer page 116
C. Directors' Report	Directors' Report	D.1.4	Please refer page 119
D. Financial Statements	Financial Statements	D.1.5	Please refer page 119
	Related Party Transactions	D.1.8	Please refer page 120
E. Management Report	Management Report	D.1.6	Please refer page 120
F. Corporate Governance Report	Corporate Governance Report	D.6.1	Please refer page 122
G. Audit Committee Report	Audit Committee Report	D.3.2	Please refer page 121
H. Related Party Transactions Review Committee Report	Related Party Transactions Review Committee Report	D.4.3	Please refer page 122
I. Statement on Internal Control	Statement on Internal Control	D.1.5 and D.2.4	Please refer pages 119 to 121
J. Internet of Things and Cyber security	Disclose the process to identify and manage cyber security risks	G.5	Please refer page 123
K. Sustainability Reporting	Sustainability Reporting	H.1.1 to H.1.4	Please refer page 123

Regulatory Reports Submitted to IRCSL in 2022

Submissions to IRCSL	Date of Submission		Deadline set by IRCSL
	HNB Assurance PLC	HNB General Insurance Limited	
Annual Audited Financial Statement for the year ended 31st December 2021	21st March 2022	30th April 2022	30th April 2022
Annual Statutory Returns for the year ended 31st December 2021	30th April 2022	30th April 2022	30th April 2022
Circular 29 Auditor's Compliance Certificate	30th April 2022	30th April 2022	30th April 2022
Risk Assessment Report	30th April 2022	30th April 2022	30th April 2022
Quarterly Returns and Compliance Certifications			
31st December 2021 (4th Quarter)	12th February 2022	15th February 2022	15th February 2022
31st March 2022 (1st Quarter)	14th May 2022	15th May 2022	15th May 2022
30th June 2022 (2nd Quarter)	03rd August 2022	15th August 2022	15th August 2022
30th September 2022 (3rd Quarter)	15th November 2022	15th November 2022	15th November 2022
Statement of Reinsurance Arrangements	31st January 2022	31st January 2022	31st January 2022
Certified Copies of all Cover Notes in respect of Reinsurance Treaties	31st January 2022	16th March 2022	15th March 2022
Actuarial Report and Abstracts	30th April 2022	30th April 2022	30th April 2022
Management Letter issued by the External Auditors for year ended 31st December 2021	30th April 2022	30th April 2022	30th April 2022
Information on Complaints handling and related performance (bi-annual basis submission)	27th January 2022 29th July 2022	30th January 2022 25th July 2022	30th January 2022 30th July 2022

Regulatory Returns Submission and Payments of the Company/Group

Information	Frequency of Submission	Compliance Status
Insurance Regulatory Commission of Sri Lanka (IRCSL)		
Annual Fee	Annually	Complied
CESS Payment	Quarterly	Complied
Colombo Stock Exchange (CSE)		
Listing Fee	Annually	Complied
Department of Inland Revenue		
Income Tax Payment	Quarterly	Complied
Income Tax Return	Annually	Complied
PAYE Tax Payment	Monthly	Complied
PAYE Tax Return	Annually	Complied
Value Added Tax (VAT) Payment	Monthly	Complied
Value Added Tax (VAT) Return	Quarterly	Complied
Stamp Duty Payment and Return	Quarterly	Complied
Social Security Contribution Levy Payment	Monthly	Complied
Social Security Contribution Levy Return	Quarterly	Complied
Central Bank of Sri Lanka (CBSL)		
EPF Payment and Return	Monthly	Complied
Employees' Trust Fund Board		
ETF Payment and Return	Monthly	Complied
Registrar General of Companies		
Annual Accounts	Annually	Complied
Annual Returns	Annually	Complied
Change of Directors and Company Secretary (Form 20)	As required	Complied
National Council for Road Safety		
Contribution to Road Safety Fund Payment	Monthly	Complied
Commissioner of Motor Traffic		
Luxury and Semi Luxury Tax Payment	Monthly	Complied
National Insurance Trust Fund (NITF)		
Crop Insurance Levy	Quarterly	Complied

FINANCIAL CALENDAR

DIVIDEND

	2022 Achievement on	2023 Target Date
First and final dividend paid/payable	26th April 2022	On or before 27th April 2023

ANNUAL REPORT AND ANNUAL GENERAL MEETING (AGM)

	2022 Achievement on	2023 Target Date
Annual Report and Accounts for the year signed/to be signed	17th February 2023	In February 2024
Annual General Meeting for the year to be held	31st March 2023	In March 2024

INTERIM FINANCIAL STATEMENTS SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

	2022 Achievement on	2023 Target Date
1st Quarter (ended 31st March)	4th May 2022	On or before 15th May 2023
2nd Quarter (ended 30th June)	2nd August 2022	On or before 15th August 2023
3rd Quarter (ended 30th September)	11th November 2022	On or before 15th November 2023
4th Quarter (ended 31st December)	20th February 2023	On or before 28th February 2024

ABOVE ALL WE THRIVE



FINANCIAL STATEMENTS

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AUDIT COMMITTEE REPORT

» Areas of Focus

- Financial reporting
- Internal controls
- Assurance

» Composition

Mr. Ashoka Goonesekere

- Chairman (IND/NED)

Dr. Sivakumar Selliah

- Member (Senior IND/NED)

Mr. Damien Fernando*

- Member (NIND/NED)

IND - Independent Director

NIND - Non-Independent Director

NED - Non-Executive Director

» Meetings & Attendance

The Committee held 07 Meetings during the year

Mr. Ashoka Goonesekere 7/7

Dr. Sivakumar Selliah 6/7

Mr. Damien Fernando 7*/7

* All seven (7) meetings attended by Alternate Director, Dr. Prasad Samarasinghe

» Attendees by Invitation

Mr. Faizal Salieh[▲] Director HNBGI, Chief Executive Officers, Chief Financial Officer, Chief Actuarial Officer and other Executive Committee Members attended meetings by invitation regularly.

▲ Resigned from Board of HNBGI w.e.f. 16th February 2023

» Secretary to the Committee

Ms. Sitari Jayasundara - Chief Legal and Compliance Officer, Board Secretary

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 24 to 27.

“Uncertainty necessitates a higher level of vigilance and care at every level of an institution”



Ashoka Goonesekere

Chairman, Audit Committee

CHARTER OF THE COMMITTEE

The Audit Committee ('the Committee') is tasked with assisting the Board in exercising structured, systematic oversight over financial reporting, internal audit, internal controls and external audits of the Company and its fully owned subsidiary HNBGI.

The Charter of the Audit Committee approved by the Board, clearly defines the Terms of Reference of the Committee. This is reviewed annually to ensure that new developments relating to the Committee's functions are addressed and the most recent review was approved by the Board.

The Committee is empowered to carry out any investigations it deems necessary and has unrestricted access to information, cooperation from management and employees to obtain relevant information considered necessary in the discharge of its duties and responsibilities. It also has the authority to seek external professional advice on matters within their purview and meet with Management, Auditors, Regulator, Actuaries etc., as necessary.

Key responsibilities of the Committee are given below:

- Monitor and review the financial reporting processes in place to provide accurate, appropriate and timely information to the Board, Regulatory Authorities, Shareholders and other stakeholders.
- Review the integrity of the Company/Group's Financial Statements including Annual Reports and Interim Financial Statements in consultation with External Auditors where applicable and ensure these are prepared in accordance with Sri Lanka Accounting Standards (LKAS), Sri Lanka Reporting Standards (SLFRS) and applicable laws and regulations and recommend the same to the Board of Directors.
- Liaise with the Board Risk Management Committee and the Management to evaluate the adequacy, efficiency and effectiveness of Risk Management framework of the Group to mitigate the risks associated with financial reporting.
- Liaise with the Related Party Transactions Review Committee to ensure that the Group's related party transactions are carried out as per the requirements set out in the Listing Rules and ensure proper disclosures are made in financial statements.
- Review the adequacy, design and effective operation of internal control systems.
- Ensure that the Group adopts and adheres to high standards of Corporate Governance and monitor compliance with applicable laws and regulations and company policy in the conduct of its business.

- Make recommendations to the Board on the appointment, re-appointment/removal of External and Internal Auditors, approve the remuneration of Auditors, terms of engagement, scope of the audit and monitor performance.
- Assess the independence of External Auditors.
- Evaluate the Company's ability to continue as a going concern for a foreseeable future.

ACTIVITIES IN 2022

Financial Reporting

The Committee reviewed the Interim Financial Statements, Annual Financial Statements of the Company, the Group, and the subsidiary, HNBGI in consultation with the External Auditors and the Management and recommended the same for the approval of the Board.

In reviewing the Financial Statements, special emphasis was given on the following aspects;

- Adequacy and effectiveness of the internal control systems, financial reporting systems and processes in place to ensure accuracy and reliability of information in the financial statements.
- Acceptability of the accounting principles and reasonableness of significant judgements.
- New Accounting standards and Developments in the financial reporting framework (Sri Lanka Accounting Standards – SLFRS/ LKAS) and its impact to the Financial Statements.
- Consistency of the adopted accounting policies and methods, and their compliance with the accounting standards (SLFRS/ LKAS).
- Significant accounting and reporting issues.
- Disclosure requirements with applicable laws and regulations.
- Going Concern assumption. The assessment took in to consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the financial statements.
- Outstanding tax assessments and actions initiated for resolution through regular reports submitted by the Chief Financial Officer.
- Reclassification of AFS assets in the investment portfolio together with disclosure requirements with applicable accounting and financial reporting requirements and assessment of compliance with Insurance Regulations.
- Discussed the effectiveness of the whistleblowing mechanism and reviewed follow up action.

New Accounting Standards and Amendments to Existing Standards

Accounting Standards Effective but deferred due to temporary Exemption SLFRS 9: Financial Instruments

SLFRS 9: Financial Instruments came into effect with effect from 01st January 2018. However, as the predominant activity of the Company and subsidiary is issuing insurance contracts within the scope of SLFRS 4: Insurance Contracts, the Group is allowed to apply LKAS 39: Financial Instruments recognition and measurement until SLFRS 17 insurance contracts is adopted upon its mandatory effective date. As such, the Group continued to apply LKAS 39 during the financial year ending 31st December 2022.

Readiness for SLFRS 17: Insurance Contracts

SLFRS 17 establishes the principles for recognition, measurement, presentation and disclosure of Insurance Contracts within the scope of the standard which corresponds to IFRS 17 is expected to come into effect on 01st January 2025. The Group retained the services of Messrs. KPMG and Actuarial Partners Consulting Sdn Bhd, to conduct a detailed gap analysis of SLFRS 17 and the findings including the key challenges was presented to the Committee in 2020. Currently the Group is in the process of preparing for implementation phase of the SLFRS 17 project.

During the year the Committee reviewed the project plan including the Governance structure, project leading committee and working group to manage SLFRS 17 implementation. The Management is currently in the process of evaluating the proposals and technology solution. The plan to commence the full implementation project with the consultants has been deferred for a year and the Group will commence the project in 2023.

Risks and Internal Controls

The following measures were taken to monitor and evaluate the effectiveness of the internal control environment of the Company/ Group;

- Liaising with the Board Risk Management Committee by reviewing of minutes tabled at the Audit Committee meetings.
- Reviewed reports on internal control and risk management practices of the Company/Group, produced by Internal and External Auditors together with the responses from the management.
- Review of related party transactions through the Related Party Transactions Review Committee.

Internal Audit

The Committee is responsible for making recommendations to the Board on appointment, rotation and discharge of the Group's Internal Auditors and reviewing of scope, annual audit plan and approval of same. The Committee also ensures that the Internal Auditors have access to information required.

The internal audit function of the Group is outsourced to Messrs. Ernst & Young, Chartered Accountants. During the year ended 31st December 2022, the Committee reviewed the annual internal audit plan and recommended improvements. Internal Auditors presented the issues and audit findings identified during internal

AUDIT COMMITTEE REPORT

audits covering the operations of the Company and subsidiary which were reviewed by the Committee. Management responses to recommendations was also monitored by the Committee and the internal audit reports were made available to the External Auditors.

Compliance with Laws and Regulations

The Audit Committee reviewed the Company/ Group compliance with laws and regulations through the following measures:

- Review of checklists signed off by the Management of the Company and its subsidiary monthly to ensure compliance with all applicable compliance submissions relating to the Department of Inland Revenue, Insurance Regulatory Commission of Sri Lanka and Labour regulations etc.
- Reviewed Quarterly and Annual Returns submitted to the Insurance Regulatory Commission of Sri Lanka on a timely basis.
- Obtaining reports from the External Auditors on the factual findings on compliance with Circular 29 and specified areas of Determination 14 and filing the same with the regulator.

IT Risk and Control Assessment

Messrs. KPMG performed a review on the general and application controls of the IT function during the year, as a part of their external audit process. The Internal Auditors also carried out an assessment of the General IT control aspect as a part of their internal audit work.

The Committee reviewed the Risk Committee minutes including observations made by the Auditors on IT related areas and monitored the implementation of actions agreed by the Management.

Fraud Risk

The Committee monitored the necessary measures taken by the Management to mitigate fraud risk of the Company/ Group and no major material fraudulent activities were reported during the year.

The Committee ensures exercise of following policies and practices.

- The Procurement Policy, approved by the Board, is applied to all procurement activities,
- The Integrity Reporting Policy which enables employees to raise concerns on fraudulent activities,
- Risk and Compliance Department, Internal Auditors and External Auditors review the processes of the Company / Group continuously to identify and mitigate the risk of fraud.

Ethics and Good Governance

The Group has an Integrity Reporting Policy in place which guarantees confidentiality of whistleblowers. The policy gives the nominated officers to whom any suspected wrong-doings can be

reported. All concerns relating to ethics and good governance that were brought forward during the year were duly investigated and appropriate actions were taken.

Corporate Governance

The Committee is confident that the Company is complying with relevant rules on corporate governance under the Listing Rules of the Colombo Stock Exchange. In addition, the Company is compliant with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

Evaluation of the Committee

The Committee carried out a self-evaluation based on a checklist approved by the Committee. The ultimate objective of the evaluation of the Committee is to improve the effectiveness of its activities and enhance its support to the Management and the Board of Directors. Summarized results of the evaluations were tabled to the Board of Directors.

External Audit

The Committee reviewed the plan, scope and the methodology presented by the External Auditors Messrs. KPMG Chartered Accountants. Discussions were also held between the Committee, the Management, and the External Auditors regarding the coordination of the audit effort to ensure that the External Auditors have access to required information.

Key Audit Matters were discussed with the External Auditors with due consideration placed on judgements, assumptions and measures taken by the Company and auditors to ensure reasonability.

The Committee reviewed the Report of the Auditors and Management Letter in consultation with the External Auditors and the Management to monitor the implementation of the prescribed corrective actions.

The Committee met the External Auditors without the presence of the management to discuss potential areas of concern regarding the conduct of the audit and any matters arising from the same.

The Committee also reviewed all fees to the statutory auditors for the interim and final audits for the year 2022 and recommended the same for the approval of the Board of Directors.

Re-Appointment of the External Auditors

The Committee evaluated the performance of the External Auditors, Messrs. KPMG Sri Lanka, Chartered Accountants, during the year and recommended their re-appointment to the Board for the financial year ending 31st December 2023, subject to the approval of the Shareholders at the Annual General Meeting to be held on 31st March 2023.

Independence of External Auditors

The Audit Committee reviewed the independence and objectivity of the External Auditor and the effectiveness of the audit process. The Committee received a declaration, as required under the Companies Act, No. 07 of 2007, from Messrs. KPMG, confirming the absence of any relationship with the Company/ Group which may have a bearing on their Independence.

Non-audit services provided by the External Auditors are segregated between assignments that require an independent view and other advisory services and such was reviewed by the Audit Committee during the year. The External Auditors were only engaged with assignments that required an independent view to prevent a conflict of interest for External Auditors.

Accordingly, as far as the Audit Committee is aware, Auditors do not have any relationship (other than that of Auditors) with the Company.

Reports of the External Actuaries

Wills Towers Watson (WTW) India Pvt Ltd are the appointed external Actuaries of the Company and the Subsidiary. The external actuaries have provided the Committee with written representations summarising the observations and comments with regard to the work performed and have been invited to make presentations to the Audit Committee at least annually.

Conclusion

The Committee, along with the Management, reviewed the system of Internal Controls in the Group and actions were taken to improve the same. The Committee is satisfied with the implementation of the Group's internal controls and Risk Management Framework and that the Group's assets are adequately safeguarded. The Group's Internal and External Auditors have been effective and independent throughout the year.

The Committee is also satisfied that the application of appropriate accounting policies provides reasonable assurance that the Financial Statements of the Group are true and fair.



Ashoka Goonesekere
Chairman – Audit Committee

Colombo, Sri Lanka
17th February 2023

HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

» Areas of Focus

- Determining directors' remuneration
- Employee wellbeing
- Benchmarking best practices
- Leadership Coaching

» Composition

Dr. Sivakumar Selliah
– Chairman (Senior IND/NED)

Ms. Rose Cooray
– Member (NIND/NED)

Mr. Stuart Chapman*
– Member (NIND/NED)

Mr. Ravi Abeysuriya**
– Member (IND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Temporary member for the period between 03rd December 2021 - 21st February 2022

** Appointed to the Committee as a member w.e.f 21st February 2022

» Meetings & Attendance

The Committee held 04 meetings during the year

Dr. S. Selliah	4/4
Ms. Rose Cooray	4/4
Mr. Stuart Chapman	1/1
Mr. Ravi Abeysuriya	3/3

» Attendees by Invitation

Mr. Faizal Salieh[▲] Director HNBGI, Ms. Chiranthi Cooray Director HNBGI, Chief Executive Officers, and Chief Human Resources Officer attended meetings by invitation regularly.

[▲] Resigned from Board of HNBGI w.e.f.16th February 2023

» Secretary to the Committee

Ms. Sitari Jayasundara – Chief Legal and Compliance Officer, Board Secretary

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 24 to 27.

“Aligning remuneration in response to external factors and talent management goals has been the main challenge in 2022. Ranking amongst Asia’s Great Places to Work affirmed our holistic approach to managing this vital resource”



Dr. Sivakumar Selliah
Chairman, Human Resources and Remuneration Committee

CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Human Resources and Remuneration Committee Charter, which is reviewed annually. The Charter defines the objectives, duties and responsibilities, composition, etc., of the Committee. The Human Resources and Remuneration Committee Charter outlines the company’s strategic intent in adopting HR practices that provide the employees with quality service while creating a platform that would enable each one to offer their services with trust and confidence to attain Company goals while fulfilling individual aspirations.

KEY RESPONSIBILITIES ARE SUMMARISED BELOW

- Recommending policy for remuneration of Non-Executive Directors, the Chairperson, the CEO and key management personnel.
- Recommend the level and structure of remuneration for all executive management officers.
- Recommend increments and bonuses payable based on recommendations submitted by the CEO.
- Provide direction in developing HR policies and strategies.
- Direct the Human Capital strategy of the Company.
- Guide, influence and shape the HR strategies and policies of the Company.

ACTIVITIES IN 2022

The country experienced political and economic turmoil while dealing with the spillovers from the pandemic. Employee remuneration and well-being continued to remain a key concern. The global war on talent escalated to new heights as many professionals and young talent opted to migrate, seizing opportunities offered in more stable economies.

EMPLOYEE WELLBEING

In response to the rising cost of living, both HNB Assurance PLC and HNB General Insurance Ltd, under the guidance and directions of Human Resources and Remuneration Committee, introduced a subsistence allowance for segments most affected. This was rolled out as a program than a one-off activity to ensure maximum impact.

BENCHMARKING BEST PRACTICE

In 2022, HNB Assurance PLC was named in the list of best organisations in ASIA to work for by Great Place to Work. This can be seen as one occasion where all the processes and practices implemented and nurtured during the past two years resulted in a significant accolade of recognition. HRRC considers this achievement a classic example of long-term investment in building a unique culture where talent could thrive and people feel cared for.

LEADERSHIP COACHING

Upon the appointment of two new CEOs for HNB Assurance PLC and HNB General Insurance Ltd in January 2022, members of the HRRC played an important role in coaching and mentoring them throughout the year. This included structured programs initiated by the Human Resources department and event-specific consultations necessitated through situational demands.



Dr. Sivakumar Selliah

Chairman – Human Resources & Remuneration Committee

Colombo, Sri Lanka
17th February 2023

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

» Areas of Focus

- Compliance with Rules and Regulations
- Review of related party transactions
- Protecting shareholder interest

» Composition

Dr. Sivakumar Selliah*

– Chairman (Senior IND/NED)

Mr. Damien Fernando

– Member (NIND/NED)

Mr. Ashoka Goonesekere**

– Member (IND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Dr. Sivakumar Selliah was appointed as the Chairman of the Committee w.e.f 21st January 2022

** Mr. Ashoka Goonesekere was appointed to the committee as a member w.e.f 21st January 2022

» Meetings & Attendance

The Committee held 04 meetings during the year

Dr. Sivakumar Selliah 4/4

Mr. Damien Fernando* 4/4

Mr. Ashoka Goonesekere 4/4

* All four (4) meetings attended by Alternate Director Dr. Prasad Samarasinghe

» Attendees by Invitation

Chief Executive Officers, Chief Financial Officer, Chief Investment and Strategy Officer, Head of Finance and Support Services HNBGI attended meetings by invitation regularly.

» Secretary to the Committee

Ms. Sitari Jayasundara – Chief Legal and Compliance Officer, Board Secretary

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 24 to 27.

“ Operating as part of a Group, related party transactions are monitored closely to ensure that regulatory requirements are complied with ”



Dr. Sivakumar Selliah

Chairman, Related Party Transaction Review Committee

CHARTER OF THE COMMITTEE

The purpose of the Committee is to conduct an appropriate review of all related party transactions of HNBA and its fully owned subsidiary, HNBGI and to ensure that the Group/ Company complies with the rules set out in Section 09 of the Listing Rules. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent Directors, Key Management Personnel (KMP) or substantial shareholders from taking advantage of their positions.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines to ensure that the Company complies with the rules listed in Section 09 of the Listing Rules.
- Review all proposed related party transactions in advance, subject to the exceptions given under Section 9.5 of the Listing Rules.
- Perform other activities relating to the Charter as requested by the Board.
- Regularly report to the Board on the Committee's activities.
- Share information with the Audit Committee as and when necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions.

ACTIVITIES IN 2022

Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company and Subsidiary for the year 2022. All related party transactions entered into during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company / Group.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally transacted with the public.

All details of such related party transactions entered into during the year, are given in Note 50 to the Financial Statements on pages 314 to 318 of this Annual Report.

The minutes of the Committee meetings were recorded at Board meetings of HNBA and HNBGI for the review of the Board of Directors.

Policies and Procedures

Chief Financial Officer is responsible for reporting the information set out under 'Appendix 9 A' of the Listing Rules with regard to each related party transaction proposed to be entered into by the Company and Subsidiary with the exception of information listed in the Section 9.5 of the Listing Rules for the Committee to review and to grant approval or disapproval. All the transactions with related parties that are entered with, are in terms with Sri Lanka Accounting Standard LKAS 24. Moreover, on a quarterly basis, the Chief Financial Officer is required to report the approved related party transactions actually entered into by the Company and Subsidiary for Committee's consideration.

Conclusion

During the year under review, the Company has complied with the related party transactions rules set out in Section 9 of the Listing rules. An affirmative statement of compliance with the rules pertaining to related party transactions by the Board of Directors and KMPs are included on page 177 of this Annual Report.

**Dr. Sivakumar Selliah**

Chairman – Related Party Transaction Review Committee

Colombo, Sri Lanka
17th February 2023

NOMINATION COMMITTEE REPORT

» Areas of Focus

- Board composition, skills, expertise and attributes
- Board sub-committee composition and expertise
- Corporate governance

» Composition

Ms. Rose Cooray

– Chairperson (NIND/NED)

Mr. Dilshan Rodrigo

– Member (NIND/NED)

Dr. Sivakumar Selliah*

– Member (Senior IND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Dr. Sivakumar Selliah was appointed to the Committee as a member w.e.f 21st January 2022

» Meetings & Attendance

The Committee held 01 meeting during the year.

Ms. Rose Cooray.....	1/1
Mr. Dilshan Rodrigo.....	1/1
Dr. Sivakumar Selliah.....	0/0

» Attendees by Invitation

Chief Executive Officers

» Secretary to the Committee

Ms. Sitari Jayasundara – Chief Legal Officer, Board Secretary and Compliance Officer

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 24 to 27.

“ The Nomination Committee plays a vital role as composition of the Board is the most critical factor in providing leadership to a company operating in this highly regulated sector ”



Rose Cooray

Chairperson, Nomination Committee

CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Nomination Committee Charter. The purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the selection/appointment of new Directors, re-appointment of current Directors, selection and appointment of the Chief Executive Officer.

Key responsibilities of the Committee are given below:

- Exercise general oversight with respect to corporate governance of the HNBA Group
- Implement approved procedure in selecting and appointing Directors/CEO;
- Assess performance and contribution made by Directors towards the overall discharge of responsibilities of the Board and to make a recommendation on the re-election of current Directors to the Board of Directors;
- To determine qualifications, experience and key attributes required for eligibility to be considered for appointment of the CEO;
- To consider and recommend from time to time the requirements of additional/new expertise and the succession arrangements for retiring Directors and Key Management Personnel;
- To regularly review the structure, size, composition and competencies (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
- Periodically appraise the framework for assessment of Board performance and the Board self-evaluation discussion

ACTIVITIES IN 2022

- Committee considered re-appointment of Directors retiring by rotation
- Appointment of Mr. Ashoka Goonesekere to the Board of HNB Assurance PLC
- Appointment of Dr. Sivakumar Selliah as Senior Independent Director of HNB Assurance PLC
- Re-structuring of Board sub-committees

Conclusion

The Committee is satisfied that the combined knowledge and experience of the Board match the demands facing the Group.

Rose Cooray

Chairperson – Nomination Committee

Colombo, Sri Lanka

17th February 2023

INVESTMENT COMMITTEE REPORT

» Areas of Focus

- Strengthening the investment risk management strategies
- Active portfolio management amid volatile market conditions
- Increasing the investment returns

» Composition

Dr. Sivakumar Selliah

– Chairman (Senior IND/NED)

Ms. Siromi Wickremasinghe*

– Member (NIND/NED)

Mr. Ravi Abeyesuriya

– Member (IND/NED)

Mr. Arjuna Abeygunasekara**

– Member (NIND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Retired from the Board of HNBA w.e.f 02nd October 2022

** Director of HNBGI

» Meetings & Attendance

The Committee held 07 meetings during the year.

Dr. Sivakumar Selliah	7/7
Ms. Siromi Wickremasinghe	5/5
Mr. Ravi Abeyesuriya	7/7
Mr. Arjuna Abeygunasekara	7/7

» Attendees by Invitation

Chief Executive Officers, Chief Investment & Strategy Officer, Chief Actuarial Officer and Middle Management of the Investment front office and back office attended meetings by invitation regularly.

» Secretary to the Committee

Ms. Punsirini Perera – Chief Financial Officer

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields, the details which can be found on pages 24 to 27.

“ During a year of turbulent market conditions, the Committee provided insights in maximizing investment returns whilst adopting prudent risks management strategies ”



Dr. Sivakumar Selliah

Chairman, Investment Committee

CHARTER OF THE COMMITTEE

The Investment Committee ('the Committee') is responsible to assist the Board in reviewing the investment policies, strategies and performance of the Investment portfolios of the Company and its subsidiary.

As per the Charter of the Investment Committee in furtherance of its duties, the Committee is authorised to have direct access to, and receive regular reports from, the Management, and to request any additional information relating to its responsibilities. The Committee is also empowered to review and amend policies and programmes falling under its purview and recommend to the Board for adoption.

Key responsibilities of the Committee are given below:

- Developing and formulating guidelines for the management of the investment portfolios of the Company and subsidiary
- Reviewing and advising on the strategies to be followed by the investment function, after evaluation of the investment portfolios
- Monitoring compliance of the investment function with applicable laws and regulations and the Investment Policy of the Group
- Providing recommendations on any changes to the Investment Policy deemed by the Committee to be necessary to the Board for approval
- Evaluating and granting approval for any investment activity which require specific approval of the Committee as per the Investment Policy
- Evaluating Liquidity Position of the Company and subsidiary
- Evaluating the performance of investments already made, through a periodic comparison of actual returns with expected returns
- Regularly reporting to the Board on the Committee's activities
- Reviewing and assessing the adequacy of the Charter periodically, and recommending any proposed changes to the Board for approval
- Performing other activities under the Charter, as requested by the Board

INVESTMENT COMMITTEE REPORT

ACTIVITIES IN 2022

- The Committee reviewed information presented by the management, at its meetings, on macro-economic conditions and external environment and provided guidance on investment strategies to be followed.
- The performance of investment portfolios of the Company and its subsidiary were evaluated each quarter and guidance given where necessary.
- The Company's and subsidiary's compliance to requirements of the Investment Policy, statutory rules and regulations were monitored by receipt and review of quarterly compliance reports from the Management.
- Risks relating to the investment function, Liquidity Management and Asset and Liability Management (ALM) positions were also evaluated.
- The Committee reviewed the changes proposed to the Investment Policy of the Company and its subsidiary, in light of economic and regulatory changes, and the growth of the investment portfolios of the Company/ subsidiary and made recommendations to the Board where relevant.
- In addition to scheduled meetings, the Committee also maintained constant dialogue with the management throughout the year and discussed matters as and when they arose. Any issue that needed the attention of the Investment Committee was promptly attended to and solutions reached, through close communication between the Committee and the top management.
- The Committee scheduled additional meetings during the year to review the turbulent environment in the Country and its impact on the business operations. Information presented on Investment risk assessments for various scenarios, sensitivity analysis, reclassifications on treasury bonds and research on domestic debt restructuring were assessed and discussed in detail.

Conclusion

During a year of extremely high uncertainty and volatility in the market, the management adopted a cautious risk weighted return-based approach in developing the investment strategies. The Committee is of the opinion that HNBA and HNBGI recorded an impressive performance by managing its investment portfolios to achieve returns well above the set targets, while adhering to the framework prescribed by the Investment Policy and statutory and other laws, regulations, and guidelines.



Dr. Sivakumar Selliah

Chairman, Investment Committee

RISK MANAGEMENT COMMITTEE REPORT

» Areas of Focus

- Key Risk Indicators
- Risk Management Framework
- Macroeconomic Risks

» Composition

Mr. Dilshan Rodrigo

– Chairman (NIND/NED)

Ms. Rose Cooray

– Member (NIND/NED)

Mr. Ravi Abeysuriya*

– Member (IND/NED)

Mr. Stuart Chapman**

– Member (NIND/NED)

Ms. Marina Tharmaratnam***

– Member (IND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Ceased to be a member of the Committee w.e.f 21st February 2022

** Appointed as member w.e.f 21st February 2022

*** Director of HNBGI

» Meetings & Attendance

The Committee held 06 meetings during the year

Mr. Dilshan Rodrigo 6/6

Ms. Rose Cooray 6/6

Mr. Ravi Abeysuriya 1/1

Mr. Stuart Chapman 4/5

Ms. Marina Tharmaratnam 5/6

» Attendees by Invitation

Mr. Ruwan Manatunga - Chief Risk Officer - HNB PLC, Chief Executive Officers, Chief Financial officer and other members of the Executive Committee attended meetings by invitation regularly.

» Secretary to the Committee

Mr. Patkunarajah Kugesan – Manager Risk and Control

» Expertise

The Chairman and members of the Committee have extensive experience in diverse fields the details which can be found on pages 24 to 27.

“ The Committee continued to strengthen the Group risk framework, taking a universal approach to manage the risks at this unprecedented situation and pleased to implement our risk management strategies to reduce risks and ensure the continuity of our service delivery ”



Dilshan Rodrigo

Chairman, Risk Management Committee

CHARTER OF THE COMMITTEE

The Risk Management Committee assists the Board in fulfilling its responsibility with respect to the oversight of the Risk Management Framework, including significant policies and practices used in managing risks, of the Company and its fully owned subsidiary, HNBGI.

The terms of reference of the Committee is defined in the Risk Management Committee Charter which is approved by the Board and is also reviewed annually.

Authority

The Committee has been empowered to have direct access to and receive regular reports from the Management. In order to discharge its duties and responsibilities effectively and efficiently, the Committee is authorised to request and receive any information from the Management relating to its responsibilities.

Moreover, the Committee has the authority to engage independent professional advisors on matters within its purview.

Key Responsibilities

- Review the Company’s Risk Management Framework, including significant policies, processes, and systems that the Management uses to manage risk exposures as well as risk measurement methodologies and approaches used for stress testing.
- Review and approve the Company’s Risk Assessment Report and receive reports on the Company’s adherence to significant risk limits.
- Review the risk appetite statement of the Company along with the Management by periodically assessing performance with the established risk appetite.
- Review and discuss with the Management on issues raised by Internal/External Auditors that impact upon the Risk Management Framework of the Company.
- Monitor whether the decisions relating to functions with high risks are taken in accordance with established and delegated authorities.

RISK MANAGEMENT COMMITTEE REPORT

ACTIVITIES IN 2022

- The Committee reviewed the development, implementation and maintenance of the Group's overall Risk Management Framework, its Risk appetite principles, and policies, to ensure they are in line with emerging regulatory, governance, and industry best practices.
- The Committee reviewed the risk response strategies of the Group related to business continuity planning, stress testing of cashflow and liquidity, digitalisation process and disaster recovery planning through the meetings and ensure the business is reacting to the changes in the macroeconomic environment in an effective and timely manner.
- Emerging and key risks faced by the Group were discussed in detail and the Committee provide guidance on mitigating actions.
- The Committee also reviewed the Group's compliance with all applicable laws and regulations through review of compliance checklists prepared and presented by the Management.
- Discussed the investment strategy and reviewed the Asset and Liability Management Policy of the Group.
- Risks relating to new products were reviewed by the Committee prior to launch.
- The Committee reviewed the Key Risk Indicators (KRIs) of the Group against internal tolerance levels covering credit, reinsurance, market, operational and strategic risks facing the Group and management actions taken to address internal breaches.
- IT risks related issues of the Group and the steps taken by the Management to strengthen the IT Security environment of the Company were also discussed and guidance offered.
- The minutes of all meetings held were tabled at the Audit Committee meetings to permit the Audit Committee to carry out its statutory, regulatory, and other responsibilities as well as at the Board meetings of HNBA and HNBGI to update and inform the other members of the Board on the proceedings.



Dilshan Rodrigo

Chairman, Risk Management Committee

Colombo, Sri Lanka

17th February 2023

STRATEGY REVIEW COMMITTEE REPORT

» Areas of Focus

- Increasing the market share
- Improving the group level profitability
- Implementation of the corporate plan

» Composition

Ms. Rose Cooray

– Chairperson (NIND/NED)

Dr. Sivakumar Selliah

– Member (Senior IND/NED)

Mr. Damien Fernando

– Member (NIND/NED)

Mr. Stuart Chapman

– Member (NIND/NED)

Mr. Faizal Salieh **

– Member (IND/NED)

Ms. Marina Tharmaratnam*

– Member (IND/NED)

Mr. Sanjaya Wijemanne*

– Member (NIND/NED)

IND – Independent Director

NIND – Non-Independent Director

NED – Non-Executive Director

* Directors of HNBGI

▲ Mr. Faizal Salieh resigned from the Board of HNBGI w.e.f. 16th February 2023

» Meetings & Attendance

The Committee held 04 meetings during the year

Ms. Rose Cooray	4/4
Dr. Sivakumar Selliah	4/4
Mr. Damien Fernando*	4/4
Mr. Stuart Chapman	3/4
Mr. Faizal Salieh	4/4
Ms. Marina Tharmaratnam	4/4
Mr. Sanjaya Wijemanne	4/4

* All four (4) meetings attended by Alternate Director, Dr. Prasad Samarasinghe

» Attendees by Invitation

Mr. Rajive Dissanayake - Chief Financial Officer of HNB PLC, Chief Executive Officers and the Executive Committee members of the Company attended meetings by invitation regularly.

» Secretary to the Committee

Mr. Nilesch Amarasinghe – Chief Investment and Strategy Officer

“ During an year with unprecedented challenges, the Committee guided the Group to accomplish the set targets, with remarkable performance ”



Rose Cooray

Chairperson Strategy Review Committee

CHARTER OF THE COMMITTEE

The terms of reference of the Committee are defined in the Strategy Review Committee Charter, which is reviewed periodically. The main purposes of the Committee involve closely reviewing and monitoring the implementation of the three-year strategic plan of the Group/Company, keeping the Board informed about the progress of such implementations and making timely recommendations that are deemed necessary to ensure the early arrest of any unhealthy developments with regard to the businesses of both HNB Assurance PLC (HNBA) and HNB General Insurance Limited (HNBGI)

ACTIVITIES IN 2022

- Reviewing achievement of KPIs containing materially significant short-term activities, change of processes etc.
- Interacting with identified KMPs responsible for implementation of each activity
- Identifying and monitoring the implementation of medium and long-term strategies
- Reviewing and making recommendations to the Board on the forecast made on KPIs
- Updating the Board regularly regarding the implementation and achievements against each target
- Continuous reviewing of the strategic plan developed for the next three years
- Monitoring progress of the Company performance with the extremely challenging operating environment and revisiting the projections made during the year
- Guiding both HNBA and its fully owned subsidiary HNBGI continuously in their ongoing digital transformation journey
- Providing strategic inputs in developing the corporate plan for both HNBA and HNBGI

Rose Cooray

Chairperson – Strategy Review Committee

Colombo, Sri Lanka
17th February 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement is presented as required by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

RESPONSIBILITY

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control and risk management mechanism in place at HNB Assurance PLC, ("the Company"). The Company has in place a comprehensive system of internal controls, covering risk management and financial, organizational, operational and compliance controls. However, as with the inherent limitations of any system, such systems of internal control are designed to manage, rather than to eliminate risks that may impede the achievement of the Company's objectives. In this light, the system of internal controls can only provide reasonable, but not absolute, assurance against material misstatement of financial information and records, or against financial loss or fraud.

The Board has established an on-going process for identifying, evaluating, and managing the significant risks faced by the Company, as well as for enhancing the system of internal controls in response to changes in the business environment or regulatory guidelines. This process is put in place for the year and is periodically reviewed by the Board through its Audit and Risk Management Committees, supported by the Internal Auditors. The Board, with the assistance of its Sub Committees, reviewed deficiencies identified in internal controls during the year and has taken appropriate actions to improve the control environment.

The Management assists the Board in implementing the policies and procedures on risk and control by identifying and assessing the risks faced by the Company, and in the design, operation, and monitoring of suitable internal controls to mitigate these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting policies, principles, and regulatory requirements.

PROCESS OF REVIEWING THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The key features of the process that has been established to review the adequacy and integrity of the system of internal controls with respect to financial reporting are as follows:

- Various Committees are established by the Board to assist the Board in ensuring the effectiveness of the Company's and its fully owned subsidiary, HNBGI's daily operations, and that they are in accordance with the corporate objectives, strategies, annual budget, approved policies and business direction.
- The Company and subsidiary have outsourced its Internal Audit function to Messrs. Ernst & Young. The Internal Auditors check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis, using samples and rotational procedures and highlight significant findings in respect of any area of non-compliance. Audits are carried out covering main areas of the operations and branches island-wide, to provide an independent and objective report. The frequency of such audits is determined by the level of risk assessment, while the annual audit plan is reviewed and approved by the Audit Committee. Internal Auditors report their findings to the Audit Committee and their reports are discussed at Audit Committee meetings.
- The Audit Committee reviews internal control issues identified by the Internal Auditors, the External Auditors, regulatory authorities, and the management, and evaluate the adequacy and effectiveness of the risk management and internal control systems of the Company and its subsidiary. They also review the internal audit functions with particular emphasis on the scope and quality of internal audits. The Committee reviews the assessments carried out by the Internal Auditors on General IT control aspects as part of internal audit work and the review performed by the External Auditors on the General and Application controls of the IT function. The minutes of the Audit Committee meetings are tabled at Board meetings for the information of the Board. Further details of the activities undertaken by the Audit Committee of the Company/ Group are set out in the Report of the Audit Committee on pages 156 to 159.
- A Risk Management Committee has been established to assist the Board to oversee the risk management framework of the Company and its subsidiary. The Management has prepared a Risk Register identifying all key risks faced by the Company and its subsidiary, as well as existing and proposed controls to mitigate such identified risks. This Risk Register has been shared with the Internal Auditors to ensure compliance with existing controls and to prepare the internal audit plan focusing on the significant risks faced by the Company.
- Key Risk Indicators (KRIs) have been identified for all major operations of the Company and its subsidiary and a KRI report is prepared monthly. A summary of the KRI report is included in the Risk Dashboard and presented to the Risk Management Committee. Furthermore, the key risks are discussed at Board level.
- The Risk and Control Department follows up on audit recommendations and ensures that the recommendations are implemented. A report is tabled at each Audit Committee meeting by the Risk and Control Department on the progress of implementing the actions agreed to by the Management.

- A Compliance Checklist covering all applicable laws and regulations is signed-off by the Management monthly and is tabled at Audit Committee meetings. Compliance reports prepared by the Manager - Risk and Control are also presented to the Audit Committee, Risk Management Committee and the Investment Committee on a regular basis. A monthly report to the Board is submitted by the Manager - Risk and Control on the Company's and the subsidiary's compliance with applicable laws and regulations.
- Procedure checklists have been prepared for Life Insurance Operations, Finance and IT related activities and the operations of the Company's fully owned subsidiary, HNBGI, covering key control aspects. These checklists are prepared monthly, and any deviations noted in the checklists are reported to the Audit Committee.

CONFIRMATION

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting. The preparation of Financial Statements for external purposes was done in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No. 07 of 2007, Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange.

By order of the Board,



Ashoka Goonesekere
Chairman - Audit Committee



Rose Cooray
Chairperson

Colombo, Sri Lanka.
17th February 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2022

Annual Report of the Board of Directors on the Affairs of the Company and Statement of Compliance of the Contents of the Annual Report as Required by Section 168 of the Companies Act, No. 07 of 2007.

1. PREFACE

The Board of Directors ('the Board') of HNB Assurance PLC ('HNBA' or 'the Company') is pleased to present the Annual Report together with the Audited Financial Statements of the Company, consolidated Financial Statements of the Group for the financial year ended 31st December 2022 as set out in pages 190 to 322 and the Auditors' Report on the Financial Statements.

This report covers statutory requirements and directions of the Companies Act, No. 07 of 2007, Regulation of Insurance Industry

Act, No. 43 of 2000 as amended, the Listing Rules of the Colombo Stock Exchange (CSE), rules and regulations of the Insurance Regulatory Commission of Sri Lanka (IRCSL) and is guided by the recommended best practices on Corporate Governance.

The Annual Report was reviewed and approved by the Board of Directors of the Company on 17th February 2023 and appropriate number of copies will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as specified and stipulated.

As required by the Section 168 of the Companies Act, No. 07 of 2007, the following information is disclosed in this report prepared for the year ended 31st December 2022.

Reference to the Companies Act	Information Required to be Disclosed as per the Companies Act No. 07 of 2007	Reference from the Annual Report of the Board of Directors
Section 168 (1) (a) (i)	The nature of the business of the Company or any of its subsidiaries.	Section 2.3 on page 173
Section 168 (1) (b)	Financial Statements for the accounting period completed and signed in accordance with Section 151, and any Group Financial Statements for the accounting period completed and signed in accordance with Section 152.	Section 3.1 on page 173
Section 168 (1) (c)	Auditor's appointment and Auditors' Report on the Financial Statements of the Group and the Company.	Section 8.1 on page 178
Section 168 (1) (d)	Accounting Policies of the Group and the Company and any changes therein.	Section 3.2 on page 173
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company and its subsidiary during the accounting period.	Section 5.6 on page 177
Section 168 (1) (f)	Remuneration and other benefits paid to Directors during the accounting period.	Section 5.7 on page 177
Section 168 (1) (g)	Total amount of donations made by the Group during the accounting period.	Section 20 on page 179
Section 168 (1) (h)	Names of the persons holding office as Directors of the Company and the subsidiary as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company and the subsidiary during the accounting period.	Section 5.1 on page 175 Section 5.2 on page 176
Section 168 (1) (i)	Disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company and the subsidiary	Section 8.2 on page 178
Section 168 (1) (j)	Auditors' relationship or any interest with the Company and the subsidiary.	Section 8.2 on page 178
Section 168 (1) (k)	Acknowledgement of the contents of this Report/Signatures on behalf of the Board of Directors.	Section 24 on page 179
Section 168 (2)	A company that is required to include Group Financial Statements in its annual report shall include those in relation to its subsidiaries, the information specified in paragraphs (b) to (j) of subsection (1).	All requirements in relation to the subsidiary operations have also been covered under relevant sections
Section 168 (3)	The Annual Report of a company need not comply with of paragraph (a) and paragraphs (d) to (j) of subsection (1), if all Shareholders agree in writing that it need not do so. Any such agreement shall be noted in the Annual Report.	Not Applicable. The Company complies with paragraph (a) and (d) to (j) of subsection (1)

2. REVIEW OF BUSINESS

2.1 Formation

The Company was incorporated on 23rd August 2001 as a limited liability company under the Companies Act, No. 17 of 1982, and reregistered on 09th August 2007 as per the requirements of the Companies Act, No. 07 of 2007 and bears the Company Registration Number, PQ 108. In November 2003, ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE). The Company is registered under the Regulation of Insurance Industry Act, No. 43 of 2000 to operate as a Life Insurance company and also owns a fully owned subsidiary, HNB General Insurance Limited ("HNBGI"), which is a licensed General Insurance company registered under the same Act. The ultimate parent of the Company is Hatton National Bank PLC, a Licensed Commercial Bank which owns 59.99% of the voting rights of the Company. The registered office of the Company is located at No. 479, T B Jaya Mawatha, Colombo 10.

2.2 Corporate Vision, Mission and Values

The vision, mission and the values of the Company are given on page 7 of this report. The Directors and employees of the Company and the Group practices high standards of ethical behaviour in carrying out the business in line with the vision and mission set.

2.3 Principal Business Activities of the Company and Group Companies

The principal activity of the Company is Life Insurance business and HNB General Insurance Limited carries out General Insurance business. No significant change took place in the principal business activities of both entities. Both companies also provide Takaful Insurance products within the framework of main business activities. These Takaful business operations are structured as 'Window Units' and considered a part of the Company's/Group's operations for both financial and regulatory reporting purposes.

2.4 Review of Business and Future Developments

An overview of the business performance and the future developments of the Company and the Group are discussed and presented in the Chairperson's Message, Chief Executive Officer's review (pages 18 to 21 and 28 to 33), and the Management Discussion and Analysis (pages 42 to 101). These reports together with Audited Financial Statements reflect the state of affairs of the Company and the Group.

2.5 Value Creation Process

This Report illustrates the efforts that the company has undertaken to create value to all its stakeholders which is depicted in the value creation model on page 42. Significant impacts are identified that could affect the value creation process and has been categorized as risks and opportunities. The Board has developed required strategies to mitigate these risks and gain from opportunities through the company's annual strategic plan.

3. FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

3.1 Director's Responsibility for Financial Reporting

As per Section 150 (1) of the Companies Act, No. 07 of 2007, the Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and the Group and these Financial Statements give a true and fair view of the state of affairs of the Company and Group in compliance with Sections 151, 152, 153 (1) and 153 (2) of the Companies Act, No. 07 of 2007.

Accordingly, the Financial Statements of Company and the Group are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and also comply with requirements of the Companies Act, No. 07 of 2007, Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Rules and Regulations of the Insurance Regulatory Commission of Sri Lanka and Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9 and the recommended best practice. The detailed statement of Directors' Responsibility is included in pages 181 to 182 forms an integral part of this report.

The aforementioned Financial Statements for the year ended 31st December 2022 which appears on pages 190 to 322 are duly signed by the Chief Financial Officer and two Directors of the Company as per Section 168 (1) (b). These statements form an integral part of the Annual Report of the Board of Directors.

3.2 Significant Accounting Policies and Changes during the Year

The significant accounting policies adopted in the preparation of the Financial Statements and changes to significant accounting policies if any, in the preparation of the Financial Statements are described on pages 198 to 199.

3.3 Going Concern

The Directors after having made necessary assessment of the Company's and its subsidiary's ability to continue as a going concern declare that it has the resources to continue in business for the foreseeable future. The assessment took in to consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the financial statements and business operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's and its subsidiary's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared for the Company and its subsidiary on going concern basis.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2022

3.4 Events Occurring after the Date of the Statement of Financial Position

During the year 2022, HNBA and HNBGI maintained its National Insurer Financial Strength Ratings issued by Fitch Rating Lanka Ltd as A+ (lka). However, this was revised in January 2023 following the sovereign downgrade where both companies were reclassified as A- (lka).

Except for the post balance sheet events disclosed in Note 51 on page 318, there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

3.5 Contingencies

All contingencies to the Group and the Company were disclosed in the Note 54 on the page 319. In the opinion of the Directors, and in consultation with the Company Lawyers and Tax Consultants, litigations currently pending against the Group and the Company, would not have a material impact on the reported financial results.

All pending litigations for claims have been evaluated and adequate provisions have been made in the Financial Statements where necessary.

4. FINANCIAL RESULTS AND APPROPRIATIONS

4.1 Gross Written Premium

Gross Written Premium of the Group for the year 2022 was Rs. 15,637.7 Million. (2021: Rs. 12,646.9 Million) whilst the Company's Gross Written Premium for the year 2022 was Rs. 8,911.5 Million (2021: Rs. 7,091.5 Million). Note 32 to the Financial Statements in page 296 provides a segmental analysis of the Gross Written Premium.

4.2 Profits and Appropriations

The Profit After Tax of the Group for the year 2022 was Rs. 1,830.5 Million (2021 – Rs. 1,223.6 Million) whilst the Company's Profit After Tax for the year 2022 was Rs. 1,483.6 Million (2021 - Rs. 1,000.5 Million). The details of the appropriation of profit are given below.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Taxation	2,385,922	1,748,378	1,993,666	1,452,211
Income Tax Expenses	(555,398)	(524,730)	(510,046)	(451,712)
Profit for the Year	1,830,524	1,223,648	1,483,620	1,000,499
Unappropriated Profit Brought Forward	6,644,680	5,841,032	5,548,813	4,968,314
Surcharge Tax	(172,489)	-	-	-
Profit Available for Appropriation	8,302,715	7,064,680	7,032,433	5,968,813
Dividend Paid	(480,000)	(420,000)	(480,000)	(420,000)
Unappropriated Profit Carried Forward	7,822,715	6,644,680	6,552,433	5,548,813

4.3 Dividends on Ordinary Shares

Information on final dividend proposed by the Company is given in Note 48 on page 312 to the Financial Statements.

The Directors recommended a first and final dividend of Rs. 3.65 per share for the year under review to be approved by the Shareholders at the forthcoming Annual General Meeting to be held on 31st March 2023. The final dividend will be paid on or before 27th April 2023 to holders of issued and paid-up ordinary shares of the Company, whose names remain in the share registry as at the close of business on the 31st of March 2023.

As required by Section 56 (3) of the Companies Act, No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies

the solvency test immediately after the distribution of the final dividend of Rs. 547,500 and Statement of Solvency prepared by the Board was audited by External Auditors Messrs. KPMG in terms of Section 56 (2) of the Companies Act, No. 07 of 2007. Further, the Company has submitted information on dividend distribution to the IRCSL as per Direction 1 of 2021.

4.4 Stated Capital

The Stated Capital of the Company as at 31st December 2022 was Rs. 1,171,875,000 comprising 150,000,000 fully paid ordinary shares. (2021: Stated Capital - Rs. 1,171,875,000, No. of Shares -150,000,000).

4.5 Reserves

Transfers to/from Reserves of the Group/Company are shown in the Statement of Changes in Equity appearing on pages 192 and 193.

4.6 Taxation

As per the Inland Revenue (Amendment) Act, No. 45 of 2022 (certified on 19th December 2022), standard rate of income tax is increased from 24% to 30% with effect from 01st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company / Group has computed the current tax payable on a pro rata basis for the Year of Assessment 2022/23. The tax position of the Company and its subsidiary is disclosed in Note 46 to the Financial Statements on page 307. The Company has reversed a Deferred Tax Asset of Rs. 273.5 Million during the year due to utilisation of brought forward tax losses against the Taxable Income thus the Company does not have a Deferred Tax Asset as of 31st December 2022. The subsidiary carries a Deferred Tax Asset of Rs. 99.4 Million as of 31st December 2022.

4.7 Capital Expenditure

The Company's and Group's capital expenditure on Property, Plant and Equipment and Intangible Assets amounted to Rs. 193.3 Million and Rs. 236.4 Million respectively (2021: Company Rs. 85.5 Million and Group Rs. 194.2 Million) and all other related information and movements have been disclosed in Note 8 on page 252 and Note 10 on page 261 to the Financial Statements.

4.8 Financial Investments

The Financial Investments held by the Company and the Group mainly comprises of Financial Instruments. Financial Investments of the Company and Group amounted to Rs. 29,844.9 Million and Rs. 34,624.1 Million respectively as at 31st December 2022 (2021 - Rs. 24,667.1 Million and Rs. 29,094.1 Million respectively). The details of the Financial Investments are given in Note 11 to the Financial Statements on pages 263 to 271.

4.9 Provisions, Liabilities and Capital Commitments

The Directors have taken all reasonable steps to ensure that adequate provisions were made for all known liabilities and

commitments. Contract Liabilities for Life Insurance stood at Rs. 24,582.6 Million (2021 - Rs. 20,342.8 Million) as at 31st December 2022, while Contract Liabilities for General Insurance constituted Rs. 4,181.6 Million (2021 - Rs. 3,735.9 Million) as at 31st December 2022. These liabilities have been valued by the appointed Actuaries whose reports are disclosed on pages 184 and 185 respectively. The assumptions and methods used are given in the accounting policies in pages 283 to 287 of these Financial Statements. The Gratuity Liability of the Company and the Group stood at Rs. 142.7 Million and Rs.236.4 Million respectively (2021 - Rs. 137.3 Million and Rs. 239.2 Million respectively),and is certified by an External Actuary. At the year end, there were no capital expenditure approved by the Board and contracted, for which no provision has been made in the Financial Statements other than Rs. 353.5 Million on Property Plant and Equipment and software (2021 - Rs. 49.1 Million) for the Group and Rs. 339.3 Million on Property Plant and Equipment and software (2021 - Rs. 38.9 Million) for the Company.

4.10 Reclassification of Investment Portfolio

During the year Company reclassified Rs. 2.7 Billion worth Treasury Bonds from Available for Sale (AFS) to Held to Maturity (HTM) after considering the intention and ability to hold the identified treasury bond portfolio till maturity. Company assessed and determined that there was adequate liquidity to honour Life Policyholder commitments after the reclassification. Further, proper controls were established to ensure that no part of the reclassified HTM instruments were sold subsequently. Reclassification was reviewed and cleared by the External Auditors as well.

5. THE BOARD OF DIRECTORS

5.1 Information on Directors of the Company and the Group and Directors Meetings

The Board of Directors of both HNBA and HNBGI consist of 7 members each as at 31st December 2022. Information relating to the Directors of the Company is available in the Directors' profile on pages 24 to 27. The Board is made up of experienced professionals from diverse backgrounds, experience, expertise and age, contributing varied perspectives to boardroom deliberations. Directors are appointed through a formal and transparent process, assessed for their independence and approved by the IRCSL.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2022

The names, appointment dates and meeting attendance of Directors of Company and the subsidiary are given below.

	Board Status	Appointment to HNBA Board	Appointment to HNBGI Board	HNBA Board	HNBGI Board	Audit Committee	Human Resource & Remuneration Committee	Related Party Transaction Review Committee	Nomination Committee	Investment Committee	Risk Management Committee	Strategy Review Committee
M A R C Cooray		06.07.2015	30.06.2015	14/14	14/14	-	4/4	-	1/1	-	6/6	4/4
D P N Rodrigo		01.07.2013	NA	12/14	-	-	-	-	1/1	-	6/6	-
S N Wickramasinghe (Retired w.e.f.2nd October 2022)		02.10.2013	N/A	10/10	-	-	-	-	-	5/5	-	-
Dr. S Selliah**		17.06.2014	N/A	14/14	-	6/7	4/4	4/4	-	7/7	-	4/4
D R Abey Suriya		01.01.2018	N/A	14/14	-	-	3/3	-	-	7/7	1/1	-
L U D Fernando		29.03.2019	29.03.2019	14/14 *	14/14 *	7/7 *	-	4/4 *	-	-	-	4/4 *
S A Chapman		29.03.2019	N/A	14/14	-	-	1/1	-	-	-	4/5	3/4
A Goonesekere		31.12.2021	N/A	14/14	-	7/7	-	4/4	-	-	-	-
M O F Salieh (Resigned w.e.f. 16th February 2023)		N/A	22.09.2014	-	13/14	-	-	-	-	-	-	4/4
M Tharmaratnam		N/A	01.09.2016	-	14/14	-	-	-	-	-	5/6	4/4
M S Wijemanne		N/A	29.03.2019	-	11/14	-	-	-	-	-	-	4/4
A V Abeygunasekara		N/A	29.03.2019	-	12/14	-	-	-	-	7/7	-	-
L C Cooray		N/A	17.03.2021	-	13/14	-	-	-	-	-	-	-

* Includes meeting/s attended by Alternate Directors

** Senior Independent Director

■ Independent ■ Non-Executive

5.2 New Appointments, Retirement and Resignations

Mrs. Siromi Wickramasinghe retired from the Board of HNB Assurance PLC with effect from 02nd October 2022 having served in the capacity of Director for a period of 09 years. There were no appointments, retirements or resignations to the Board of both HNBA and HNBGI during the reporting period other than those mentioned above.

Mr. M. O .F Salieh resigned from the Board of HNB General Insurance Limited with effect from 16th February 2023 having served in the capacity of a Director for a period of 8 years.

5.3 Retirement and Re-election of Directors

In terms of Article 27 (7), of the Articles of Association of the Company Dr. Sivakumar Selliah is retiring by rotation at the AGM and being eligible, offer himself for re-election.

Ms. Rose Cooray is over the age of 70 years. Accordingly, in terms of the provisions of the Companies Act in Section 210 and 211, she will offer herself for re-election as a Director at the Annual General Meeting.

5.4 Appraisal of Board Performance

Performance of the Board of Directors was reviewed through a self-assessment questionnaire and the responses were shared among all Board members. Suggestions to further improve the performance of the Board that arose from these self-assessment questionnaires were discussed in detail and adopted as appropriate. The Secretary to the Board and the Management continuously follow up on the progress of implementing such agreed actions.

5.5 Board and Sub-Committees

Seven Board sub-committees have been appointed by the Board to support the Board in ensuring that the Company and the Group carry out its activities with the highest ethical standards and in the best interest of all its stakeholders at all times. The Terms of Reference of these sub-committees follow the recommendations made by various regulatory bodies, including but not limited to the Insurance Regulatory Commission of Sri Lanka, Securities and Exchange Commission, the Colombo Stock Exchange and the Institute of Chartered Accountants of Sri Lanka. These committee reports are given on pages 156 to 169 in the Annual Report. Committee mandates are reviewed regularly. The composition and meeting attendance by members for the above sub-committee meetings are given in Note 5.1.

5.6 Interest Register and Interest in Contracts or Proposed Contracts

As per requirements of the Companies Act, No. 07 of 2007 an Interest Register is maintained by the Company. Directors have made declarations of their interests in other companies conforming to Sections 192 (1) and 192 (2) of the Companies Act, No. 07 of 2007 and they are recorded in the Directors' Interest Register.

The Interest Register is available at the registered office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act, No. 07 of 2007.

Directors also refrained from voting on any contract or matter in which they have a material interest as a practice of good governance. Particulars of the Directors' Interests in Contracts are given on page 180 of the Annual Report and Note 50 to the Financial Statements presents complete disclosure on related party transactions, which forms an integral part of the Annual Report of the Board of Directors.

The Directors' Interest in shares has not changed between 31st December 2022 and 17th February 2023, the date of this report.

Name of Director	No. of Shares held as at 31ST DECEMBER	
	2022	2021
M A R C Cooray - Chairperson	112,624	94,235
D P N Rodrigo	540	540
S N Wickramasinghe*	N/A	67,500
S Selliah	600,000	600,000
D R Abeyesuriya	5,000	5,000
L U D Fernando	Nil	Nil
S A Chapman	500	500
A Goonesekere	Nil	Nil
T K D A P Samarasinghe (Alternate Director to Mr. L U D Fernando)	Nil	Nil

*retired w.e.f. 02nd October 2022

5.7 Directors' Remuneration

Director's remuneration including post employment is given in Note 43 on page 305 to the Financial Statements. Further, Directors are not entitled to obtain any loan from the Company.

5.8 Related Party Transactions

The Company's transactions with related parties, given in Note 50 on page 314 to the Financial Statements have complied with CSE Listing Rule 9 and the Code of Best Practices on related party transactions under the Securities and Exchange Commission Directive. No related party transaction exceeded the limits of 10% of equity or 5% of total assets requiring immediate disclosure

to CSE and a separate disclosure in the Annual Report as per Section 9.3.2 of the Listing Rules. The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions in terms of the Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures'. All transactions that are entered during the period are on arm's length basis and are in compliance with transfer pricing regulations.

5.9 Future Development

Future developments are discussed in the Chairman's message (pages 18 to 21), Business line review (pages 82 to 91) of this Report.

6. SHARE INFORMATION

6.1 Information on Earnings, Dividends, Net Assets and Market Value

Information related to earnings, dividends, net assets, market price per share, and share trading as per the CSE Listing Rules are given on pages 144 to 151. Ratios relating to Dividends, Net Assets, Market Price per Share are presented on Investor Information on page 339.

6.2 Distribution Schedule of Shareholding

The distribution and analysis of shareholding is given on page 144 of this Annual Report. As at 31st December 2022, HNB Assurance PLC had 4,490 registered Ordinary Shareholders (2021 – 4,450).

6.3 Substantial Shareholding

Hatton National Bank PLC holds 59.99% of the Ordinary Voting shares as at 31st December 2022. Information of the top 20 Shareholders and the percentage held by each Shareholder as at 31st December 2022 are presented on page 148 with comparable information as at 31st December 2021.

6.4 Employee Share Ownership/Option Plans

The Company does not have any employee share ownership/option plans.

6.5 Public Shareholding

The percentage of shares held by the public as at 31 December 2022 was 35.33% (31st December 2021 – 35.30%) and details are presented on Investor Information on page 148.

7. EQUITABLE TREATMENT OF SHAREHOLDERS

All Shareholders irrespective of the number of shares owned by them are treated equally and the Company recognizes the right of all Shareholders to obtain information. Further establishing this principle, the Chairperson's Message, the Chief Executive Officer's Review, the Statement of Financial Position, the Statement of Profit or Loss and Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity are available in Sinhala and Tamil languages to our Shareholders on request. This is also made available through our Company website.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF HNB ASSURANCE PLC FOR THE YEAR ENDED 31ST DECEMBER 2022

8. INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

8.1 Auditors' Appointment and Audit Report

The Company's Independent External Auditors, Messrs. KPMG, Chartered Accountants, who were appointed by a resolution passed at the 20th Annual General Meeting, have carried out an audit on the Financial Statements of the Company and the Consolidated Financial Statements of the Group for the year ended 31st December 2022 and expressed their opinion which appears on pages 156 to 159 of this Annual Report.

8.2 Auditors Remuneration and Relationship

The details of their remuneration in respect of audit fees and audit related fees are given in Note 43.2 on page 306 to the Financial Statements as required by Section 168 (1) (i) of the Companies Act, No. 07 of 2007. As far as the Directors are aware, the Auditors do not have any relationship with the Company, and the subsidiary which would impair the Auditors' independence within the means of the Code of Professional Conduct and Ethics issued by the Institute of Chartered Accountants of Sri Lanka, applicable on the date of this report, thus comply with the Section 168 (1) (j) of the Companies Act, No. 07 of 2007.

Report of the Audit Committee provides more information on appointment of Auditors, Independence of Auditors and the provision of non-audit services which are available on the page 156 of this Annual Report.

8.3 Re-appointment of Auditor for the Financial Year 2023

The retiring Auditors Messrs. KPMG have signified their willingness to continue to function as the Auditor to the Company and subsidiary. A resolution to reappoint Messrs. KPMG as Auditors and granting authority to the directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting of HNBA to be held on 31st March 2023 for Shareholder approval.

9. COMPLIANCE WITH LAWS AND REGULATIONS

To the best knowledge of the Directors, the Group/Company has not acted in contravention of any rule or regulation of the country. The Group has submitted all statutory returns and other required details to the relevant authorities on or before the due dates. This is further presented in the Compliance Summary pages from 152 to 153 of this Annual Report.

10. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments due to the Government and related institutions, the IRCSL, and relating to the employees, by the Company and its subsidiary, have been made on time or where relevant provided for, except as specified in Note 54 on page 319 to the Financial Statements, covering contingent liabilities.

11. RISK BASED CAPITAL (RBC) COMPLIANCE

The Company and its subsidiary have complied with the requirements of the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. Total Available Capital (TAC) and Risk based Capital Adequacy Ratio (CAR) of HNBA and HNBGI were maintained in excess of the minimum requirements as prescribed by the IRCSL throughout the year. At the end of the financial year 2022, HNBA recorded a CAR of 306% and HNBGI recorded a CAR of 239%.

12. RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Board of Directors believe that strong internal controls are an essential part of management of the business and is committed to maintaining financial, operational and risk management controls over all its activities. The ultimate responsibility of Company's/ Group's system of internal controls and risk management is vested with the Board of Directors.

Therefore, the Board continuously monitors all business aspects through the Risk Management Committee and the Audit Committee along with the reports of the outsourced Internal Auditors to ensure the adequacy and effectiveness of internal controls of the Group, compliance with laws and regulations and established policies adopted by the Group. Further details of these aspects are discussed in the Corporate Governance Report, Director's Statement of Internal Control, Audit Committee Report and Risk Management Committee Report available on pages 103 to 130, pages 170 to 171, pages 156 to 159 and pages 167 to 168 respectively.

13. CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensuring best practices in Corporate Governance and their effective implementation.

The Company's compliance with relevant sections of Corporate Governance framework issued by IRCSL in the year 2018 is given on pages 124 to 125. Further, the table from pages 126 to 127 shows the manner in which the Company has complied with Section 7.10 of the Rules of CSE on Corporate Governance and Company's compliance on the Code of Best Practice on Corporate Governance issued by CA Sri Lanka is given on page 113. The Corporate Governance Report is given from pages 103 to 130. Also, the Director's declare that;

- a) all applicable laws and regulations have been complied with by the Company, in conducting its business activities,
- b) the Directors have disclosed all material interests in contracts involving the Company and have refrained from voting on matters in which they were materially interested,
- c) the Company has made all endeavours to ensure that all Shareholders have been treated equitably,
- d) the business is a going concern with supporting assumptions or qualifications as necessary,

e) a review of internal controls, covering financial, operational and compliance controls, and risk management, has been conducted, and a reasonable assurance of their effectiveness and successful adherence has been obtained.

14. CODE OF CONDUCT AND ETHICS

All employees of the Company/subsidiary are governed by a Code of Business Conduct and are expected to abide by the Code without any exceptions. During the year no major violations of the Code was reported, except for few insignificant operational level incidents over which appropriate and prompt actions were taken by the management. The Board of Directors is also governed by a Code of Conduct and Ethics and during the year no violations of the Code were reported.

15. WHISTLE BLOWING

An Integrity Reporting Policy is in place and has been communicated to all employees of the Company/subsidiary. It encourages to bring to the attention of the Management or the Board any possible risks faced by the Company/subsidiary at the earliest. During the year no major concerns were raised through the Policy.

16. INTEGRATED CORPORATE REPORTING

The Company has prepared this Integrated Annual Report in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Independent Limited Assurance Report provided by Messrs. KPMG on the Integrated Annual Report is given on pages 16 to 17.

17. SUSTAINABILITY

The Company/Group is conscious of the importance of assessing business performance through financial as well as social and environmental aspects. Accordingly, sustainability aspects have been considered when formulating business strategies and details of which are presented on pages 42 to 43.

18. ENVIRONMENT PROTECTION

To the best knowledge of the Board, the Company and subsidiary have complied with the relevant environmental laws and regulations and the Company and subsidiary have not engaged in any activity that is harmful or hazardous to the environment. Specific measures taken to protect the environment are found in the Management Discussion and Analysis on pages 87 to 91.

19. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially responsible corporate citizen, the Company carries out a range of CSR activities. The details of CSR activities are given under Management Discussion and Analysis on pages 87 to 91.

20. CORPORATE DONATIONS

Total donations made by the Company during the year amounted to Rs. 580,571 (2021 - Rs. 750,000).

21. HUMAN RESOURCES

The Company and Group ensure that effective human resource practices and policies exist, and these are continuously reviewed and improved to enhance workforce efficiency, effectiveness and productivity. These practices and policies are applied for all employees of the Group/Company irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Company and Group human resources are given in the Management Discussion and Analysis on pages 73 to 77 and on Human Resources and Remuneration Committee Report given on pages 160 to 161.

No material issues were identified during the year relating to employees and industrial relations of the entity.

22. TECHNOLOGY

The Company/Group has accelerated its digitalisation journey focusing on technological advancements to support the business strategy of the Group. The Company and subsidiary invested in digitalisation of processes to increase the efficiencies and deliver superior products and services to customers. This enabled the Group to carry out its operations remotely while serving its customers uninterrupted. Key achievements for the year are detailed in the pages 67 to 69.

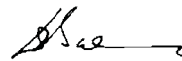
23. ANNUAL GENERAL MEETING

The twenty first Annual General Meeting of the Company will be held at the Auditorium on Level 22 of "HNB Towers", at No. 479, T B Jayah Mawatha, Colombo 10, on 31st of March 2023 at 10.00 in the forenoon. The Notice of the Annual General Meeting is on page 345 of the Annual Report.

24. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

Board of Directors does hereby acknowledge the contents of this Annual Report as required by Section 168 (1) (k) of the Companies Act, No. 07 of 2007.

By order of the Board,



Sitari Jayasundara
Board Secretary



Ashoka Goonesekere
Director



Rose Cooray
Chairperson

Colombo, Sri Lanka
17th February 2023

DIRECTORS INTEREST IN CONTRACTS WITH THE GROUP/COMPANY

Related party disclosures as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures' are detailed in Note 50 to the Financial Statements on pages 314 to 318 of this Annual Report.

In addition, Group/Company carries out transactions in the ordinary course of business on an arm's length basis with entities in which a Key Management Person (KMP) is a Chairperson or a Director of such entities where no significant influence is exercised.

Name of the Company	Name of the Director	Nature of Transactions	Insurance Segment	GROUP		COMPANY	
				2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Lanka Tiles PLC	Dr. S Selliah	Insurance Premium	HNBGI	7,455	6,491	-	-
		Claims Incurred	HNBGI	1,061	583	-	-
Lanka Walltiles PLC	Dr. S Selliah	Insurance Premium	HNBGI	4,665	3,651	-	-
		Claims Incurred	HNBGI	97	2,266	-	-
Swisstek (Ceylon) PLC	Dr. S Selliah	Insurance Premium	HNBGI	1,978	1,482	-	-
		Claims Incurred	HNBGI	-	791	-	-
John Keells Holdings PLC	Mr. D A Cabraal	Insurance Premium	HNBGI	20,584	17,388	-	-
		Claims Incurred	HNBGI	5,093	323	-	-
Odel PLC	Dr. S Selliah	Insurance Premium	HNBGI	300	380	-	-
CIC Holdings PLC	Mr. P R Saldin	Insurance Premium	HNBGI	27	3,740	-	-
		Insurance Premium	HNBA	-	2,494	-	2,494
		Claims Incurred	HNBA	-	1,000	-	1,000
Asiri Hospital Holdings PLC	Dr. S Selliah	Insurance Premium	HNBGI	244	1,876	-	-
		Claims Incurred	HNBGI	678	175	-	-
Asiri Surgical Hospital PLC	Dr. S Selliah	Insurance Premium	HNBGI	26	398	-	-
		Claims Incurred	HNBGI	97	319	-	-
Tea Smallholder Factories PLC	Ms. A Goonatilleke	Insurance Premium	HNBGI	-	124	-	-
		Claims Incurred	HNBGI	69	5	-	-
Swisstek Aluminium Ltd	Dr. S Selliah	Insurance Premium	HNBGI	345	233	-	-
		Claims Incurred	HNBGI	51	906	-	-
Central Hospital (Pvt) Ltd	Dr. S Selliah	Insurance Premium	HNBGI	630	-	-	-
		Claims Incurred	HNBGI	-	-	-	-
CIC Agri Business (Pvt) Ltd	Mr. P R Saldin	Insurance Premium	HNBA	940	-	940	-
		Claims Incurred	HNBA	1,000	-	1,000	-
Commercial Bank of Ceylon PLC	Dr. S Selliah	Insurance Premium	HNBGI	410	-	-	-
Lankapay (Pvt) Ltd	Mr. M S Wijemanne	Insurance Premium	HNBGI	2,530	-	-	-
Softlogic Finance PLC	Ms. A Goonatilleke	Insurance Premium	HNBGI	9,610	1,650	-	-
		Claims Incurred	HNBGI	1,443	227	-	-

STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Board of Directors in relation to the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary prepared in accordance with the provisions of the Companies Act, No. 07 of 2007, is given in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the Independent Auditors' Report given on pages 186 to 189. As per the provisions of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act, No. 7 of 2007, the Directors are required to prepare and present Financial Statements for each financial year for the Company and the Group which give a true and fair view of the state of affairs of the Company as at the reporting date and of the profit or loss for the year and place the same before the Annual General Meeting. The Financial Statements comprise the Statement of Financial Position as at 31st December 2022, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes thereto.

The Board of Directors also confirm that the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary give a true and fair view of;

- The state of affairs of the Company and the Group as at the date of the Statement of Financial Position; and
- The financial performance of the Company and the Group for the financial year ended 31st December 2022.

Compliance Report

In preparing the Financial Statements for the period ended 31st December 2022, the Directors also confirm that,

- a) Appropriate accounting policies have been selected and applied in a consistent manner when preparing the Financial Statements/Consolidated Financial Statements appearing on pages 190 to 322
 - b) Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained in the Financial Statements/Consolidated Financial Statements and accompanying Notes.
 - c) The Financial Statements/Consolidated Financial Statements for the year ended 31st December 2022, prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the applicable regulatory requirements including;
 - Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
 - Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995
 - Companies Act, No. 07 of 2007
 - Regulation of Insurance Industry Act, No. 43, of 2000 and subsequent amendments thereto
 - Listing Rules of the Colombo Stock Exchange
 - Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka
 - Statement of Recommended Practice (SoRP)
- d) As required by the Section 148 (1) of the Companies Act, the Company and the Group keep accounting records which correctly record and explain the Company's/Group's transactions and enable the financial position of the Company/Group to be determined with reasonable accuracy at any time while enabling the preparation of the Financial Statements in accordance with the Companies Act, No. 07 of 2007 and ensuring that these statements can be readily and properly audited.
 - e) Appropriate steps have been taken to ensure that the Company/Group maintains proper books of accounts and the financial reporting system is reviewed through the Audit Committee. The report of the Audit Committee is given on pages 156 to 159 of this Annual Report. Financial records of the Company/Group have been reviewed by the Board at their regular meetings and the Interim Financial Statements of the Company/Group have been reviewed and recommended by the Audit Committee and have then been approved by the Board of Directors prior to release to the Shareholders and Public.
 - f) The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
 - g) Steps have been taken to establish and maintain a system of internal controls to provide reasonable assurance of the reliability of financial reporting, effectiveness and efficiency of the operations, safeguarding of the assets of the Company/Group, compliance with applicable laws and regulations, and prevention and detection of frauds and other irregularities. Directors' Statement on Internal Control is given on pages 170 to 171.
 - h) The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments including taxes and duties due to all relevant regulatory and statutory authorities which were payable by the Company/Group as at the reporting date have been paid or where relevant provided for.
 - i) As required by the Section 56 (2) of the Companies Act, No. 07 of 2007, the Board of Directors based on the information available is satisfied that the Company will immediately after the distribution of dividends satisfy the solvency test, in accordance with the Section 57 of the Companies Act, No. 07 of 2007, and has obtained a certificate from the External Auditors, prior to declaring a first and final dividend of Rs 3.65 per share for this year, to be paid on or before 27th April 2023.

STATEMENT OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

j) As required by the Sections 166 (1) and 167 (1) of the Companies Act, No. 07 of 2007 and Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Colombo Stock Exchange, the Board of Directors have prepared this Annual Report in time and will ensure that a copy thereof is sent to every Shareholder of the Company, who have expressed desire to receive a hard copy or to other Shareholders an online link containing the Annual Report within the stipulated period of time.

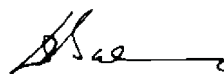
k) The Board of Directors after considering the financial position, operating conditions, regulatory environment and other factors required to be addressed, have established that it has reasonable expectations that the Company and the Group have adequate resources to continue in operation to justify applying the 'Going Concern' basis in preparation of these Financial Statements/Consolidated Financial Statements. The Directors are also required to take into consideration the implications of the current economic conditions on the Group's business, operations and financial performance this year as well.

l) As required by the Sections 150 (1) (b) and 152 (1) (b) of the Companies Act, No. 07 of 2007, Chief Financial Officer has certified that the Financial Statements of the Company/Group are in compliance with the requirements of the Companies Act, No. 07 of 2007. Further, as required by the Sections 150(1) (c) and 152 (1) (c) of the Companies Act, No. 07 of 2007 and other regulatory requirements the Financial Statements of the Company/Group have been signed by two Directors of the Company on 17th February 2023.

m) The Consolidated Financial Statements of the Group and the Financial Statements of the Company have been provided to the Company's External Auditors, Messrs. KPMG, who were appointed in terms of the Section 158 of the Companies Act, No. 07 of 2007 and in accordance with a resolution passed at the last Annual General Meeting held on 31st March 2022. The External Auditors have been provided with every opportunity to carry out whatever reviews and sample checks on the system of internal controls they may consider appropriate and necessary to express their independent audit opinion on the Financial Statements of the Company and the Consolidated Financial Statements of the Group. The Financial Statements thus made available to them by the Board of Directors along with all the financial records, related data and minutes of Shareholders' and Directors' meetings have been examined by the External Auditors who have expressed their opinion which is given on pages 186 to 189.

Accordingly, the Directors, to the best of their knowledge and belief, are in the view that they have discharged their responsibilities as set out in this statement.

By order of the Board,



Sitari Jayasundara
Board Secretary

Colombo, Sri Lanka
17th February 2023

CEO'S AND CFO'S RESPONSIBILITY STATEMENT

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary as at 31st December 2022 are prepared and presented in compliance with the requirements of the following;

- Sri Lanka Financial Reporting Standards/Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka),
- Companies Act, No. 07 of 2007,
- The Regulation of Insurance Industry Act, No. 43 of 2000 and subsequent amendments thereto,
- Sri Lanka Accounting and Auditing Standards Act, No 15 of 1995,
- Listing Rules of the Colombo Stock Exchange,
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.
- Statement of Recommended Practice (SoRP)

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed by the relevant regulators and comply with the disclosure requirements of the Sri Lanka Financial Reporting Standards/ Sri Lanka Accounting Standards. The accounting policies used in the preparation of the Financial Statements comply with Sri Lanka Accounting Standards issued by the CA Sri Lanka and are consistently applied unless otherwise stated in the notes accompanying the Financial Statements. Significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors of the Group. Comparative information has been reclassified wherever necessary to comply with the current year's presentation.

We accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to these Financial Statements were made on a prudent and reasonable basis taking into consideration the potential implications of the unstable economic environment prevailing in the Country to ensure that the Financial Statements reflect in a true and fair manner, the form and substance of transactions as well as to ascertain that the state of affairs of the Company/ Group is reasonably presented. Based on the above and taking into account the Group's solvency and its ability to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met.

We also confirm that Company/Group has taken proper and sufficient care in implementing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds, as well as other irregularities, which is reviewed, evaluated and updated on an on-going basis. The Internal Auditors, Messrs. Ernst & Young, Chartered Accountants,

have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and External Auditors to review the audit plan and the manner in which these Auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

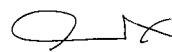
The Financial Statements of the Company/Group were audited by Messrs., KPMG, Chartered Accountants, Independent Auditors and their report is given on pages 186 of this Annual Report. Prior approval was obtained from the Audit Committee for the audit and non-audit services provided by them to ensure the provision of such services does not impair the objectivity of the Independent Auditors.

We confirm that to the best of our knowledge:

- The Company and the Group have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Group/ Company other than those disclosed in 322 of the Financial Statements.
- All taxes, duties, levies and all statutory payments payable by the Group/ Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company/Group as at 31st December 2022 have been paid, or where relevant accrued.
- The Company has complied with all relevant legal and regulatory provisions of the Regulation of Insurance Industry Act.



Punsirini Perera
Chief Financial Officer



Lasitha Wimalaratne
Chief Executive Officer

Colombo, Sri Lanka
17th February 2023

REPORT OF THE LIFE ACTUARY



31 January 2023

To the shareholders of HNB Assurance PLC

Actuarial Valuation of Long-Term Insurance Business as at 31 December 2022

In accordance with the engagement letter dated 20 May 2021, Willis Towers Watson India Private Limited ("WTT", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of HNB Assurance Plc's Long-Term Insurance Business as at 31 December 2022. We hereby certify that:

1. Proper records have been maintained by the Company which are appropriate for the purpose of actuarial valuation of liabilities of the Long-Term Insurance Fund
2. Adequate and proper reserves have been held for all liabilities in respect of the Long-Term Insurance Fund, considering all current and contingent liabilities as at 31 December 2022.
3. We have reviewed the long term provisions, Capital Adequacy Ratio (CAR) and surplus figures for valuation as at 31 December 2022.
4. The total long-term insurance provisions maintained within the life fund (on Risk Based Capital Basis) for conventional business is LKR 12,067 million. The total available capital (TAC) on the regulatory basis is LKR 14,614 million.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 and its subsequent amendments is LKR 4,744 million, and the Company's CAR is 306%, compared to the regulatory minimum requirement of 120%.
6. The total surplus distributed to the shareholders for FY2022 is LKR 1,280 million and the surplus distributed to policyholders is LKR 57 million
7. The tax payable on surplus distributed to policyholder amounted to LKR 17 million. This is determined based on 30% tax on surplus distributed to policyholders.
8. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of HNB Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability stated above. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL (the Solvency Margin (Risk Based Capital) Rules 2015). Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of HNB Assurance Plc as per the audited accounts of the Company for the year ended 31 December 2022 is in excess of the liabilities computed in the above mentioned manner.

Abhishek Chadha, FIA, FIAI
Director – Insurance Consulting and Technology, India
WTT

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W: wttco.com
CIN: U67190HR1996PTC051336

CERTIFICATION OF INCURRED BUT NOT REPORTED (IBNR) AND INCURRED BUT NOT ENOUGH REPORTED (IBNER) CLAIMS RESERVE



03 February 2023

To the shareholders of HNB General Insurance Limited

HNB General Insurance Limited 31 December 2022 IBNR and LAT Certification

In accordance with the engagement letter dated 6 April 2021, Willis Towers Watson India Private Limited has provided actuarial services relating to the role of Appointed Actuary as at 31 December 2022.

I hereby certify that the undiscounted Central Estimate of IBNR (inclusive of CHE) provision of LKR 284,974,978 is adequate in relation to the Claim Liability of HNB General Insurance Limited as at the 31 December 2022, net of reinsurance. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2022.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision net of DAC of LKR 2,628,563,993 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of HNB General Insurance Limited as at 31 December 2022. As such, there is no premium deficiency to be recognized by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the above Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

Sipika Tandon Mathur, FIAI
Associate Director
Willis Towers Watson India Private Limited

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CIN: U67192CHH1996PL12001336

INDEPENDENT AUDITOR'S REPORT



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(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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TO THE SHAREHOLDERS OF HNB ASSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HNB Assurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 190 to 322 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE CONTRACT LIABILITIES

Refer to Note 25 (page 283) and Note 26 (page 287) to these financial statements.

The Life Insurance Contract Liabilities and General Insurance Contract Liabilities as at 31 December 2022 amounted to Rs.24.6 Bn and Rs.4.2 Bn respectively, which represents 86.4% of Group's total liabilities.

Risks Description

The valuation of these liabilities involves significant judgement and requires a number of key assumptions to be made that involves significant estimation uncertainty. This has been compounded by the uncertainty arising from prevailing economic conditions and the impact these could have on various actuarial assumptions. The accuracy and completeness of the data used in calculating insurance liabilities or forming judgments over key assumptions, would have material impact on the valuation of insurance contract liabilities.

Our responses - Our audit procedures included:

- Evaluating the governance around the Group's reserving process including the scrutiny applied by the Group level actuarial reviews.
- Evaluating the design of the Group's relevant controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year.
- Assessing the competence, capabilities and objectivity of the independent appointed actuary of the Group and the Group's staff involved in the valuation process of policyholders' liability.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA
M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekara FCA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS		



Risks Description	Our responses - Our audit procedures included:
<p>The valuation of insurance contract liabilities depends on the accuracy of data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims.</p> <p>Changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance contract liabilities. The key assumptions that drive the reserving calculations include loss ratios, mortality, morbidity, persistency and expense assumptions, estimates of the frequency and severity of claims, investment return and where appropriate the discount rates for longer tail classes of business by territory and line of business.</p> <p>The appropriate margin added to the actuarial best estimate of insurance contract liabilities, to provide for the risk of adverse development in the claims involves judgment made by the management, based on the perceived uncertainty and potential for volatility in the underlying claim. As such it is subjective estimate.</p> <p>As a result of the above factors, insurance contract liabilities have been identified as a key audit matter.</p>	<ul style="list-style-type: none"> • Assessing the key controls adopted (including IT related controls) by the Group in providing accurate and complete data to the independent appointed actuary for the purpose of valuations. • Assessing the Group's methodology for calculating the insurance contract liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). • Reconciling the movements in insurance contract liabilities during the year with the movements in the financial results reported in separate funds. • We used our actuarial specialist to assist us in assessing the key assumptions, including those for morbidity, persistency, expense, investment return and discount rates as well as the provision for adverse deviation by performing the following audit procedures: <ul style="list-style-type: none"> - Assessing the accuracy and completeness of data used for estimates; - Assessing the approach used by the management to derive key assumptions and reserving methodologies driving the value of the insurance liabilities by: <ul style="list-style-type: none"> o Comparing the assumptions used by management to expectations based on, past experience, market observable data and our own industry knowledge and experience o Evaluating the level of prudence applied and compared this to prior periods; o Reviewing sensitivity analysis over key judgments and assumptions - Independently re-projected the reserve balances for certain classes of business. - Evaluating the Group's calculation of the liability adequacy test and assessed the related results in order to ascertain whether the insurance contract liabilities used for the in-force business are adequate in the context of a valuation on the current best estimate assumptions • Assessing the adequacy of the Group's disclosure in relation to insurance liabilities.

INDEPENDENT AUDITOR'S REPORT



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report FCA 2294.

A handwritten signature in black ink, appearing to be 'KPMG' or similar, written over a horizontal line.


Chartered Accountants

Colombo, Sri Lanka
17th February 2023

STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Page No.	GROUP		COMPANY	
			2022	2021	2022	2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Property, Plant and Equipment	8	252	418,258	282,884	260,442	141,390
Right of Use Assets	9	257	376,579	395,148	343,824	362,336
Intangible Assets	10	261	61,118	63,180	57,054	57,839
Deferred Tax Assets	46	307	99,430	291,832	-	273,543
Financial Investments	11	263	34,624,131	29,094,085	29,844,875	24,667,102
Investment in Subsidiary	12	272	-	-	1,150,000	1,150,000
Loans to Life Policyholders	13	273	420,914	403,452	420,914	403,452
Reinsurance Receivables	14	274	1,044,318	1,072,206	184,249	317,009
Premium Receivables	15	275	1,853,670	1,247,997	18,547	7,822
Other Assets	16	277	999,838	747,946	713,293	507,528
Insurance Contract - Deferred Expenses	17	279	163,995	157,710	-	-
Cash and Cash Equivalents	18	280	1,033,305	2,112,745	725,420	1,575,931
Total Assets			41,095,556	35,869,185	33,718,618	29,463,952
Equity and Liabilities						
Equity Attributable to the Equity Holders						
Stated Capital	19	280	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	20	281	7,822,715	6,644,680	6,552,433	5,548,813
Available For Sale Reserve	21	281	(322,296)	4,009	(138,616)	4,446
Other Reserve	22	281	22,358	(11,421)	3,972	(6,614)
Life Policyholders' Available For Sale Reserve Fund	23	281	(1,277,414)	(67,291)	(1,277,414)	(67,291)
Restricted Regulatory Reserve	24	282	381,156	381,156	381,156	381,156
Equity Attributable to the Equity Holders			7,798,394	8,123,008	6,693,406	7,032,385
Non-Controlling Interest			-	-	-	-
Total Equity			7,798,394	8,123,008	6,693,406	7,032,385
Liabilities						
Insurance Contract Liabilities - Life Insurance	25	283	24,582,641	20,342,757	24,582,641	20,342,757
Insurance Contract Liabilities - General Insurance	26	287	4,181,588	3,735,922	-	-
Employee Defined Benefit Liabilities	27	290	236,424	239,167	142,692	137,328
Current Tax Liabilities	28	293	253,810	62,168	209,338	19,871
Reinsurance Creditors	29	293	959,693	1,085,512	227,512	453,054
Lease Creditors	30	294	410,719	421,838	376,926	390,374
Other Liabilities	31	295	2,406,748	1,747,148	1,384,408	1,034,819
Bank Overdrafts	18	280	265,539	111,665	101,695	53,364
Total Liabilities			33,297,162	27,746,177	27,025,212	22,431,567
Total Equity and Liabilities			41,095,556	35,869,185	33,718,618	29,463,952

The Notes to the Financial Statements as set out on pages 195 to 322 form an integral part of these Financial Statements. These 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 Financial Statements.
Signed and on behalf of the Board;



Rose Cooray
Chairperson



Ashoka Goonesekere
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st December,	Note	Page No.	GROUP		COMPANY		CHANGE	
			2022	2021	2022	2021	GROUP	COMPANY
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	%	%
Gross Written Premium	32	296	15,637,736	12,646,947	8,911,460	7,091,470	24	26
Premium Ceded to Reinsurers	33	298	(2,164,702)	(1,648,861)	(473,012)	(355,537)	31	33
Net Written Premium			13,473,034	10,998,086	8,438,448	6,735,933	23	25
Net Change in Reserves for Unearned Premium	34	298	(385,557)	(242,252)	-	-	59	-
Net Earned Premium	35	299	13,087,477	10,755,834	8,438,448	6,735,933	22	25
Other Revenue								
Interest and Dividend Income	36	299	4,541,682	2,555,274	3,972,636	2,311,120	78	72
Net Realised Gains	37	301	390,099	52,921	105,376	50,109	637	110
Net Fair Value (Losses)/Gains	38	301	(66,383)	79,128	(68,663)	49,484	(184)	(239)
Fee and Commission Income	39	302	272,223	225,738	54,394	77,025	21	(29)
Other Income	40	302	36,442	5,551	33,223	2,766	556	1,101
Total Other Revenue			5,174,063	2,918,612	4,096,966	2,490,504	77	65
Net Income			18,261,540	13,674,446	12,535,414	9,226,437	34	36
Net Benefits, Claims and Expenses								
Net Insurance Benefits and Claims Paid	41	303	(5,551,509)	(4,095,720)	(2,224,412)	(1,638,904)	36	36
Net Change in Insurance Claims Outstanding	42	304	(27,488)	(127,570)	54,885	(7,184)	(78)	(864)
Change in Contract Liabilities - Life Fund	25	283	(4,340,103)	(3,249,356)	(4,340,103)	(3,249,356)	34	34
Other Operating and Administration Expenses	43	305	(4,000,490)	(2,892,824)	(2,483,649)	(1,694,018)	38	47
Underwriting and Net Acquisition Costs	44	306	(1,821,540)	(1,456,258)	(1,437,045)	(1,098,207)	25	31
Finance and Other Insurance Related Costs			(134,488)	(104,340)	(111,424)	(86,557)	29	29
Total Benefits, Claims and Other Expenses			(15,875,618)	(11,926,068)	(10,541,748)	(7,774,226)	33	36
Profit Before Taxation			2,385,922	1,748,378	1,993,666	1,452,211	36	37
Income Tax Expense	46	307	(555,398)	(524,730)	(510,046)	(451,712)	6	13
Profit for the Year			1,830,524	1,223,648	1,483,620	1,000,499	50	48
Other Comprehensive Income, Net of Related Tax, Items that are or may be reclassified to Profit or Loss								
- Net Change in Fair Value of Available For Sale Financial Assets			(1,647,992)	(914,208)	(1,386,078)	(826,914)	80	68
- Realised Gains transferred to Income Statement	37	301	-	(9,490)	-	(9,490)	100	100
- Amortisation of AFS reserve on reclassification	11	263	32,893	-	32,893	-	100	100
- Net Change in fair value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	23	281	1,210,123	825,224	1,210,123	825,224	47	47
- Related Tax	46	307	78,671	8,729	-	-	801	-
Items that will never be Reclassified to Profit or Loss								
- Actuarial Gains on Defined Benefit Plans	27	290	37,945	44,140	10,586	27,302	(14)	(61)
- Related Tax	46	307	(4,166)	(4,041)	-	-	3	-
Total Other Comprehensive Income for the year, Net of Related Tax			(292,526)	(49,646)	(132,476)	16,122	489	(922)
Total Comprehensive Income for the Year			1,537,998	1,174,002	1,351,144	1,016,621	31	33
Profit attributable to:								
Equity Holders of the Company			1,830,524	1,223,648	1,483,620	1,000,499	50	48
Non-Controlling Interest			-	-	-	-	-	-
Profit for the Year			1,830,524	1,223,648	1,483,620	1,000,499	50	48
Total Comprehensive Income Attributable to :								
Equity Holders of the Company			1,537,998	1,174,002	1,351,144	1,016,621	31	33
Non-Controlling Interest			-	-	-	-	-	-
Total Comprehensive Income for the year			1,537,998	1,174,002	1,351,144	1,016,621	31	33
Basic and Diluted Earnings Per Share (Rs.)	47	311	12.20	8.16	9.89	6.67	50	48
Dividend Per Share (Rs.)	48	312	3.65	3.20				

The Notes to the Financial Statements as set out on pages 195 to 322 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital	Retained Earnings	Available For Sale Reserve	Other Reserve	Life Policy holders' Available For Sale Reserve Fund	Restricted Regulatory Reserve	Total Equity	
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 01st January 2021 (a)		1,171,875	5,841,032	93,754	(51,520)	757,933	381,156	8,194,230
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,223,648	-	-	-	-	1,223,648
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(914,969)	-	-	-	(914,969)
Net Change in Fair Value of Available for Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	825,224	-	-	-	825,224
Actuarial Gains on Defined Benefit Plans	22	-	-	-	40,099	-	-	40,099
Total Other Comprehensive Income for the Year (c)		-	-	(89,745)	40,099	-	-	(49,646)
Total Comprehensive Income for the Year (d = b+c)		-	1,223,648	(89,745)	40,099	-	-	1,174,002
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	(825,224)	-	(825,224)
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Parent								
Final dividend 2020 (f)	48.4	-	(420,000)	-	-	-	-	(420,000)
Balance as at 31st December 2021 (a+d+e+f)		1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Balance as at 01st January 2022 (g)		1,171,875	6,644,680	4,009	(11,421)	(67,291)	381,156	8,123,008
Surcharge Tax	46.6	-	(172,489)	-	-	-	-	(172,489)
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	1,830,524	-	-	-	-	1,830,524
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(1,536,428)	-	-	-	(1,536,428)
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	1,210,123	-	-	-	1,210,123
Actuarial Gains on Defined Benefit Plans	22	-	-	-	33,779	-	-	33,779
Total Other Comprehensive Income for the Year (i)		-	-	(326,305)	33,779	-	-	(292,526)
Total Comprehensive Income for the Year (j= h+i)		-	1,830,524	(326,305)	33,779	-	-	1,537,998
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve Fund (k)	23	-	-	-	-	(1,210,123)	-	(1,210,123)
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Parent								
Final dividend 2021 (l)	48.4	-	(480,000)	-	-	-	-	(480,000)
Balance as at 31st December 2022 (g+j+k+l)		1,171,875	7,822,715	(322,296)	22,358	(1,277,414)	381,156	7,798,394

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

The Notes to the Financial Statements as set out on pages 195 to 322 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY - COMPANY

		Stated Capital	Retained Earnings	Available For Sale Reserve	Other Reserve	Life Policy holders' Available For Sale Reserve Fund	Restricted Regulatory Reserve	Total Equity
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st January 2021 (a)		1,171,875	4,968,314	15,626	(33,916)	757,933	381,156	7,260,988
Comprehensive Income for the Year								
Profit for the Year (b)	20	-	1,000,499	-	-	-	-	1,000,499
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(836,404)	-	-	-	(836,404)
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	825,224	-	-	-	825,224
Actuarial Gains on Defined Benefit Plans	22	-	-	-	27,302	-	-	27,302
Total Other Comprehensive Income for the Year (c)		-	-	(11,180)	27,302	-	-	16,122
Total Comprehensive Income for the Year (d = b+c)		-	1,000,499	(11,180)	27,302	-	-	1,016,621
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (e)	23	-	-	-	-	(825,224)	-	(825,224)
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Company								
Final dividend 2020 (f)	48.4	-	(420,000)	-	-	-	-	(420,000)
Balance as at 31st December 2021 (a+d+e+f)		1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Balance as at 01st January 2022 (g)		1,171,875	5,548,813	4,446	(6,614)	(67,291)	381,156	7,032,385
Comprehensive Income for the Year								
Profit for the Year (h)	20	-	1,483,620	-	-	-	-	1,483,620
Other Comprehensive Income for the Year, Net of Related Tax								
Net Change in Fair Value of Available For Sale Financial Assets	21	-	-	(1,353,185)	-	-	-	(1,353,185)
Net Change in Fair Value of Available For Sale Financial Assets transferred to Life Policyholders' Available For Sale Reserve Fund	21	-	-	1,210,123	-	-	-	1,210,123
Actuarial Gains on Defined Benefit Plans	22	-	-	-	10,586	-	-	10,586
Total Other Comprehensive Income for the year (i)		-	-	(143,062)	10,586	-	-	(132,476)
Total Comprehensive Income for the Year (j = h+i)		-	1,483,620	(143,062)	10,586	-	-	1,351,144
Net Change in Fair Value of Available For Sale Financial Assets transferred from Available For Sale Reserve (k)	23	-	-	-	-	(1,210,123)	-	(1,210,123)
Transactions with Owners Recorded Directly in Equity								
Distributions to Owners of the Company								
Final dividend 2021 (l)	48.4	-	(480,000)	-	-	-	-	(480,000)
Balance as at 31st December 2022 (g+j+k+l)		1,171,875	6,552,433	(138,616)	3,972	(1,277,414)	381,156	6,693,406

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

The Notes to the Financial Statements as set out on pages 195 to 322 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31st December,	Note	Page No.	GROUP		COMPANY	
			2022	2021	2022	2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From Operating Activities						
Profit Before Taxation			2,385,922	1,748,378	1,993,666	1,452,211
Adjustments for:						
Interest Income	36	299	(4,533,060)	(2,545,483)	(3,860,664)	(2,186,492)
Dividend Income	36	299	(8,622)	(9,791)	(111,972)	(124,628)
Amortisation of Intangible Assets	10	261	19,768	22,582	18,491	21,305
Depreciation of Property, Plant and Equipment	8	252	81,746	61,795	55,406	42,229
Net Depreciation of Right of Use Assets	9.2	257	141,151	130,759	132,586	122,825
Interest Expense of Lease Creditors	30	294	48,317	49,196	44,593	46,300
Provision for Employee Benefits	27.2	291	52,787	45,980	30,056	25,301
Net Realised Gains	37	301	(390,099)	(52,921)	(105,376)	(50,109)
Net Fair Value Losses/(Gains)	38	301	66,383	(79,128)	68,663	(49,484)
(Gains)/Losses on Disposal of Property, Plant and Equipment			(966)	220	(964)	289
Gains on Disposal of Right of Use Assets			(1,023)	(620)	(1,023)	(620)
			(2,137,696)	(629,033)	(1,736,538)	(700,873)
Net Change in Operating Assets	A		(839,876)	(331,137)	(101,192)	(96,044)
Net Change in Operating Liabilities	B		5,244,791	4,288,149	4,401,461	3,650,997
Cash Flows from Operating Activities			2,267,219	3,327,979	2,563,731	2,854,080
Gratuity Paid	27.2	291	(17,585)	(17,111)	(12,628)	(11,423)
Surcharge Tax Paid	46.6	311	(194,455)	-	(21,966)	-
Income Tax Paid	28	293	(113,892)	(169,374)	(64,079)	-
Net Cash Generated From Operating Activities (a)			1,941,287	3,141,494	2,465,058	2,842,657
Cash Flows from Investing Activities						
Acquisition of Financial Investments	11.5 & 11.6	271	(275,166,012)	(218,308,521)	(226,927,326)	(169,673,417)
Proceeds from Maturity of Financial Investments	11.5 & 11.6	271	268,513,153	213,902,269	220,894,080	165,602,038
Proceeds from Sale of Financial Investments	11.5 & 11.6	271	317,672	976,949	-	853,655
Interest Received			4,046,819	2,455,660	3,399,666	2,075,569
Dividend Received			8,622	9,791	111,972	124,628
Acquisition of Intangible Assets	10	261	(17,706)	(16,904)	(17,706)	(16,904)
Acquisition of Property, Plant and Equipment	8	252	(218,654)	(177,281)	(175,547)	(68,629)
Proceeds from the Disposal of Property, Plant and Equipment			2,501	2,170	2,053	1,461
Advance Paid to Right of Use Assets	9.3	260	(18,342)	(20,518)	(17,262)	(16,722)
Net Cash Used in Investing Activities (b)			(2,531,947)	(1,176,385)	(2,730,070)	(1,118,321)
Cash Flows from Financing Activities						
Dividend Paid	48.4	312	(480,000)	(420,000)	(480,000)	(420,000)
Payment of Lease Liabilities	30	294	(162,654)	(130,835)	(153,830)	(121,387)
Net Cash Used in Financing Activities (c)			(642,654)	(550,835)	(633,830)	(541,387)
Net (Decrease)/Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)			(1,233,314)	1,414,274	(898,842)	1,182,949
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)			2,001,080	586,806	1,522,567	339,618
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	280	767,766	2,001,080	623,725	1,522,567
Notes to the Cash Flow Statement						
A. Change in Operating Assets						
(Increase)/Decrease in Deferred Expenses			(6,285)	5,909	-	-
Increase in Loans to Life Policyholders			(17,462)	(23,716)	(17,462)	(23,716)
Decrease/(Increase) in Reinsurance Receivables			27,888	(300,430)	132,760	(144,310)
Increase in Premium Receivables			(605,673)	(136,403)	(10,725)	(2,834)
(Increase)/Decrease in Other Assets			(238,344)	123,503	(205,765)	74,816
Net Change in Operating Assets			(839,876)	(331,137)	(101,192)	(96,044)
B. Change in Operating Liabilities						
Increase in Other Liabilities			646,052	189,731	348,111	202,621
Increase in Insurance Contract Liabilities - (Before Tax) Life Insurance			4,278,892	3,286,238	4,278,892	3,286,238
Increase in Insurance Contract Liabilities - General Insurance			445,666	426,773	-	-
(Decrease)/Increase in Reinsurance Creditors			(125,819)	385,407	(225,542)	162,138
Net Change in Operating Liabilities			5,244,791	4,288,149	4,401,461	3,650,997

The Notes to the Financial Statements as set out on pages 195 to 322 form an integral part of these Financial Statements.

ACCOUNTING POLICIES AND NOTES TO THE 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 under the Companies Act No. 17 of 1982 with limited liability and domiciled in Sri Lanka. The Company was re-registered under the Companies Act No. 07 of 2007 on 13th December 2007. 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 Uttarananda Mawatha, Colombo 03.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange (CSE) and the Company is a licensed insurance company registered and regulated under the Insurance Industry Act No. 43 of 2000 and amendments thereto.

More details of the Group are presented in pages 351 and 352 of this Annual Report.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31st December 2022, comprise "the Company" which refers to HNB Assurance PLC as the holding Company and "the Group" referring to HNB Assurance PLC and its fully owned subsidiary HNB General Insurance Limited.

1.3 Principal Activities and Nature of Operations

There were no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year under review. The principal business activities, nature of operations of the Company and its subsidiary are as follows;

Entity	Principal Business Activities	Description
Parent		
HNB Assurance PLC	Life Insurance	HNB Assurance PLC provides Life Insurance solutions for both individual and corporate customers. Life Insurance is a protection against financial losses that would result from an insured event adversely affecting the insured. In such situations, the nominated beneficiary receives the proceeds and is thereby safeguarded from financial impacts of the insured event. The benefit paid by a life insurer is consideration in exchange for premium payments made by the insured.
Subsidiary		
HNB General Insurance Limited	General Insurance	HNB General Insurance Limited provides General Insurance solutions for both individual and corporate customers. Insurance other than 'Life Insurance' falls under the category of General Insurance; Fire, Motor, Marine and Miscellaneous insurance are the main categories under General Insurance.

1.4 Parent Entity and Ultimate Parent Entity

The Group's holding/parent entity is HNB Assurance PLC. In the opinion of the Board of Directors, the Group's ultimate parent undertaking and controlling party is Hatton National Bank PLC which is a licensed commercial bank incorporated in Sri Lanka. The Financial Statements of the Parent and the ultimate parent of the Group are available for public use.

1.5 Number of Employees

The staff strength of the Group as at 31st December 2022 is 1,328 (2021 - 1,217) and the Company 718 (2021 - 623).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.1 Basis of Preparation

2.1.1 Statement of Compliance

These Financial Statements of the Group and the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) set out by the Institute of Chartered Accountants of Sri Lanka (CASL) and in compliance with the requirements of the Companies Act No. 07 of 2007, the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka, Statement of Recommended Practice (SoRP) issued by CASL and the Listing Rules of the Colombo Stock Exchange (CSE).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The Group has not adopted any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of these Financial Statements.

The Group has opted to defer full application of SLFRS 9 – Financial Instruments, until the earlier of 2025 or on adoption of SLFRS -17 Insurance Contracts, by exercising the temporary exemption provided to an insurer. (Refer Note 3 of page 199)

Further, the tax liability arising from Surcharge Tax Act No.14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by Institute of Chartered Accountants of Sri Lanka as disclosed under Note 46.6 to the financial statements.

Details of the Group's significant accounting policies followed during the year are given in Note 2.3.2 to 57 on pages 198 to 199.

The Financial Statements include the following components:

Component	Description	Page No.
Statement of Financial Position	Provides information on the financial position of the Group and the Company as at the year end	190
Statement of Profit or Loss and Other Comprehensive Income	Provides information on the financial performance of the Group and the Company for the year under review	191
Statement of Changes in Equity – Group	Depicts all changes made to Shareholders' equity of the Group	192
Statement of Changes in Equity – Company	Depicts all changes made to Shareholders' equity of the Company	193
Statement of Cash Flows	Provides information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows	194
Notes to the Financial Statements	Comprising significant accounting policies and other explanatory information	195 - 322

2.1.2 Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 and the Listing Rules of Colombo Stock Exchange.

The Board of Directors acknowledge their responsibility for Financial Statements as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibility for Financial Reporting' and the certification of the Statement of Financial Position appearing on pages 172 to 179, 181 to 182 and 190 respectively.

2.1.3 Approval of Financial Statements by the Board of Directors

The Consolidated Financial Statements of the Company and its Subsidiary (collectively the Group) for the year ended 31st December 2022 (including comparatives for 2021) were approved and authorised for issue by the Board of Directors on 17th February 2023.

2.1.4 Basis of Measurement

These Financial Statements have been prepared on an accrual basis and under the historical cost convention except for the following material items, which are measured on an alternative basis in the Statement of Financial Position.

Category	Item	Basis of Measurement	Note	Page No.
Assets	Financial instruments at Available For Sale	at Fair Value	11.3	267
	Financial instruments at Fair Value Through Profit or Loss	at Fair Value	11.4	269
	Free hold Land and Buildings	at Fair Value	8	252
Liabilities	Insurance Contract Liabilities – Life Insurance	Actuarially Determined Values Based on Actuarial Guidelines Issued by IRCSL	25	283
	Incurred But Not Reported/Incurred But Not Enough Reported Liability	Actuarially Determined Values Based on Internationally Accepted Actuarial Policies and Methodologies	26	287
	Defined Benefit Obligations	Actuarially Valued and Recognised at Present Value of the Defined Benefit Obligation	27	290

The Group and the Company present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery of settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 49 on page 313 of this Financial Statements. No adjustments have been made for inflationary factors affecting these Financial Statements.

2.1.5 Supplementary Statements – Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life Insurance Fund together with the notes are disclosed in pages 324 to 331 continuing the past practice which was a requirement of the Statement of Recommended Practice (SoRP) for Insurance Contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.

2.1.6 Going Concern

The Group/Company has prepared the financial statements for the year ended 31st December 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis. Further, based on such assessment Directors are satisfied that it has the resources to continue in business for a foreseeable future.

In determining the above significant management judgements, estimates and assumptions, the Group has taken into consideration the existing and anticipated impact of macroeconomic uncertainties prevailing in the country including power interruptions, transportation challenges, foreign exchange market limitations, high inflation, increased interest rates and local currency depreciation as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

The Board is not aware of any material uncertainties that may cast significant doubt on the Group/Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group/Company. Therefore, the financial statements continued to be prepared on the going concern basis.

2.1.7 Functional and Presentation Currency

The Financial Statements of the Group/Company are presented in Sri Lanka Rupees (LKR), which is the primary economic environment in which the Group/Company operates and is also the Functional Currency. There was no change in the Group/Company's Presentation and Functional Currency during the year under review.

2.1.8 Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs.'000) except where otherwise

indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements".

2.1.9 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 01 - 'Presentation of Financial Statements' and subsequent amendments.

Notes to these Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.1.10 Comparative Information

These Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the Financial Statements of the previous financial year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.1.11 Financial Period

The financial statements of the Company and Subsidiary have a common financial year which ends on December 31st. Hence the Financial Statements of the Group are prepared for the twelve months period from 1st January to 31st December.

2.2 Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience, expectations, current trends and other factors that management believes to be relevant and reasonable when consolidated financial statements are prepared. Hence, actual results may differ from these estimates.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

Management reviews, on a regular basis, the Group's accounting policies, assumptions and estimates in order to ensure the consolidated financial statements are presented fairly and in accordance with SLFRSs/LKASs. Revisions to accounting estimates are recognised prospectively.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

2.2.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgement	Note	Page
Classification of Financial Assets and Liabilities	7	249
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	25	283
Measurement of insurance and reinsurance contracts : determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	25 & 26	283 & 287

2.2.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimate	Note	Page
Impairment of Non - Financial Assets	2.3.2	199
Fair Value of Financial Instruments with significant unobservable inputs	5	233
Impairment of AFS Financial Assets	7	249
Fair Value of free hold Land and Building	8	252
Useful lifetime of Property, Plant and Equipment	8	252
Recognition of Deferred Tax Asset	46	307
Valuation of insurance contract liabilities – Life Insurance	25	283
Liability Adequacy Test – Life Insurance	25.5	286
Valuation of insurance contract liabilities – General Insurance	26	287
Liability Adequacy Test – General Insurance	26.8	290
Valuation of Defined Benefit Liability – Gratuity	27	290
Provision for Liabilities and Contingencies	54	319

2.3 Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparation and presentation of Financial Statements as set out in Note 2 to 57 on pages 195 to 322.

2.3.1 Significant Accounting Policies

Significant Accounting policies adopted by the Group have been applied consistently for all financial periods presented in the Financial Statements of the Group unless otherwise stated. An index to the Significant Accounting Policies is set out below; and the detailed explanations to each are set out in the respective notes to the Financial Statements.

Description	Note	Page No.
Other Similar Accounting Policies Not Covered Under Individual Notes	2.3.2	199
New Accounting Standards Issued as at the Reporting Date	3	199
Financial Risk Management	4	206
Fair Value Measurement and Related Fair Value Disclosures	5	233
Segmental Reporting	6	241
Financial Assets and Financial Liabilities	7	249
Property, Plant and Equipment	8	252
Right of Use Assets	9	257
Intangible Assets	10	261
Financial Investments	11	263
Investment in Subsidiary	12	272
Loans to Life Policyholders	13	273
Reinsurance Receivables	14	274
Premium Receivables	15	275
Other Assets	16	277
Insurance Contract – Deferred Expenses	17	279
Cash and Cash Equivalents	18	280
Stated Capital	19	280
Insurance Contract Liabilities – Life Insurance	25	283
Insurance Contract Liabilities – General Insurance	26	287
Employee Benefit Liabilities	27	290
Current Tax Liabilities	28	293
Reinsurance Creditors	29	293
Lease Creditors	30	294
Other Liabilities	31	295
Gross Written Premium (GWP)	32	296
Premium Ceded to Reinsurers	33	298
Net Change in Reserves for Unearned Premium	34	298
Interest and Dividend Income	36	299
Net Realised Gains	37	301
Net Fair Value (Losses)/Gains	38	301
Fee and Commission Income	39	302
Other Income	40	302
Net Insurance Benefits and Claims Paid	41	303
Net Change in Insurance Claims Outstanding	42	304
Other Operating And Administration Expenses	43	305
Staff Expenses	43.1	305
Underwriting and Net Acquisition Costs	44	306
Income Tax and Deferred Tax	46	307
Basic and Diluted Earnings Per Share	47	311
Dividend Per Share (DPS)	48	312
Events Occurring After the Reporting Date	51	318
Provisions for Liabilities and Contingencies	54	319

2.3.2 Other Similar Accounting Policies Not Covered Under Individual Notes

a) Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated to the functional currency of the Group companies, which is Sri Lankan Rupees, at exchange rates at the dates the transactions are effected. In this regard, the Group's practice is to use the buying rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the buying exchange rate of the functional currency ruling as at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in Profit or Loss. However, foreign currency differences arising from the translation of Available For Sale equity instruments are recognized in Other Comprehensive Income.

b) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets other than, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is re-estimated and adjusted in profit or loss.

This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating 'value in use' requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in Profit or Loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

c) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "Indirect method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard LKAS 7 – Statement of Cash Flows.

Interest and dividend received are classified as investing cash flows and dividend paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows. Cash and Cash Equivalents comprise cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flows, cash and cash equivalents are presented net of bank overdrafts (Note 18).

The Statement of Cash Flows is given on page 194.

3 NEW ACCOUNTING STANDARDS ISSUED AS AT THE REPORTING DATE

3.1 Standards Issued but Not Yet Adopted as at the Reporting Date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements as summarized below.

3.1.1 SLFRS 9 – Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 – Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- Classification and Measurement
- Impairment
- Hedge Accounting

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018. Retrospective application is required, but comparative information is not compulsory.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) 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 1st January 2025.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as Fair Value Through Profit or Loss and;
- its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

As at 31st December,	GROUP	
	2022 Rs.'000	2021 Rs.'000
Insurance contract liabilities		
- Life Insurance	24,582,641	20,342,757
Insurance contract liabilities		
- General Insurance	4,181,588	3,735,922
Reinsurance Creditors	959,693	1,085,512
Liabilities Connected with insurance	29,723,922	25,164,191
Total Liabilities as per financial statements	33,297,162	27,746,177
Predominance Ratio	89%	91%

Having considered the above criteria, since HNB Assurance PLC and HNB General Insurance Limited are predominantly connected with Insurance activities, and do not engage in a significant activity unconnected with insurance, both companies may continue to apply LKAS 39 – Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2025.

Summary of the Requirements of Classification and Measurement of Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVTOCI)
- Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

As at 31st December 2022, the Group had equity investments classified as Available For Sale with a fair value of Rs. 41.3 Million. and Treasury bills Rs. 5.99 Billion. Under SLFRS 9, the Group will reclassify equity investments as measured at FVTPL and treasury bills as measured at Amortised Cost. Consequently, all fair value gains and losses on disposal of equity instruments will be reported in Profit or Loss.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- the remaining amount of change in the fair value is presented in Profit or Loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and;
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

Disclosure to Provide Comparability

The Group will make an assessment of the objective of the business model when a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets that meet the Solely Payment of Principal and Interest (SPPI) Test

(excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
REPO	L & R	1,380,579	1,380,579	Amortised cost
Term Deposit	L & R	5,906,645	5,687,742	Amortised cost
Debentures	L & R	7,623,103	5,758,882	Amortised cost
Treasury Bonds	HTM	9,423,842	7,770,002	Amortised Cost
Treasury Bills	HTM	817,091	804,691	Amortised Cost

All other Financial Assets

(that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current Classification	Carrying Value under LKAS 39 (Rs.'000)	Fair Value (Rs.'000)	Classification under SLFRS 9
Treasury Bonds	AFS	3,352,823	3,352,823	FVTOCI
Treasury Bills	AFS	5,995,487	5,995,487	FVTOCI
Equity Shares	AFS	41,318	41,318	FVTOCI
Equity Shares	FVTPL	83,243	83,243	FVTPL

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as Available For Sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The majority of the equity investment securities that are classified as Available For Sale under LKAS 39 will be classified under FVTPL and measured at fair value under SLFRS 9. However, some of the equity investment securities are held for Long-Term strategic purposes and may be designated as FVTOCI on initial recognition and measured at fair value.

Classification – Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) and Fair Value Through Profit or Loss (FVTPL). It replaces the existing four categories under LKAS 39 of Held To Maturity (HTM), Loans and Receivables (L & R), Fair Value Through Profit or Loss (FVTPL) and Available For Sale (AFS).

The table below provides an initial assessment made by the Group on its portfolio of financial assets.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

3.2 New Accounting Standards Issued But Not Effective as at the Reporting Date

3.2.1 SLFRS 17 – Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 1st January 2025.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of Financial Statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- Insurance contracts, including reinsurance contracts, it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose as provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- a) the entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
- b) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- c) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

Recognition

Currently, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") until those costs were included in profit or loss and OCI. Under SLFRS 17, only insurance acquisition cash flows that arises before the recognition of the related insurance contracts are recognised as a separate assets and are tested for

recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) the beginning of the coverage period;
- b) the date when the first payment from a policyholder becomes due; and
- c) when the group becomes onerous if facts and circumstances indicate that there is such a group.

SLFRS – 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Measurement Model) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

- a) the amount of fulfilment cash flows ("FCF"), which comprise:
 - I. estimates of future cash flows;
 - II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
 - III. a risk adjustment for non-financial risk
- b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Discount Rates

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and

- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

Contractual Service Margin (CSM)

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

- a) the liability for remaining coverage comprising:
 - I. the FCF related to future services and;
 - II. the CSM of the group at that date;
- b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts become onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Modification and De-Recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- a) if, had the modified terms been included at contract's inception, this would have led to:
 - I. exclusion from the Standard's scope;
 - II. unbundling of different embedded derivatives;
 - III. redefinition of the contract boundary; or
 - IV. the reallocation to a different group of contracts; or
- b) if the original contract met the definition of a direct participating insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c) the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-Recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) insurance contracts issued that are assets;
- b) insurance contracts issued that are liabilities;
- c) reinsurance contracts held that are assets; and
- d) reinsurance contracts held that are liabilities

Recognition and Presentation in the Statement(s) of Financial Performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

- a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [SLFRS 17:87]

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of changes in assumptions that relate to financial risk; but
- c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income ("OCI").

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct participating insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

Disclosures

An entity shall disclose qualitative and quantitative information about:

- a) the amounts recognised in its Financial Statements that arise from insurance contracts;
- b) the significant judgements, and changes in those judgements, made when applying SLFRS 17; and
- c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

SLFRS 17 is effective for annual reporting periods beginning on or after 1st January 2025. Earlier application is permitted if both SLFRS 15 'Revenue from Contracts with Customers' and SLFRS 9 'Financial instruments' have also been applied. The Company intends to adopt the new standard on its mandatory effective date.

Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM or the loss component at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition entity has a choice need for annual groups.

At the date of initial application of the Standard, those entities already applying SLFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard.

Entities can choose not to restate SLFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of SLFRS 9.

The Group completed the gap assessment for SLFRS 17 in consultation with external consultants of actuarial and finance. The Group has initiated a road map to implement SLFRS 17 and SLFRS 9. This will involve setting of accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing and implementing appropriate actuarial and finance system changes.

3.3 Other New Accounting Pronouncements

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) – effective for annual periods beginning on or after 1st January 2023.
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) – effective for annual periods beginning on or after 1st January 2023.
- Definition of Accounting Estimates (Amendments to LKAS 8) – effective for annual periods beginning on or after 1st January 2023.

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ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT**4.1 Overview**

The Group and Company are exposed to various types of risks in carrying out its business activities. This necessitates having an effective risk management framework in place to ensure growth,

profitability and long-term value creation to shareholders and other stakeholders. A proper financial risk management framework provides an assurance that Group's financial risk activities are governed by appropriate policies and procedures while identifying potential risk in advance.

Disclosure Requirement Under SLFRS 4 - Insurance Contracts and SLFRS 7 - Financial Instruments

The main types of risks to which the Group/Company is exposed and related policies/ processes for measuring and managing such risks are given below.

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Importance of a sound risk management process**Risk Management Framework**

The Company/Group have a Risk Management Framework (RMF) to provide a structure to identify current and emerging risks, measure, formulate response strategies, implement and continuously monitor effectiveness of responses. The primary role of RMF is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. It is also intended to protect the interests of policyholders and other key stakeholders. An effective RMF is the

key to avoid the financial and reputational damage that arises from inadequate or ineffective controls in the business.

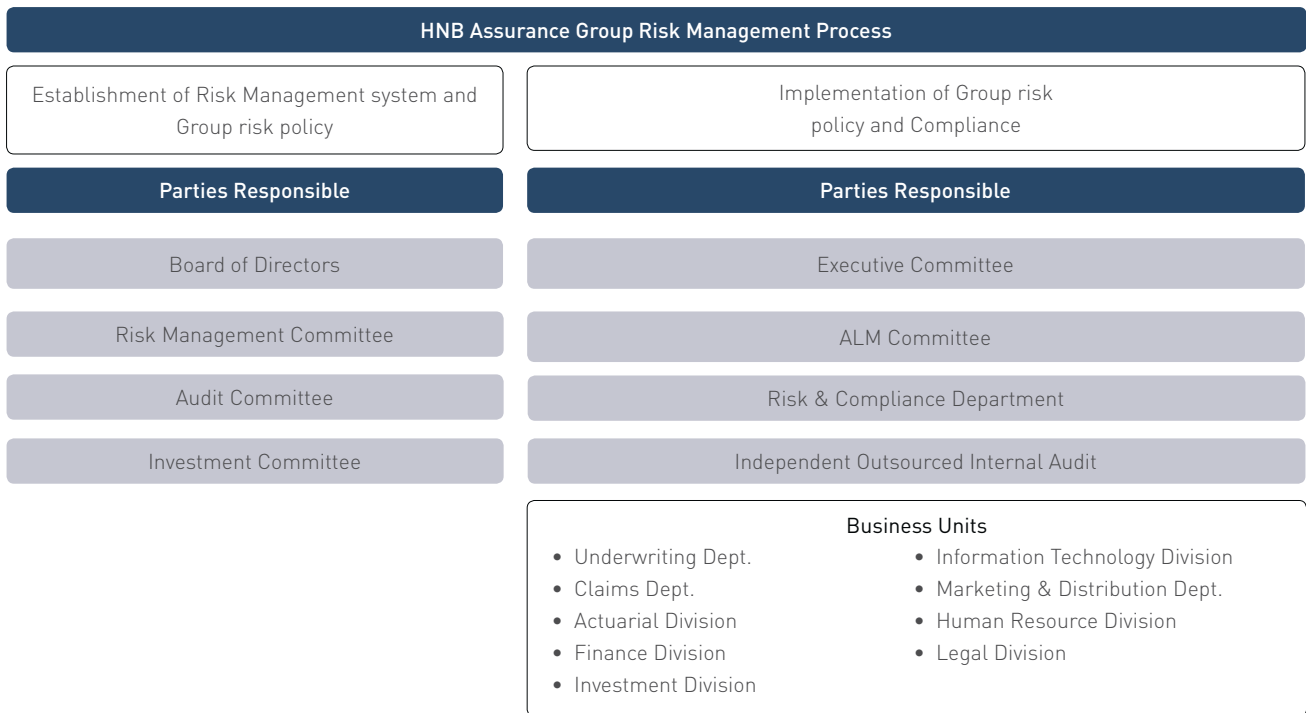
The primary responsibility of establishment and oversight of the RMF lies with the Board of Directors of the Company. The Board has delegated their authority to the Risk Management Committee which is responsible for review and oversight of the RMF, policies and processes. For more details refer Risk Committee Report in page 167 to 168.

An Asset and Liability Management Committee (ALMC), comprising the Chief Executive Officers, senior management and representatives from the Finance, Investment, Actuarial and Risk and Compliance Department monitors the asset, liability and liquidity positions of the Company and subsidiary. The Company/Group’s risk management policies and systems are reviewed regularly to reflect the changes in the market conditions and products offered.

The Board of Directors approves the Group’s risk management policies and any commercial, regulatory and organizational

requirements of such policies. These policies are defined based on the Group’s identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The following diagram depicts the accountable and responsible parties for the Group’s established risk management process which underlines the principal risk management and control responsibilities.



Objectives of Risk Management

The major Risk Management objectives of the Group are to;

- Enhance value creation and stability of the Group by establishing an optimal risk-return profile which avoids losses greater than expected.
- Allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.
- Maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
- Maintain strong credit ratings and healthy capital adequacy ratios in order to support business objectives and maximise shareholder value.
- Support decision-making processes by providing consistent, reliable and timely risk information.

Regulatory Framework

Insurance Regulatory Commission of Sri Lanka (IRCSL) protects Policyholders rights through supervision of both life and general insurance companies in line with the requirements of the Regulation of Insurance Industry Act No 43 of 2000 (RII Act) and subsequent amendments thereto. During the financial year the Company and the Subsidiary maintained appropriate levels of solvency and admissible assets as per the Risk-Based Capital Rules (RBC) issued by the IRCSL and in compliance with Section 26 of the RII Act and approved assets complying to Section 25 of the RII Act and Determination 1 issued by the IRCSL, to meet unforeseeable events.

The Company and Subsidiary each maintained adequate Total Available Capital (TAC) levels to support the Risk-Based Capital Requirements (RCR) throughout the year thereby maintained Capital Adequacy Ratios (CAR) well above the regulatory minimum of 120% and regulatory intervention level of 160%.

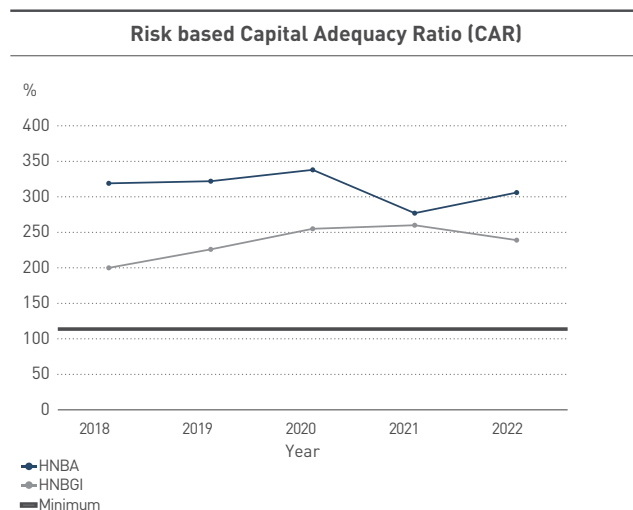
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The TAC and CAR of the Company (HNBA) and Subsidiary (HNBGI) as of 31st December 2022 and 2021 are as follows;

Total Available Capital (TAC) and Risk-Based Capital Adequacy Ratio (CAR)

	As at 31st December 2022				As at 31st December 2021			
	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-Based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio	Total Available Capital (TAC)	Regulatory Minimum Capital Requirement	Risk-based Capital Adequacy Ratio (CAR)	Regulatory Minimum CAR Ratio
	Rs.'000	Rs.'000	%	%	Rs.'000	Rs.'000	%	%
HNBA	14,514,354	500,000	306	120	11,139,698	500,000	277	120
HNBGI	1,947,292	500,000	239	120	1,903,450	500,000	260	120

The chart below shows Company (HNBA) and subsidiary (HNBGI) Risk based Capital Adequacy Ratio (CAR) through the past five years.



The CAR of the Company increased by 29% due to the increase of risk-free rates by 950 basis points and the narrowing of the asset-liability cashflows. Rise of risk-free rates led to a reduction in discounted liability cashflows which positively impacted on CAR. To capitalize on higher market yields, the Management consciously overweighed long-term investments to improve investment income and profitability. Nevertheless, the Company closely monitors the impact of external factors on its CAR and takes appropriate action accordingly.

The CAR of HNBGI has been decreased from 260% (2021) to 239% (2022) mainly due to increase in risk capital requirement (RCR) than the increase in total available capital (TAC) during the period. AFS reserve on treasury bonds and market value of debentures affected adversely due to the changes in the interest rates in the market. Further risk rating of Bank and financial institutes downgrading, also affected to the decrease in CAR.

Further, the operations of the Company and the subsidiary are in compliance with requirements of other regulators such as Colombo Stock Exchange (CSE), Securities and Exchange Commission of Sri Lanka (SEC), Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (IRD), etc. Both companies are also regulated by the Companies Act No. 07 of 2007.

4.2 Organisation Risk

4.2.1 Introduction and Overview

As a Group providing insurance services, both HNB Assurance PLC and HNB General Insurance Ltd, are exposed to Insurance, Financial and Operational Risks.

The following chart graphically presents all types of risks that the Group considers in Risk Management.

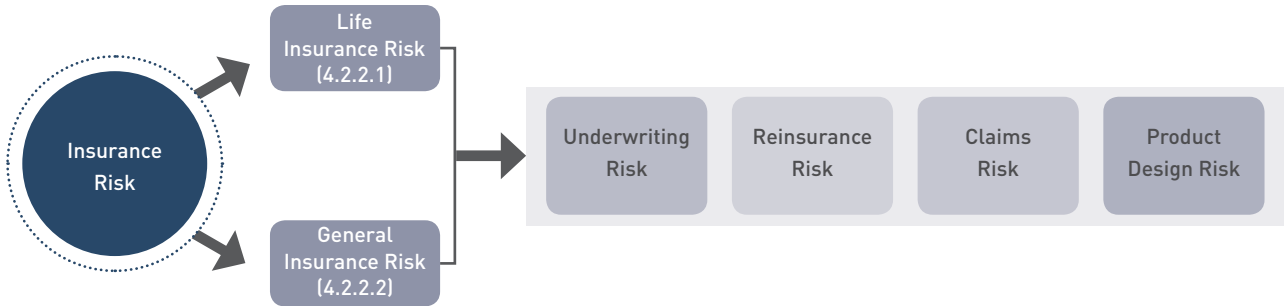


4.2.2 Insurance Risk

The primary risk faced by the Group is insurance risk, which arises due to the insurance contracts undertaken from customers. Insurance risk is the uncertainty relating to the occurrence, magnitude and timing of insurance liabilities. Insurance liabilities are claims and benefit payments. Possibility that actual experience of claims/benefits differ from expectations gives rise to risk.

The objective of the Group is to ensure that at a given time sufficient reserves are held to cover all reported and expected future liabilities.

The following chart graphically presents all types of insurance risks considered in Risk Management;



Strategies used to mitigate Insurance Risk

- Diversification across a large portfolio of insurance contracts and geographical areas.
- Risk variability through careful selection and implementation of underwriting guidelines.
- Use of reinsurance arrangements - proportional and non-proportional basis.
- Ensure compliance requirements imposed by the regulator (IRCSL).

4.2.2.1 Life Insurance Risk

A life insurance contract is an agreement between the policyholder and Company where the Company agrees to compensate the policyholder or his/her beneficiaries in the event of a specified event occurring such the policyholder’s policy maturity, death, disability, illness etc., in exchange for a premium.

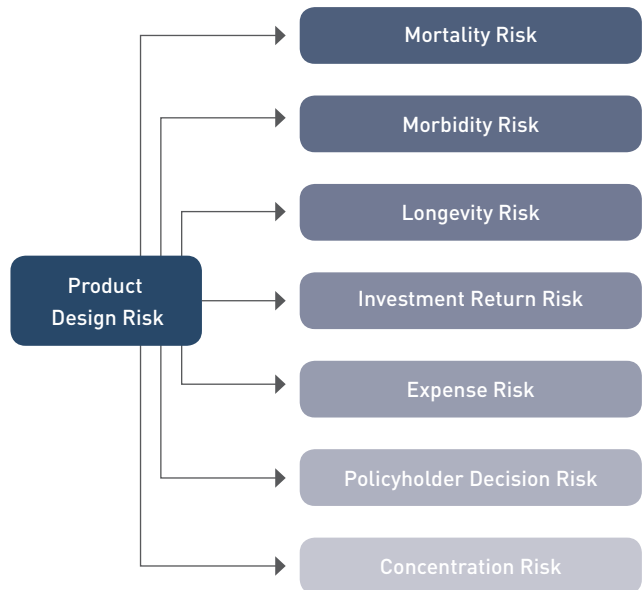
The Company issues life Insurance contracts, which include term assurance, endowment plans, annuity plans and Group Life plans. Endowment and term assurance are conventional regular or single premium products, where lump sum benefits are payable on death, maturity or in some cases, permanent total disability. Regular endowment products acquire a surrender value upon completion of three years.

The Company offers two single premium annuity products. The first product being “myfreedom”, offers a pre-determined annuity amount for a specified time period, whilst the second product; namely “mypension”, offers a fixed monthly annuity for the entire

lifetime of the policyholder. Both these products offer a life cover along with its annuity pay-out as part of its product feature. The Company also issues single premium investment policies with a guaranteed maturity benefit.

4.2.2.1.1 Product Design Risk

Product design risk occurs when life insurance products become unprofitable due to the futuristic assumptions and judgments used in designing the product being inappropriate;



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The main risks relating to assumptions used in product design are detailed below;

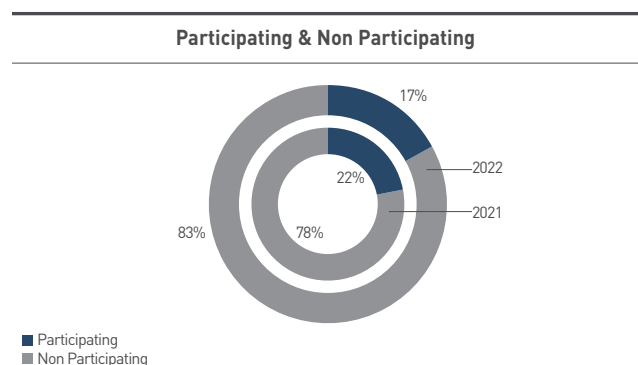
Risk	Description	Assumptions and Risk Response Strategies
Mortality Risk	Mortality assumption relates to the occurrence of death of policyholder. Mortality risk arises due to policyholder death experience being different than expected resulting in loss to the Company.	<ul style="list-style-type: none"> • Use of latest mortality tables with adjustments to reflect the Company's mortality experience. • Underwriting limits are in place to enforce appropriate risk selection.
Morbidity Risk	Morbidity assumption relates to the occurrence of accidents and sickness of the insured and the risk arises due to policyholder health experience being different than expected resulting in loss to the Company.	<ul style="list-style-type: none"> • Reinsurance tables are used with adjustment to reflect Company experience. • Medical screening to ensure pricing takes account of current health conditions and family medical history, regular review of actual claims experience.
Longevity Risk	Longevity assumption relates to lifetime of an annuity policyholder. The risk arises due to the annuitant living longer than expected causing a loss to the Company.	<ul style="list-style-type: none"> • Terms and conditions in annuity product applications designed to address non-standard and unpredictable risk.
Investment Return Risk	Investment returns projections are derived from current and projected market rates on current and projected investments held to support liabilities. Risk of loss arising from actual returns being different than expected is the investment return risk.	<ul style="list-style-type: none"> • The weighted average rate of return is derived based on a model portfolio, consistent with the long term investment strategy of the Company, which is assumed to back liabilities. • Discretion to declare bonus rates for participating policies. • Guaranteed dividend rates for universal life policies decided based on latest projected returns encompassing market interest rate expectations. • Annuity products structured by backing investments which are maintained for the agreed amount of business for the year. • Single premium products with guaranteed maturities are issued only with matching assets with similar or higher returns.
Expense Risk	Expense assumptions are the expected cost of acquisition and maintaining policies. Expense risk is the loss arising from expense experience being different than expected	<ul style="list-style-type: none"> • Annual expense studies are carried out to align expectation with actuals. • The management expense assumptions are developed as such that all management expenses are fully allocated to the policies.
Policyholder Decision Risk	Policyholders have the discretion to stop payment of premiums resulting in policy lapses or to surrender policies prior to maturity. Policyholder decision risk is the loss arising due to policyholder experiences (lapses and surrenders) being different than expected.	<ul style="list-style-type: none"> • Lapse and surrender rates are projected based on Company past experience. • Need analysis prior to sale of product to reduce lapse risk and introduction of convenient premium payment methods. • Charging surrender penalties to discourage surrenders.

Risk	Description	Assumptions and Risk Response Strategies
Concentration Risk	Concentration risk refers to losses that may arise due to over dependence on a product, product type or geographical area.	<ul style="list-style-type: none"> Diversification across industry, sectors, geography. Maintain a predetermined product mix in line with the corporate strategy and reducing over reliance on one product. Limiting exposure on any single life by way of retention limits agreed with the reinsurers and by having a catastrophic treaty in place to address risks such as natural disasters. Reducing reliance on participating products and increasing nonparticipating type of products.

Overall risk mitigation approach in traditional life insurance

Product	Key Risk	Risk Mitigation
Traditional Participating	Market risk: Investment return on underlying items falling below guaranteed minimum rates Policyholder behaviour risk:	Management discretion to determine amount and timing of policyholder bonuses (within limits) Surrender penalties
Non participating	Market risk: Insufficient fees to cover cost of guarantees and expenses Policyholder Behaviour risk	Derivative hedging programme Surrender Penalties
Universal Life	Interest rate risk: Differences in duration and yield of assets and liabilities Investment credit risk	Matching of asset and liability cash flows Investing in investment grade assets

The following graph shows the concentration of the Participating and Non-Participating funds position of the Company.



Sensitivities

The following analysis provides the sensitivity of the life insurance liability due to possible movements in key assumptions with all other assumptions held constant, and shows the impact on gross liabilities.

Sensitivity of the Value of Insurance Liabilities

As at 31st December,	Change in assumptions	IMPACT ON GROSS LIABILITIES	
		2022	2021
		%	%
Mortality	+ 10%	0.13	0.22
	- 10%	(0.22)	(0.22)
Discount rate	+ 50 basis points	(0.13)	(0.56)
	- 50 basis points	0.13	0.58
Expense	+10%	0.29	0.44
	- 10%	(0.37)	(0.43)

4.2.2.1.2 Underwriting Risk

Premiums received from policyholders being insufficient to cover claims due to inaccurate assessment when issuing the policy. This can give rise to losses for the Company which is underwriting risk.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Risk Response Strategies

- Underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits.
- Maximum input is obtained from the Appointed Actuary and Reinsurers in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- An in-house Actuarial Division reviews the Life Insurance business closely and guides the management to take more informed pricing decisions.
- Customers are required to submit medical reports from registered laboratories and strict adherence to auto underwriting limits.
- Focused training programs are organised for Insurance Advisors on proper selling in Sinhala, Tamil and English regularly.
- A customer need analysis form is used to identify customers' requirements and sell the most appropriate policy.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured amount.
- Continuous training and development of staff on underwriting policy and practices.
- Strict adherence to underwriting manual and ISO 9001:2015 certification for new business.
- In addition to the need analysis form, a detailed quotation, which is signed by both client and the salesperson, is obtained to avoid any misunderstanding in terms and conditions.
- Subject to the "Sum at Risk" value, financial stability of the client is verified by obtaining completed financial questionnaires, salary slips or audited accounts.

4.2.2.1.3 Reinsurance Risk

Although reinsurance is used as a risk transfer strategy, it also gives rise to certain risks for the Company. These include legal risk, liquidity risk, counterparty risk, residual insurance risk and operational risk.

Legal Risk arises when the terms of the reinsurance contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.

Liquidity Risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

Counterparty Risk arises due to failure of reinsurers to meet their obligations to company due to insufficient financial strength or potential refusal of the reinsurer to honour its obligations towards the ceding insurer.

Residual Insurance Risk arises when insurer retains a higher risk than expected as a result of discrepancies between reinsurance needs and the actual coverage provided in the contract to policyholder.

Insufficient capacity of insurer to maintain records and collect receivables could lead to Operational Risk.

Risk Response Strategies

- Strict adherence to reinsurer's guidelines and limits which are set in line with the requirements of the regulator and opting for facultative covers for risk beyond treaty levels
- Restructuring of reinsurance agreements with reinsurance parties regularly
- Continue and maintain a close and professional relationship with all reinsurers and reinsurance brokers
- Frequent review of the outstanding Reinsurance Receivables.
- Minimise risk of reinsurer insolvency by selection of reinsurers with ratings of AA- and above and monitor changes to the ratings of reinsurance companies continuously.

The following table shows the credit ratings of the reinsurance companies with whom the Company has reinsurance arrangements at the end of the reporting period.

Reinsurer	Country of Origin	Rating	Rating Agency
Munich-Re	Germany	AA	Fitch Rating
Munich-Re Retakaful	Malaysia (Retakaful branch)	AA	Fitch Rating
Hannover Re	Germany	AA-	Standard & Poor
RGA	Ireland	AA-	Standard & Poor

4.2.2.1.4 Claims Risk

The risk arising due to experiencing higher level of claims cost than expected at product development and pricing resulting in losses to the Company.

Risk Response Strategies

- In-house Actuarial Department reviews reserving in the Life Insurance business more closely and guide the Management to take more informed decisions.
- The support of the reinsurers is obtained on reserving such claim liability and the share of reinsurers.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- Financial authority limits are set based on the claim limits where the maximum limit is with the Claims Panel which is involved in taking decisions on significant/problematic claims and appeals made in respect of claims.
- Claims ratio is closely monitored and any significant change in current experience is brought to the Management attention, in order to take corrective actions.
- All suspicious claims are investigated with the support of expert third-party investigators.

4.2.2.2 General Insurance Risk

General Insurance contracts are offered by the fully owned subsidiary of the Company, HNB General Insurance Ltd (HNBGI). A General insurance contract is an agreement between the policyholder and the insurer where the insurer agrees to compensate the policyholder in the event of a specified unforeseen event which adversely affects the policyholder occurs, in exchange for a premium.

HNBGI primarily issues Motor, Fire, Engineering, Marine, Medical, Title, Workmen Compensation and Miscellaneous insurance contracts. General Insurance contracts of the subsidiary are predominantly issued for a one-year period. The exceptions are; Marine insurance contracts where coverage period is less than one year, Title insurance and certain Fire and Engineering contracts which may be issued for a period exceeding a year.

4.2.2.2.1 Product Design Risk

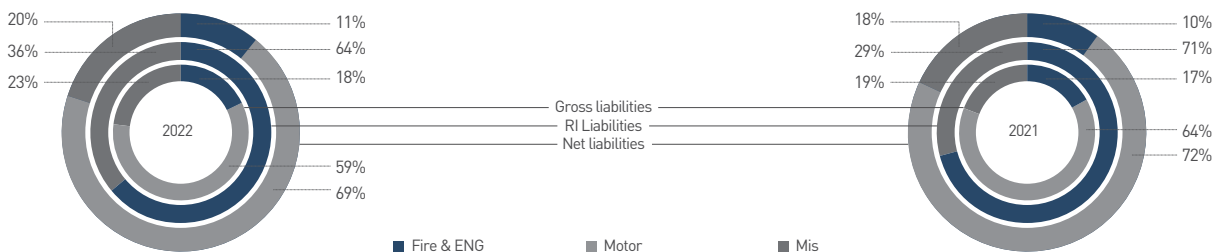
Risk of General Insurance product pricing being inadequate due to outdated/ inaccurate assumptions on effects of climate change, natural disasters, terrorist activities, behavioural trends of people due to changing life styles, epidemics and medical science/ technology improvements in the case of medical insurance, the steady escalation of costs due to currency rate changes and inflation in respect of spare parts in the Motor industry etc. resulting in losses.

Risk Response Strategies

- Diversification across a large portfolio of insurance contracts and geographical areas and increasing the number of policies issued to spread risk.
- Considering adequate reinsurance arrangements in pricing.
- Monitoring external factors such as floods, terrorist activities, political climate and economic factors and updating pricing accordingly.

The graph below depicts the concentration of General Insurance contract liabilities by type of contract:

General Insurance Contract Liabilities



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

4.2.2.2.2 Underwriting Risk

This risk arises due to insufficiency of premiums received from policyholder to cover claims if the insured event or contingency occurs.

Risk Response Strategies

- Careful selection and implementation of underwriting strategies designed to ensure risks are diversified in terms of type of risk and level of insured benefits.
- Training and development of underwriting staff and distribution network team including through "General Insurance Academy", an internal training and development school, set up targeting the improvement of technical knowledge.
- Statistical databases maintained on all customer profiles and loss-making customers strategically reviewed.
- Strict controls are maintained on the issuance of temporary cover notes and limiting such notes to 60 days validity period.
- Daily monitoring of Motor average premium based on risk appetite.
- Centralised underwriting of Motor and Non-Motor policies to ensure control and specialization.
- Internal flood mapping and alignment with the past catastrophe incidents considered in underwriting.
- Both the underwriters and the distribution managers are assigned Key Performance Indicators on both top-line and profitability, ensuring alignment of HNBGI objectives.
- Motor Insurance pricing determined based on a risk-based pricing grid.
- Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured and risk.

4.2.2.2.3 Reinsurance Risk

Reinsurance risk arises due to retention of risks beyond HNBGI's net retention capacity without having adequate reinsurance and/ or the inability of reinsurers to meet their commitments due to insufficient financial strength, inability to meet obligations on time.

Reinsurance recoveries on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from Policyholders rests with HNBGI. Default of reinsurers does not negate the obligation and in that respect HNBGI carries a credit risk up to the extent ceded to each reinsurer.

HNBGI reinsurance placement is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. All reinsurance contracts are reviewed annually and renewed based on careful selection of reinsurers. All General Insurance reinsurance contracts are with companies holding credit ratings above the minimum stipulated by the Insurance Regulatory Commission of Sri Lanka.

Risk Response Strategies

- Adequate reinsurance arrangements have been placed within the guidelines of the IRCSL and are continuously reviewed for the adequacy of covers in light of catastrophic/extreme events.
- Majority of proportional reinsurance is quota-share reinsurance to reduce the overall exposure of the subsidiary to most of the classes of business. Non-proportional reinsurance used as primarily excess-of-loss reinsurance designed to mitigate the subsidiary's net exposure to catastrophe losses. Retention limits for these arrangements differ by product line and territory.
- Strict controls to ensure that no insurance cover is issued without a proper reinsurance arrangement backing the cover.
- Limiting reinsurer panel to globally trusted and stable portfolio of reinsurance companies with high ratings by Standard & Poors, AM Best or Fitch with the exception of reinsurance placed with National Insurance Trust Fund (NITF), a reinsurer operating under Government of Sri Lanka.
- Periodic review of the credit rating and ensuring all reinsurers maintain the rating throughout the year.
- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- Clearly defined financial authority for reinsurance arrangements.

Reinsurance Credit Rating

The following table shows the credit ratings of the reinsurance companies with whom the subsidiary has arrangements at end of the reporting period.

Reinsurer	Country of Origin	Rating	Rating Agency
General Insurance Corporation of India	India	bbb+	A M Best
Oman Reinsurance Company SAOC	Barbados	a-	A M Best
SCOR Reinsurance Asia-Pacific Pte Ltd	Singapore	aa-	A M Best
The New India Assurance Co. Ltd	India	bbb+	A M Best
Santam Ltd	Switzerland	Aa	A M Best
Trust International Insurance & Reinsurance Company	Barbados	a-	A M Best
National Insurance Trust Fund (NITF)	Sri Lanka (Government owned entity)	A+	Fitch Rating
Saudi Reinsurance Company, Labuan Branch	Saudi Arabia	A3	Moody's
Lancashire Syndicates Limited (9329 at Lloyds)	UK	a+	A M Best
Antares Syndicate 1274 (AUL 1274 at Lloyds)	UK	a+	A M Best

4.2.2.2.4 Claims Risk

This is the risk of actual claim experience differing from expectation resulting in losses for the company.

Risk Response Strategies

- Claim intimation is carried out through a 24-hour fully fledged Customer Service Centre (CSC) to reduce time lag.
- Assessments are carried out by an independent expert panel of assessors/ loss adjustors working throughout the Island on a 24-hour basis.
- Claims are assessed immediately upon intimation and reserved accordingly.
- Comprehensive estimation of costs and high-quality service to customers granted through garages located island-wide.
- Significant outstanding claims are subjected to monthly reviews by the management.
- Service of a qualified Actuary is obtained quarterly to assess the adequacy of reserves made in relation to Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims.
- All third-party claim intimations are separately reviewed with the support of the Legal Division.
- Claim payment exceeding the claim reserves by Rs.1 Million or 3 times of the reserves amount is monitored at the Board level.
- Adequate claim reserves are maintained according to the agreed methodology adopted by the Company.

- Claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure.
- Financial authority limits are set for claim limit giving the maximum limit to the Claims Panel which is involved in taking decisions on significant/ problematic claims and appeals made in respect of claims.

Valuation of Liabilities in General Insurance

The principal assumption underlying the liability estimates is that HNBGI's future claims development may follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are also used to assess the extent to which liabilities may arise in the future, but exclude one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and Government legislation affect the estimates.

The following analysis is performed for possible movements in Claims Outstanding with all other assumptions held constant, showing the impact on gross and net liabilities, Profit Before Tax and Equity. It should be noted that movements in these assumptions are non-linear.

Sensitivity of Claims Outstanding

As at,	Change in Assumptions	Reported Claim Outstanding Rs. '000	Impact on Gross Liabilities Rs. '000	Impact on Net Liabilities Rs. '000	Impact on Profit Before Tax Rs. '000	Impact on Equity (After Tax) Rs. '000
31st December 2022	+/-10%	1,006,371	+/-110,637	+/-61,674	+/-61,674	-/+43,172
31st December 2021	+/-10%	1,145,465	+/-114,546	+/-65,846	+/-65,846	-/+50,043

Sensitivities

The following analysis provides a Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation.

Impact on Claim Liabilities by change in key variables

Variable	Change in Variable	Central Estimate of Claim Liability (CL) after CHE	Change in Central Estimate of Claim Liability (CL) after CHE
	%	Rs. '000	Rs. '000
Original		887,937	-
Claim Handling Expenses (CHE)	+10	891,516	3,579
	-10	884,357	(3,579)
Initial Expected Loss Ratio (IELR)	+10	932,261	44,324
	-10	846,682	(41,255)

Impact on Premium Liabilities by change in key variables

Variable	Change in Variable	Unexpired Risk Reserve (URR) inc Expense	Premium Liability	Change in Premium Liability
	%	Rs. '000	Rs. '000	Rs. '000
Original		2,025,190	2,628,564	-
Claim Handling Expenses (CHE)	+10	2,037,390	2,628,564	-
	-10	2,012,990	2,628,564	-
Unexpired Risk Reserve (URR)	+10	2,098,260	2,628,564	-
	-10	1,952,120	2,628,564	-

4.2.3 Financial Risk

4.2.3.1 Introduction

The Group is exposed to different types of financial risks as a result of investing in financial instruments. The Group's Senior Management has established appropriate policies and procedures to identify financial risks, measure and manage in accordance with the Group's policies and risk objectives. Following are the primary risks the Group is exposed to.

Financial Risk



4.2.3.2 Investment Concentration Risk

Investment concentration risk arises by investing heavily in any one industry, one segment, one geographical area or one security. It can also be defined as the lower degree of diversification in an investment portfolio.

Risk Response

- Investment Committee develops and formulates guidelines for the management of the investment portfolios of the Company and subsidiary
- Robust monitoring process by Investment Committee to ensure the compliance of investments with available laws and regulations.
- Continuous review of asset allocation limits by Compliance Division

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Financial Instrument wise / Sector wise table

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000	Carrying Value Rs.'000
Government Securities	20,969,822	14,262,375	18,543,183	12,175,057
- Repo	1,380,579	5,644,673	918,083	4,636,918
- Sri Lanka Development Bonds	-	182,209	-	40,231
- Treasury Bonds	12,776,665	7,688,807	11,836,715	6,950,273
- Treasury Bills	6,812,578	746,686	5,788,385	547,635
Debentures	7,623,103	7,204,800	6,664,825	6,339,921
- Banks, Finance and Insurance	7,098,070	6,679,768	6,209,033	5,884,129
- Diversified Holdings	376,921	376,920	307,680	307,680
- Telecommunications	148,112	148,112	148,112	148,112
Term Deposits	5,906,645	7,214,859	4,514,168	5,936,903
- Banks	4,884,095	4,575,312	3,659,392	3,815,666
- Finance	1,022,550	2,639,547	854,776	2,121,237
Equity Shares	124,561	218,466	122,699	215,221
- Banks, Finance and Insurance	39,390	63,311	39,390	63,311
- Diversified Holdings	22,230	32,671	22,230	32,671
- Manufacturing	55,242	112,563	53,380	109,318
- Beverage, Food and Tobacco	448	577	448	577
- Land and Property	7,251	9,344	7,251	9,344
Investments in Units	-	193,585	-	-
- Unquoted	-	193,585	-	-

4.2.3.3 Credit Risk

Credit risk of the Group arises from the possibility of financial loss to the Group by a counter party's failure to discharge its contractual obligations to a financial instrument.

Risk Exposure

The following table shows the maximum risk positions of assets, which are generally subject to credit risk. The maximum risk exposure of following financial assets are equal to their carrying amounts.

Concentrations of Credit Risk - Financial Assets

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Financial Investments	34,624,131	87.93	29,094,085	84.90	29,844,875	94.91	24,667,102	90.81
Loans to Life Policyholders	420,914	1.07	403,452	1.18	420,914	1.34	403,452	1.49
Reinsurance Receivables	1,044,318	2.65	1,072,206	3.13	184,249	0.59	317,009	1.17
Premium Receivables	1,853,670	4.71	1,247,997	3.64	18,547	0.06	7,822	0.03
Staff and Advisor Loans	382,147	0.97	324,786	0.95	229,037	0.73	176,032	0.65
Amounts due from Subsidiary	-	-	-	-	21,816	0.06	13,548	0.05
Co -Insurance Receivables	21,489	0.05	9,270	0.03	-	-	-	-
Cash and Cash Equivalents	1,033,305	2.62	2,112,745	6.17	725,420	2.31	1,575,931	5.80
Total	39,379,974	100	34,264,541	100	31,444,858	100	27,160,896	100

Credit Risk of Financial Investments

The counterparty failing to fulfil the obligation to repay the principal and interest of a financial instrument expose the Group to credit risk.

The credit exposure of financial investments including short term deposits is given below.

Concentrations of Credit Risk - Financial Instruments

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Medium & Long Term Financial Instruments								
Government Securities	20,969,822	60.4	14,262,375	47.2	18,543,183	62.0	12,175,057	47.4
Corporate Debt Securities	7,623,103	22.0	7,204,800	23.9	6,664,825	22.3	6,339,921	24.7
Term Deposit	5,906,645	17.0	7,214,859	23.9	4,514,168	15.1	5,936,903	23.1
Total Credit Risk Exposure - Medium & Long Term (a)	34,499,570	99.4	28,682,034	95.0	29,722,176	99.4	24,451,881	95.2
Short Term Deposits (b)	213,143	0.6	1,523,835	5.0	178,132	0.6	1,233,934	4.8
Total Credit Risk Exposure (a+b)	34,712,713	100	30,205,869	100	29,900,308	100	25,685,815	100
Credit Risk-Free Financial Instruments								
Equity	124,561		218,466		122,699		215,221	
Unit Trusts	-		193,585		-		-	
Total Credit Risk-Free Financial Instruments (c)	124,561		412,051		122,699		215,221	
Total Financial Instruments (a+c)	34,624,131		29,094,085		29,844,875		24,667,102	

Concentrations of Credit Risk - Financial Instruments & Short Term Deposits

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Held to Maturity								
Treasury Bonds	9,423,842	27.15	313,465	1.04	9,423,842	31.52	313,465	1.22
Treasury Bills	817,091	2.35	-	-	631,606	2.11	-	-
Available For Sale								
Treasury Bonds	3,352,823	9.66	7,375,342	24.42	2,412,873	8.07	6,636,808	25.84
Treasury Bills	5,995,487	17.27	746,686	2.47	5,156,779	17.25	547,635	2.13
Loans and Receivables								
Repo	1,380,579	3.98	5,644,673	18.69	918,083	3.07	4,636,918	18.05
Sri Lanka Development Bonds	-	-	182,209	0.60	-	-	40,231	0.17
Debentures								
AAA to AAA-	-	-	-	-	-	-	-	-
AA+ to AA-	376,922	1.09	168,112	0.56	307,680	1.03	168,112	0.65
A+ to A-	3,202,366	9.23	5,982,296	19.81	2,785,234	9.32	5,228,749	20.36
BBB+ to BBB-	4,043,815	11.65	1,054,392	3.49	3,571,911	11.95	943,060	3.67
BB+ to BB-	-	-	-	-	-	-	-	-
Term Deposits								
AAA to AAA-	-	-	1,092,705	3.62	-	-	992,495	3.86
AA+ to AA-	-	-	2,832,714	9.38	-	-	2,130,636	8.29
A+ to A-	6,119,788	17.63	4,813,276	15.93	4,692,300	15.69	4,047,706	15.76
BBB+ to BBB-	-	-	-	-	-	-	-	-
BB+ to BB-	-	-	-	-	-	-	-	-
Total	34,712,713	100	30,205,870	100	29,900,308	100	25,685,815	100

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HNBA Group had no instruments classified as Fair Value Through Profit or Loss, with exposure to Credit Risk during the year and the comparative period.

Specific actions undertaken by the Group to mitigate Credit Risk in financial investments are shown below.

Risk Response Strategies

During new Placements

- Adoption of a list of counterparties approved by the Investment Committee, consisting of companies which, in the opinion of the Committee, carry minimal Credit Risk.
- Checking the credit worthiness of potential investees, mainly through ratings assigned to the issuing institution or the ratings assigned to the issue.
- Obtaining explicit approval of the Investment Committee for any investments in an entity not included in the Committee approved list.
- Deciding on single party exposure limits based on the credit ratings and regulatory requirements and monitoring them closely at different levels.
- Conducting a detailed analysis of individual counterparties for each corporate debt investment before taking the investment decision.
- The Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. All our investments in Repos are on DVP/RVP basis (Delivery vs. Payment and Receive vs. Payment).
- Established guidelines regarding the acceptability of collateral and valuation parameters with regards to Repo investments were followed. The management monitors the market value of the collateral, requests for additional collateral when needed and performs an impairment valuation when applicable.
- Adhering to the guidelines on selection of Primary dealers with regard to Government security investments and strict adherence to IRCSL rules and guidelines.
- Preparation of checklist to ensure adherence to the Company investment policy and other regulatory requirements.
- Adhering to approved financial authority limits set by Investment Committee and the Board for all investment related activities.

Investment Operation and Monitoring

- Signing Master Repurchase Agreements (MRA) with all primary dealers the Group works with in order to ensure zero level of default risk for lending under repo transactions, in the event of their bankruptcy. MRA's provide the facility to the investor or investee to recover the money due by selling the collateral securities in the secondary market in the event of a default by either party.

- Maintained a custodian arrangement for Government securities with Acuity Securities Ltd, a subsidiary of Acuity Partners (Pvt) Ltd (a joint venture of HNB and DFCC Bank). Group changed the Government securities custodian to HNB w.e.f February 2022 with the approval of Boards of Directors.
- Entering into a custodian agreement with HNB PLC for listed equity investments.
- Obtaining specialist advice from legal experts on any issues related to investment activities.

The Group regularly reviews the policies and procedures in respect of managing the Credit Risk in investments and no significant changes were made during the year.

Loans to Life Policyholders

Life policyholders failing to repay policy loans granted gives rise to credit risk for the Company.

Risk Response Strategies

The value of each loan granted to a Life Policyholder including interest receivable, is limited to the surrender value of the insurance policy and if the loan and interest amount exceeds the surrender value, policy is foreclosed.

The surrender value of policies for which loans were granted amounted to Rs. 711.86 Million (2021: Rs. 678 Million).

Life Policy holder ageing table

For the Year Ended 31st December,	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Neither past due not impaired		
0 - 60 days	29,770	22,729
61 - 90 days	6,573	7,008
91 - 180 days	28,961	28,822
181 days +	355,610	344,893
Total maximum exposure to credit risk	420,914	403,452

Staff and Advisor Loans

The Group staff and advisor benefits include vehicle and emergency loans. The risk of non-repayment of such loans gives rise to credit risk.

Risk Response Strategies

Group has established an effective Credit Policy which evaluates Staff and Advisor credit worthiness before granting loans.

All loans are fair valued and tested for impairment on a periodic basis. The Group obtains collateral in the form of mortgage over the vehicle for all vehicle loans to staff and advisor. An approved policy is followed when granting loans and valuation certificates of vehicles are obtained from a reputed valuer prior to grant. 89% of loans granted in 2022 includes collateral.

Reinsurance Receivables

Reinsurance receivables comprise reinsurance receivable from claim outstanding and settled claims amounts. Following table

provides information regarding the Credit Risk exposure on Reinsurance Receivables of the Group and the Company.

Credit Risk - Reinsurance Receivables

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Reinsurance Receivable on Outstanding Claims	558,116	53	580,745	54	70,801	38	77,128	24
Reinsurance Receivable on Claims Settled	486,202	47	491,461	46	113,448	62	239,881	76
Total Exposure to Credit Risk	1,044,318	100	1,072,206	100	184,249	100	317,009	100

Reinsurance Receivable Based on Credit Rating (on Claims Settled)

GROUP	AA+ to AA-		A+ to A-		BBB+ to BBB-		Not rated		Total	
As at 31st December,	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	201,388	41	156,312	32	128,502	27	-	-	486,202	100
2021	270,914	55	126,458	26	94,089	19	-	-	491,461	100

COMPANY	AA+ to AA-		A+ to A-		BBB+ to BBB-		Not rated		Total	
As at 31st December,	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	113,448	100	-	-	-	-	-	-	113,448	100
2021	239,881	100	-	-	-	-	-	-	239,881	100

Below table depicts counterparty credit rating relating to Reinsurance Receivables on Claims Outstanding of the Company and does not cover Reinsurance Receivables on Claims Outstanding and on IBNR/ IBNER of the Subsidiary as the latter have not been crystallized yet.

However, the Subsidiary has not contracted any the counter parties for Claims Outstanding and on IBNR/IBNER other than those used for Reinsurance Receivables on Claim Settled. Accordingly the credit ratings are covered.

Reinsurance Receivable Based on Credit Rating (on Outstanding Claims)

COMPANY	AA+ to AA-		A+ to A-		BBB+ to BBB-		Not rated		Total	
As at 31st December,	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	70,801	100	-	-	-	-	-	-	70,801	100
2021	77,128	100	-	-	-	-	-	-	77,128	100

Age Analysis of Reinsurance Receivable

GROUP	< 30 days		31 to 60 days		61 to 90 days		91 to 180 days		>180 days		Total	
As at 31st December,	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	72,626	15	98,440	20	63,453	13	172,749	36	78,935	16	486,203	100
2021	76,685	16	49,798	10	37,178	8	95,508	19	232,292	47	491,461	100

COMPANY	< 30 days		31 to 60 days		61 to 90 days		91 to 180 days		>180 days		Total	
As at 31st December,	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	24,052	21	15,180	13	19,221	18	54,996	48	-	-	113,449	100
2021	24,799	10	19,795	8	18,820	8	52,538	22	123,929	52	239,881	100

Risk Response Strategies

- All reinsurers of the Company and 73.57% of reinsurers of the Group, are rated A- and above. However, reinsurance is placed according to the directions given by Board of Directors and IRCSL guidelines.

- Long outstandings are monitored and collected or set off against payables to the same counter party.
- Management assesses the credit worthiness of reinsurers on a regular basis and align the reinsurance strategy accordingly.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Premium Receivable

The Group is exposed to credit risk where policyholder or intermediary does not settle the premium due.

Age Analysis of Premium Receivable

GROUP As at 31st December,	< 30 days		31 to 60 days		>61 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	1,314,563	70.92	445,523	24.03	93,584	5.05	1,853,670	100
2021	917,452	73.51	330,166	26.46	379	0.03	1,247,997	100

COMPANY As at 31st December,	< 30 days		31 to 60 days		>61 days		Total	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
2022	13,667	73.69	4,373	23.58	507	2.73	18,547	100
2021	5,106	65.28	2,337	29.88	379	4.84	7,822	100

Risk Response Strategies

Specific actions undertaken by the Group to mitigate Credit Risk in premium receivable are shown below.

- Strict implementation of Premium Payment Warranty (PPW), ensuring that all General Insurance policies with payments outstanding for more than 60 days are cancelled.
- 30 days grace period has been offered to Life Policy Holders (other than Group Life Policy Holders, to whom 90 days grace period has been offered) to settle due premiums.
- Conducting follow-up meetings on debt collection on a monthly basis.
- Using the latest technology (e.g.: mobile text messages) to inform customers on premium reminders and cancellation notices.

- Follow up with the customer by contacting from our Customer Relations Centre (CRC) on long outstanding balances.
- Processing claims only for the premium settled policies.

Group regularly reviews the policies and procedures in respect of managing the premium receivables and no significant changes were made during the year.

The Group has no significant concentration of credit risk during the reporting period.

Cash and Cash Equivalents

Credit risk relating to cash can arise in the event of the bank/ financial institution faces an inability to repay the amounts in credit to the Group.

Given below is the list of banks and financial institutions the Group maintains current/savings accounts with, and their respective credit ratings.

Cash and Cash Equivalent Balances with respective credit ratings

As at 31st December,	Rating (2022)	Rating Agency	GROUP		COMPANY	
			2022	2021	2022	2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	A	Fitch Rating	798,914	828,993	537,889	512,977
Commercial Bank of Ceylon PLC	A	Fitch Rating	8,079	2,623	3,513	408
Bank of Ceylon	A	Fitch Rating	1,091	2,571	1,032	2,532
National Savings Bank	AAA	LRA Rating	1,347	577,089	1,198	476,804
DFCC Bank PLC	A-	Fitch Rating	1,625	1,826	54	657
Pan Asia Banking Corporation PLC	BBB-	Fitch Rating	251	9,598	26	26
Sampath Bank PLC	A	Fitch Rating	1,890	2,753	1,553	1,979
HDFC Bank of Sri Lanka	BB+	Fitch Rating	1	1	-	-
LOLC Finance PLC	A	ICRA Rating	24	22	16	15
People's Leasing & Finance PLC	A+	Fitch Rating	40	36	29	27
National Development Bank PLC	A-	Fitch Rating	87,352	75	52,264	-
Nations Trust Bank PLC	A-	Fitch Rating	1,978	4,398	-	-
HNB Finance PLC	A	Fitch Rating	125,957	139	125,956	139
Peoples' Bank	A	Fitch Rating	-	679,128	-	578,517
Seylan Bank PLC	A-	Fitch Rating	313	233	-	-
Amana Bank PLC	BB+	Fitch Rating	1,721	643	-	-
Total exposure to credit risk			1,030,583	2,110,128	723,530	1,574,081
Cash in hand			2,722	2,617	1,890	1,850
Cash and Cash Equivalents			1,033,305	2,112,745	725,420	1,575,931

Risk Response Strategies

The Group maintains savings and current accounts with banks and financial institutions with good credit ratings. As at 31st December 2022, 99.8% of cash was maintained with A- and above rated banks. (2021 : 99.2%, AA-)

Assessment of Impairment Losses

The Group assesses all financial investments for impairment at each reporting date and adequate provisions are made where relevant. Accounting policy relating to impairment is given on page 249.

The Group has no significant concentration of Credit risk during the reporting period.

4.2.3.4 Liquidity Risk

Liquidity risk refers to the risk of the Group encountering difficulty in meeting obligations associated with financial liabilities due to non-availability of sufficient level of liquid assets or having to incur additional costs to meet obligations when they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

Risk Response Strategies

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy which is reviewed by Investment Committee regularly.
- Guidelines are set out for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet Group insurance and investment contract obligations.

- Asset and Liability Management positions are monitored by the ALM Committee quarterly and any deviations are noted and corrective action taken.
- Maintaining sufficient cash balances, repurchase agreements and other short tenure investments to accommodate expected obligations and commitments of the Group.
- Determining the maturity profiles of insurance Contract Liabilities and reinsurance assets based on the estimated timing of net cash outflows from recognised insurance liabilities.
- Reviewing the maturity mix of the investment portfolio by the management and the Investment Committee on a regular basis.
- Agreeing with the reinsurers to support by way of cash call, if the need arises.
- Forecasting and planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.
- Guaranteed Life insurance investment policies are fully matched with investments.
- Group forecast and monitors cash flows and liquidity position on a monthly basis. With the on set of the pandemic this was further strengthened with regular reporting to Risk Committee and the Board on the cash flows and liquidity position of the Company and the Group.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group has an effective and efficient daily cash management process to mitigate risk.

The table on next page summarizes the maturity profile of the financial assets and liabilities of the Group and the Company based on remaining contractual obligations.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

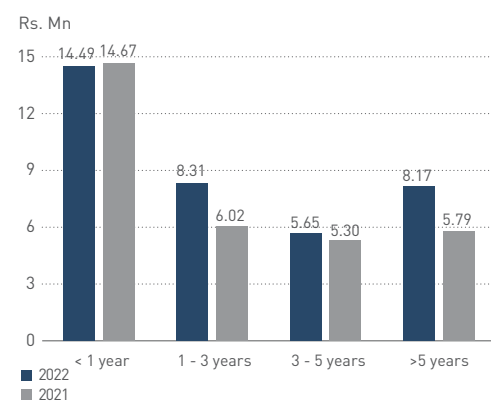
Maturity Profile of Financial Assets and Financial Liabilities – GROUP

As at 31st December 2022,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	34,624,131	12,682,705	8,326,721	5,634,976	7,979,729
Loans to Life Policyholders	420,914	-	-	-	420,914
Reinsurance Receivables	1,044,318	1,044,318	-	-	-
Premium Receivables	1,853,670	1,853,670	-	-	-
Staff and Advisor Loans	382,147	117,896	147,107	94,808	22,336
Co - Insurance Receivables	21,489	21,489	-	-	-
Cash and Cash Equivalents	1,033,305	1,033,305	-	-	-
Total Financial Assets	39,379,974	16,753,383	8,473,828	5,729,784	8,422,979
Liabilities					
Reinsurance Creditors	959,693	959,693	-	-	-
Lease Creditors	410,719	152,037	159,897	78,029	20,756
Other Liabilities	1,124,603	888,228	-	-	236,375
Bank Overdrafts	265,539	265,539	-	-	-
Total Financial Liabilities	2,760,554	2,265,497	159,897	78,029	257,131

As at 31st December 2021,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	29,094,085	12,071,432	6,127,263	5,286,377	5,609,013
Loans to Life Policyholders	403,452	-	-	-	403,452
Reinsurance Receivables	1,072,206	1,072,206	-	-	-
Premium Receivables	1,247,997	1,247,997	-	-	-
Staff and Advisor Loans	324,786	99,362	125,861	78,789	20,774
Co - Insurance Receivables	9,270	9,270	-	-	-
Cash and Cash Equivalents	2,112,745	2,112,745	-	-	-
Total Financial Assets	34,264,541	16,613,012	6,253,124	5,365,166	6,033,239
Liabilities					
Reinsurance Creditors	1,085,512	1,085,512	-	-	-
Lease Creditors	421,838	112,572	230,489	66,566	12,211
Other Liabilities	867,143	636,852	-	-	230,291
Bank Overdrafts	111,665	111,665	-	-	-
Total Financial Liabilities	2,486,158	1,946,601	230,489	66,566	242,502

The Group has no significant concentration of Liquidity risk during the reporting period.

Excess Liquidity - Group

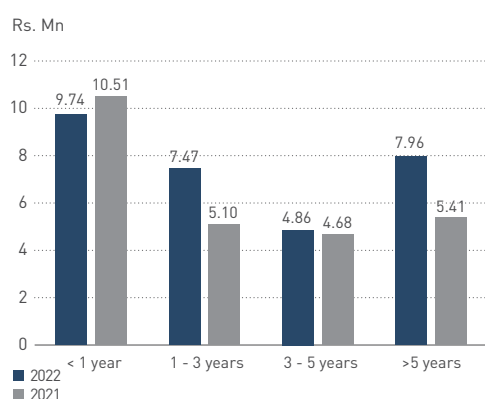


Maturity Profile of Financial Assets and Financial Liabilities – COMPANY

As at 31st December 2022,	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	29,844,875	9,684,060	7,526,637	4,875,503	7,758,675
Loans to Life Policyholders	420,914	-	-	-	420,914
Reinsurance Receivables	184,249	184,249	-	-	-
Premium Receivables	18,547	18,547	-	-	-
Staff and Advisor Loans	229,038	79,405	83,300	52,485	13,848
Co - Insurance Receivables	21,816	21,816	-	-	-
Cash and Cash Equivalents	725,420	725,420	-	-	-
Total Financial Assets	31,444,859	10,713,497	7,609,937	4,927,988	8,193,437
Liabilities					
Reinsurance Creditors	227,512	227,512	-	-	-
Lease Creditors	376,926	145,512	144,410	67,085	19,919
Other Liabilities	712,822	499,732	-	-	213,090
Bank Overdrafts	101,695	101,695	-	-	-
Total Financial Liabilities	1,418,955	974,451	144,410	67,085	233,009
As at 31st December 2021,					
	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Financial Investments	24,667,102	9,504,707	5,253,432	4,695,196	5,213,767
Loans to Life Policyholders	403,452	-	-	-	403,452
Reinsurance Receivables	317,009	317,009	-	-	-
Premium Receivables	7,822	7,822	-	-	-
Staff and Advisor Loans	176,032	64,435	67,739	35,472	8,386
Amounts Due from Related parties	13,548	13,548	-	-	-
Cash and Cash Equivalents	1,575,931	1,575,931	-	-	-
Total Financial Assets	27,160,896	11,483,452	5,321,171	4,730,668	5,625,605
Liabilities					
Reinsurance Creditors	453,054	453,054	-	-	-
Lease Creditors	390,374	107,699	217,369	55,492	9,814
Other Liabilities	568,461	358,320	-	-	210,141
Bank Overdrafts	53,364	53,364	-	-	-
Total Financial Liabilities	1,465,253	972,437	217,369	55,492	219,955

The Company has no significant concentration of Liquidity risk during the reporting period.

Excess Liquidity - Company



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Maturity Analysis of Undiscounted Financial Liabilities

Undiscounted value of Reinsurance Creditors, Bank Overdraft and Other Financial Liabilities are same as the carrying value considered under the maturity analysis as mentioned above.

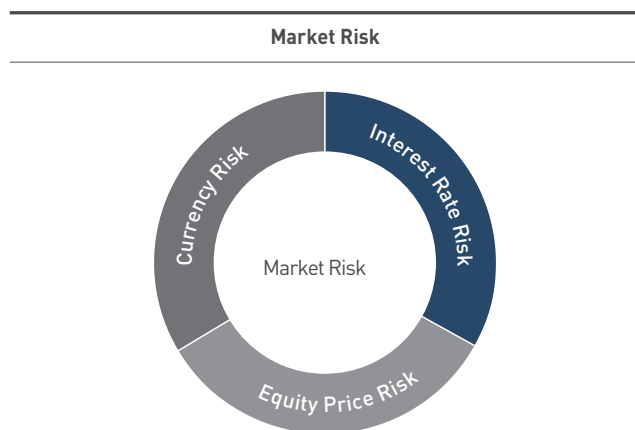
Undiscounted value of the Lease Creditors and the maturity of such undiscounted Lease Creditors of the Group and Company are as follows;

GROUP	Carrying Value	Undiscounted Value - Lease Creditor				Total
		Less Than One Year	One to Three Years	Three to Five Years	More than Five Years	
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2022	410,719	181,965	161,137	90,274	22,794	456,170
2021	421,838	154,012	256,148	78,193	10,448	498,801

COMPANY	Carrying Value	Undiscounted Value - Lease Creditor				Total
		Less Than One Year	One to Three Years	Three to Five Years	More than Five Years	
As at 31st December,	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2022	376,926	172,154	141,680	78,193	21,923	413,950
2021	390,374	146,181	238,742	65,523	7,948	458,394

4.2.3.5 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk namely interest rate risk, equity price risk and currency risk.

**Risk Response Strategies**

The following policies and procedures are in place to mitigate the Group's exposure to market risks.

- The Group follows Asset and Liability Management (ALM) guidelines set out in the Group Investment Policy. The ALM guidelines are reviewed by ALM Committee and Investment Committee regularly.
- Macro-economic indicators and their impact on the Group's Investment Portfolio are monitored closely by the Management, Investment Committee and Risk Management Committee regularly.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is considered to be the most important risk to be managed by the Group, because the magnitude of the impact is considered significant.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Risk Response Strategies

In order to mitigate the interest rate risk faced by the Group, the management follows the guidelines set out in the Investment Policy. Amongst other such guidelines, the policy also requires the management of the maturities of interest bearing financial assets. Compliance with the policy is monitored and the exposure and instances of noncompliance are reported to the Investment Committee. The Policy is reviewed regularly for pertinence and for changes in the risk environment. Macro-economic variables are closely monitored and their sensitivities are reported to the Investment Committee and the Risk Committee.

Interest on floating rate instruments is re-priced annually whilst Interest on fixed interest rate instruments is priced at the inception of the financial instrument and is fixed until maturity.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit Before Tax and Equity. The table below depicts the Group's and the Company's sensitivity to Interest Rate Risk.

Sensitivity to Interest Rate Risk

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000
100 bps parallel increase in yield curve	-	(68,884)	-	(261,671)	-	(49,498)	-	(238,313)
100 bps parallel decrease in yield curve	-	71,058	-	279,627	-	51,050	-	255,109

Following tables presents the exposure to the Interest Rate Risk by the Group and the Company.

Exposure to Interest Rate Risk - GROUP

As at 31st December 2022,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	10,240,933	-	10,240,933
Financial Investments - Loans & receivables	-	14,910,327	-	14,910,327
Financial Investments - Available for sale	-	9,348,310	41,318	9,389,628
Financial Investments - Fair value through profit or loss	-	-	83,243	83,243
Loans to Life Policyholders	-	420,914	-	420,914
Reinsurance Receivables	-	-	1,044,318	1,044,318
Premium Receivables	-	-	1,853,670	1,853,670
Staff and Advisor Loans	-	382,147	-	382,147
Co - Insurance Receivables	-	-	21,489	21,489
Cash and Cash Equivalents	-	213,143	820,162	1,033,305
Total Financial Assets	-	35,515,774	3,864,200	39,379,974
Financial Liabilities				
Reinsurance Creditors	-	-	959,693	959,693
Lease Creditors	-	410,719	-	410,719
Other Liabilities	236,375	-	888,228	1,124,603
Bank Overdrafts*	-	-	265,539	265,539
Total Financial Liabilities	236,375	410,719	2,113,460	2,760,554

* There is no actual obligation to the Bank and overdraft represents only a book OD.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Exposure to Interest Rate Risk - GROUP

As at 31st December 2021,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	313,465	-	313,465
Financial Investments - Loans & receivables	-	20,246,541	-	20,246,541
Financial Investments - Available for sale	-	8,122,028	76,883	8,198,911
Financial Investments - Fair value through profit or loss	-	-	335,168	335,168
Loans to Life Policyholders	-	403,452	-	403,452
Reinsurance Receivables	-	-	1,072,206	1,072,206
Premium Receivables	-	-	1,247,997	1,247,997
Staff and Advisor Loans	-	324,786	-	324,786
Co - Insurance Receivables	-	-	9,270	9,270
Cash and Cash Equivalents	-	1,523,835	588,910	2,112,745
Total Financial Assets	-	30,934,107	3,330,434	34,264,541
Financial Liabilities				
Reinsurance Creditors	-	-	1,085,512	1,085,512
Lease Creditors	-	421,838	-	421,838
Other Liabilities	230,291	-	636,852	867,143
Bank Overdrafts*	-	111,665	-	111,665
Total Financial Liabilities	230,291	533,503	1,722,364	2,486,158

The Group has no significant concentration of interest rate risk during the reporting period.

Exposure to Interest Rate Risk - COMPANY

As at 31st December 2022,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	10,055,448	-	10,055,448
Financial Investments - Loans & receivables	-	12,097,076	-	12,097,076
Financial Investments - Available for sale	-	7,569,652	41,318	7,610,970
Financial Investments - Fair value through profit or loss	-	-	81,381	81,381
Loans to Life Policyholders	-	420,914	-	420,914
Reinsurance Receivables	-	-	184,249	184,249
Premium Receivables	-	-	18,547	18,547
Staff and Advisor Loans	-	229,037	-	229,037
Amounts due from Subsidiary	-	-	21,816	21,816
Cash and Cash Equivalents	-	178,132	547,288	725,420
Total Financial Assets	-	30,550,259	894,599	31,444,858
Financial Liabilities				
Reinsurance Creditors	-	-	227,512	227,512
Lease Creditors	-	376,926	-	376,926
Other Liabilities	213,090	-	499,732	712,822
Bank Overdrafts*	-	101,695	-	101,695
Total Financial Liabilities	213,090	478,621	727,244	1,418,955

* There is no actual obligation to the Bank and overdraft represents only a book OD.

Exposure to Interest Rate Risk - COMPANY

As at 31st December 2021,	Variable interest rate Rs. '000	Fixed interest rate Rs. '000	Non-interest bearing Rs. '000	Total Rs. '000
Financial Assets				
Financial Investments - Held to Maturity	-	313,465	-	313,465
Financial Investments - Loans & Receivables	-	16,953,973	-	16,953,973
Financial Investments - Available for Sale	-	7,184,443	76,883	7,261,326
Financial Investments - Fair Value Through Profit or Loss	-	-	138,338	138,338
Loans to Life Policyholders	-	403,452	-	403,452
Reinsurance Receivables	-	-	317,009	317,009
Premium Receivables	-	-	7,822	7,822
Staff and Advisor Loans	-	176,032	-	176,032
Amounts due from Subsidiary	-	-	13,548	13,548
Cash and Cash Equivalents	-	1,233,934	341,997	1,575,931
Total Financial Assets	-	26,265,299	895,597	27,160,896
Financial Liabilities				
Reinsurance Creditors	-	-	453,054	453,054
Lease Creditors	-	390,374	-	390,374
Other Liabilities	210,141	-	358,320	568,461
Bank Overdrafts*	-	53,364	-	53,364
Total Financial Liabilities	210,141	443,738	811,374	1,465,253

* There is no actual obligation to the Bank and overdraft represents only a book OD.

b) Equity Price Risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in equity prices other than those arising due to interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Risk Response Strategies

- Group's Investment Policy guides the management to set/monitor objectives and constraints on investments, diversification plans as well as limits on equity exposure in order to manage the equity price risk.

- Equity portfolios are reviewed by the Investment Committee on a quarterly basis.
- Impact from the market movement is monitored on a regular basis by the Chief Investment Officer.
- Total exposure to equity investments is made strictly within the agreed target asset allocation and sectorial equity limits.
- Equity investments are made in fundamentally sound stocks which are identified after an in-depth research and evaluation process by the investment management team.

Following table shows the equity portfolio diversification of the Group and the Company.

Equity Portfolio Diversification

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Industry								
Banks, Finance and Insurance	39,390	31.62	63,312	28.99	39,390	32.10	63,312	29.42
Manufacturing	55,242	44.35	112,563	51.52	53,380	43.50	109,318	50.79
Diversified Holdings	22,230	17.85	32,670	14.95	22,230	18.12	32,670	15.18
Land and Property	7,251	5.82	9,344	4.28	7,251	5.91	9,344	4.34
Beverage, Food and Tobacco	448	0.36	577	0.26	448	0.37	577	0.27
Total	124,561	100	218,466	100	122,699	100	215,221	100

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The sensitivity analysis below is performed for reasonably possible movements in All Share Price Index with all other variables held constant, showing the impact on profit before tax.

Percentage Change in Benchmark Index (ASPI)

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Impact on PBT Rs.'000	Rs.'000	Impact on OCI Rs.'000	Rs.'000	Impact on PBT Rs.'000	Rs.'000	Impact on OCI Rs.'000	Rs.'000
10 per cent increase in equity prices	8,324	14,158	4,132	7,688	8,138	13,834	4,132	7,688
10 per cent decrease in equity prices	(8,324)	(14,158)	(4,132)	(7,688)	(8,138)	(13,834)	(4,132)	(7,688)

The Group has no significant concentration of equity price risk during the reporting period.

c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sri Lanka has been facing foreign exchange crisis with the prevailing economic situation in the country and it has grown from acute to severely acute during the financial year ended 31st December 2022. The deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to Rs. 371.61 per USD (Selling rate) as at 31st December 2022. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties.

Group's exposure to foreign exchange risk arises primarily with respect to the US Dollar denominated assets maintained in order to honour liabilities of foreign currency denominated insurance policies, which are sold in the ordinary course of business.

Risk Response Strategies

- The Group's principal transactions are carried out in Sri Lankan Rupees
- Regular review for timing of foreign currency requirements and collaborating with relevant stakeholders to acquire required foreign exchange
- Continuous monitoring process of foreign exchange rate effect on financial statements under various stressed scenarios

However, no material liabilities were recorded on foreign currency denominated policies as at the reporting date.

The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets.

Sensitivity to Foreign Currency Risk

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000	Amount in Foreign Currency USD'000	LKR Amount Rs.'000
Assets	2,499	900,703	2,390	474,332	585	210,957	677	134,424
	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000
5% strengthening of rupee	(45,035)	(31,525)	(23,717)	(18,025)	(10,548)	(7,383)	(6,721)	(5,108)
5% weakening of rupee	45,035	31,525	23,717	18,025	10,548	7,383	6,721	5,108
+/- % impact on Profit	1.89%	1.72%	1.36%	1.47%	0.53%	0.50%	0.46%	0.51%

Year end buying rate 1\$ = Rs. 360.40 (2021: Rs. 198.50)

The Group has no significant concentration of currency risk during the reporting period.

Risk Sensitivity of Financial Assets

This analysis has been performed for reasonably possible movements in key individual variables, while holding all other variables constant. It shows the impact on Profit Before Tax (due

to changes in fair value of financial assets whose fair values movements are recorded in the Statement of Profit or Loss and Other Comprehensive Income) and equity.

An analysis of the sensitivity of financial assets and liabilities of the Group and the Company to the key impacting variables are set out in the table below.

Sensitivity on Overall Finance Assets

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000	Impact on PBT Rs.'000	Impact on Equity Rs.'000
Exchange rate 5% strengthening of rupee	(45,035)	(31,525)	(23,717)	(18,025)	(10,548)	(7,383)	(6,721)	(5,108)
Yield curve +100 basis points	-	(68,884)	-	(261,671)	-	(49,498)	-	(238,313)
ASPI 10% increase	8,324	5,827	14,158	18,448	8,138	5,697	13,834	18,202
Total	(36,711)	(94,582)	(9,559)	(261,248)	(2,410)	(51,184)	7,113	(225,219)
Exchange rate 5% weakening of rupee	45,035	31,525	23,717	18,025	10,548	7,383	6,721	5,108
Yield curve -100 basis points	-	71,058	-	279,627	-	51,050	-	255,109
ASPI 10% decrease	(8,324)	(5,827)	(14,158)	(18,448)	(8,138)	(5,697)	(13,834)	(18,202)
Total	36,711	96,756	9,559	279,204	2,410	52,736	(7,113)	242,015

Note 1: The correlation of variables will have a significant effect in determining the ultimate impact of exchange rate, interest rate and equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

Note 2: It should be noted that movements in these variables are nonlinear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

4.2.4 Operational Risk

Operational risk is the possibility of incurring losses resulting from human errors, uninformed decisions, inadequate / failed internal processes and systems or from external events that affect business operations.

Main contributors to the Operational Risk are as follows;

Risk	Description
Legal and Regulatory Compliance Risk	Risk of non compliances to the rules and regulations
Model Risk	Risk of financial losses or inappropriate business decisions due to inappropriate use or interpretation of various models, their output, use of deficient models, data or assumptions
Human Resources Risk	Unavailability of qualified human resources to deploy in company operations
Third-Party Risk	Unexpected delays from services providers and failures in outsourced business functions
Technology and Information Security Risk	Risk of operational disruptions due to system failure, information security breaches, privacy breaches, cyber-attacks, human errors, criminal activity or loss of certain software licensing agreements
Business Continuity Risk	Risk of losses due to disruptions in critical business operations.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Risk Response Strategies

- The management is responsible for the monitoring and control of operational risk. Compliance is monitored through monthly checklist filled and signed by Heads of Divisions, a summary of which is presented to the Audit Committee.
- Risk and Compliance division monitors compliance with regulations through a monthly checklist a summary of which is tabled at the Board meeting on a monthly basis.
- Each employee is required to adhere to Financial Authority Manual in entering into transactions and discharge of duties.
- Divisional procedure manuals including branch procedure manuals are in place for the employees to follow.
- Human resource planning as part of the corporate plan and staff training on policies and procedures of the Company on a regular basis.
- Risk mitigation, including insurance where this is cost-effective.
- Ethical business standards
- Policy guidelines for third party service contracting and process outsourcing
- The Group has a Business Continuity Plan and annual tests are carried out.
- Employee code of business conduct, integrity reporting policy and share trading policy are in place for the guidance of staff and to streamline controls.
- Segregation of duties is incorporated into each operational area to the highest practicable level.
- Internal audit reviews the internal controls of the Group through audits carried out and shares the findings with the Audit Committee. Corrective actions/implementation of recommendations are also monitored.
- IT division ensures the on time software upgrade to ensure information and cyber security of the Company.

4.3 Capital Management Framework

The Group's Capital Management Framework formed to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. The capital requirements are forecasted on a periodic basis by the Management and the Board of Directors.

The Group has made no significant changes, from previous years, to its policies and processes of its capital structure. Thus, there were no changes in the capital structure in the Company during the year.

Capital Management Objectives, Policies and Approach

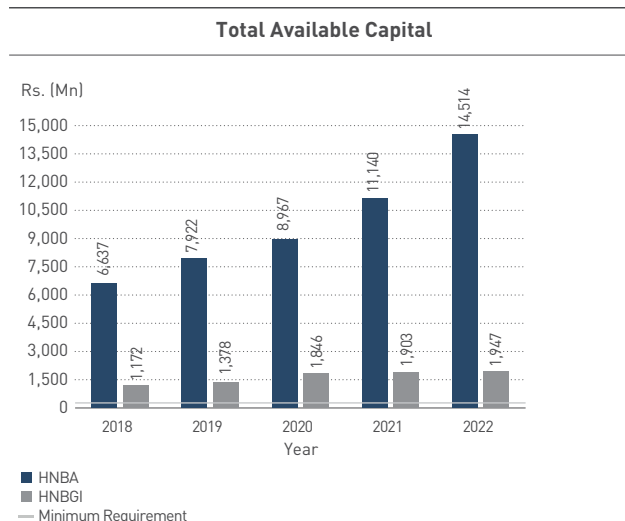
The Group has established the following capital management objectives, policies and approaches to manage the risks that affect its capital position:

- To maintain solvency levels of the Company and subsidiary above the levels stipulated by the regulator and thereby providing a degree of security to Policyholders.
- To allocate capital efficiently and support the development of business by ensuring that return on capital employed meets the requirements of its Shareholders and Policyholders.
- To retain financial flexibility by maintaining strong liquidity.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the Policyholders, Shareholders, regulators and other stakeholders.
- To maintain strong credit ratings and healthy capital adequacy ratios in order to support its business objectives and maximise Shareholders' value.

The operations of both companies (HNB Assurance PLC and HNB General Insurance Limited) in the Group are subject to regulatory guidelines and frameworks. Such regulations are there, not only to prescribe approval and monitor activities, but also to impose certain restrictive provisions such as minimum Capital Requirement, Solvency Margin, Approved Assets Requirements, etc. to minimise the risk of default, insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Group has complied with all these regulatory requirements throughout the financial year.

The chart below shows the development of the Company (HNBA) and subsidiary (HNBGI) Total Available Capital Throughout past five years.



5. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between knowledgeable, willing parties in an arm's length transaction at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are included in following notes,

- Property, Plant and Equipment under revaluation model (Note 8)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and buildings.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

- Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist (significant unobservable adjustments or assumptions are required to reflect difference between the instruments), option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Fair Value Measurement

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Following table explains the fair value measurement of the Group according to the fair value Hierarchy

Instrument Category	Fair Value Basis	Fair Value Hierarchy
Government Securities		
Treasury Bonds and Treasury Bills	Valued using the market yields obtained from the "Two Way Quotes" report published by the Central Bank of Sri Lanka (CBSL) on www.cbsl.gov.lk	Level 1
Investment in Shares		
Listed Shares	Volume Weighted Average (VWA) prices obtained from the "CSE Daily" report published by the Colombo Stock Exchange (CSE) on www.cse.lk	Level 1
Investment in Units		
Unlisted Redeemable Units	Valued using the Published Net Asset Value of each Unit Trust Fund	Level 2
Corporate Debt		
Listed/Unlisted Fixed Rate	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the instrument	Level 2
Fixed and Term Deposits		
Deposits More Than One Year	Discounted Cash Flow (DCF) Method using current Treasury Bond rates (obtained from the "Two Way Quotes" report published by the CBSL on www.cbsl.gov.lk) for similar maturity plus a risk premium. The risk premium is determined based on the upgrade/downgrade of the credit rating of the institution	Level 2
Other Financial Assets		
Staff and Advisor Loans	The fair value of the Staff and Advisor loans have been computed based on the interest rates prevailed at reporting date	Level 2
Non - Financial Assets		
Land and Building	Market Comparable Method	Level 3

Listed Corporate Debt have been classified under level two in fair value hierarchy since there is no active market for these instruments even if such instruments are listed. Therefore when calculating the fair value, published market prices are not used.

Valuation Techniques used in Measuring Level 2 and 3 Fair Values

Same valuation techniques mentioned on the above table have been used by the Group in measuring Level 2 and 3 fair values for current and comparative financial period.

Use of Judgement and Estimates

The determination of fair values of financial assets and financial liabilities recognised in the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values. This judgment may include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair values of the financial instruments. Group

measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

Valuation Framework

The Group has an established control framework for the measurement of fair values. The overall responsibility of the results of trading, investment operations and all significant fair value measurements carried out by the investment division rests with the Investment Committee.

Specific controls include;

- Verification of observable pricing.
- Re-performance of model valuations
- Analysis and investigation of significant daily valuation movements.
- Review of significant unobservable inputs, valuations, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous period.

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

Financial Assets and Liabilities not Measured at Fair Value

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, this is because the carrying amount of these financial instruments is a reasonable approximation of fair value since they are short- term in nature or re-priced to current market rates frequently.

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and Cash Equivalents	1,033,305	2,112,745	725,420	1,575,931
Term Deposits less than one year	2,456,193	1,494,949	1,266,157	756,294
Repo	1,380,579	5,644,673	918,083	4,636,918
Loans to Life Policyholders	420,914	403,452	420,914	403,452
Reinsurance Receivables	1,044,318	1,072,206	184,249	317,009
Sri Lanka Development Bonds	-	182,209	-	40,231
Premium Receivables	1,853,670	1,247,997	18,547	7,822
Amounts due from related parties	-	-	21,816	13,548
Co-Insurance Receivables	21,489	9,270	-	-
Liabilities				
Reinsurance Creditors	959,693	1,085,512	227,512	453,054
Lease Creditors	410,719	421,838	376,926	390,374
Other Liabilities	1,282,145	880,005	671,586	466,388
Bank Overdrafts	265,539	111,665	101,695	53,364

5.1 Accounting Classifications and Fair Value - Group

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

5.1.a Financial Assets

As at 31st December,	Note	2022					Total Fair Value Rs.'000	Carrying Value Rs.'000
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss			
		Rs.'000	Rs.'000	Rs.'000	Rs.'000			
Repo	11.2	-	1,380,579	-	-	1,380,579	1,380,579	
Term Deposits	11.2.1	-	5,687,742	-	-	5,687,742	5,906,645	
Debentures	11.2.2	-	5,758,882	-	-	5,758,882	7,623,103	
Treasury Bonds	11.1 & 11.3	7,770,002	-	3,352,823	-	11,122,825	12,776,665	
Equity Shares	11.3.1 & 11.4.1	-	-	41,318	83,243	124,561	124,561	
Treasury Bills	11.1 & 11.3	804,691	-	5,995,487	-	6,800,178	6,812,578	
Loans to Life Policyholders	13	-	420,914	-	-	420,914	420,914	
Reinsurance Receivables	14	-	1,044,318	-	-	1,044,318	1,044,318	
Premium Receivables	15	-	1,853,670	-	-	1,853,670	1,853,670	
Staff and Advisor Loans	16.2	-	382,147	-	-	382,147	382,147	
Co - Insurance Receivable	16	-	21,489	-	-	21,489	21,489	
Cash and Cash Equivalents	18.1	-	1,033,305	-	-	1,033,305	1,033,305	
Total Financial Assets		8,574,693	17,583,046	9,389,628	83,243	35,630,610	39,379,974	

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.1.b Financial Liabilities

As at 31st December,	2022			
	Note	Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	959,693	959,693	959,693
Lease Creditors	30	410,719	410,719	410,719
Other Financial Liabilities	31	1,124,603	1,124,603	1,124,603
Bank Overdrafts	18.2	265,539	265,539	265,539
Total Financial Liabilities		2,760,554	2,760,554	2,760,554

5.1.c Financial Assets

As at 31st December,	2021						
	Note	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available For Sale Rs. '000	Fair Value Through Profit or Loss Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Repo	11.2	-	5,644,673	-	-	5,644,673	5,644,673
Term Deposits	11.2.1	-	7,252,633	-	-	7,252,633	7,214,859
Debentures	11.2.2	-	7,210,837	-	-	7,210,837	7,204,800
Treasury Bonds	11.1 & 11.3	317,803	-	7,375,342	-	7,693,145	7,688,807
Sri Lanka Development Bonds	11.2.3	-	182,209	-	-	182,209	182,209
Equity Shares	11.3.1 & 11.4.1	-	-	76,883	141,583	218,466	218,466
Treasury Bills	11.1 & 11.3	-	-	746,686	-	746,686	746,686
Investment in Units	11.4.2	-	-	-	193,585	193,585	193,585
Loans to Life Policyholders	13	-	403,452	-	-	403,452	403,452
Reinsurance Receivables	14	-	1,072,206	-	-	1,072,206	1,072,206
Premium Receivables	15	-	1,247,997	-	-	1,247,997	1,247,997
Staff and Advisor Loans	16.2	-	324,786	-	-	324,786	324,786
Co - Insurance Receivable	16	-	9,270	-	-	9,270	9,270
Cash and Cash Equivalents	18.1	-	2,112,745	-	-	2,112,745	2,112,745
Total Financial Assets		317,803	25,460,808	8,198,911	335,168	34,312,690	34,264,541

5.1.d Financial Liabilities

As at 31st December,	2021			
	Note	Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	1,085,512	1,085,512	1,085,512
Lease Creditors	30	421,838	421,838	421,838
Other Financial Liabilities	31	867,143	867,143	867,143
Bank Overdrafts	18.2	111,665	111,665	111,665
Total Financial Liabilities		2,486,158	2,486,158	2,486,158

5.1.e The Group's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.

5.2 Accounting Classifications and Fair Value - Company

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

5.2.a Financial Assets

As at 31st December,	Note	2022					
		Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available For Sale Rs. '000	Fair Value Through Profit or Loss Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Repo	11.2	-	918,083	-	-	918,083	918,083
Term Deposits	11.2.1	-	4,294,408	-	-	4,294,408	4,514,168
Debentures	11.2.2	-	4,994,469	-	-	4,994,469	6,664,825
Treasury Bonds	11.1 & 11.3	7,770,002	-	2,412,873	-	10,182,875	11,836,715
Equity Shares	11.3.1 & 11.4.1	-	-	41,318	81,381	122,699	122,699
Treasury Bills	11.1 & 11.3	622,380	-	5,156,779	-	5,779,159	5,788,385
Loans to Life Policyholders	13	-	420,914	-	-	420,914	420,914
Reinsurance Receivables	14	-	184,249	-	-	184,249	184,249
Premium Receivables	15	-	18,547	-	-	18,547	18,547
Staff and Advisor Loans	16.2	-	229,037	-	-	229,037	229,037
Amounts due from Related Parties- HNB							
General Insurance Limited	16	-	21,816	-	-	21,816	21,816
Cash and Cash Equivalents	18.1	-	725,420	-	-	725,420	725,420
Total Financial Assets		8,392,382	11,806,943	7,610,970	81,381	27,891,676	31,444,858

5.2.b Financial Liabilities

As at 31st December,	Note	2022		
		Other Financial Liabilities Rs. '000	Total Fair Value Rs. '000	Carrying Value Rs. '000
Reinsurance Creditors	29	227,512	227,512	227,512
Lease Creditors	30	376,926	376,926	376,926
Other Financial Liabilities	31	712,822	712,822	712,822
Bank Overdrafts	18.2	101,695	101,695	101,695
Total Financial Liabilities		1,418,955	1,418,955	1,418,955

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.2.c Financial Assets

As at 31st December,	2021						
		Held to Maturity	Loans and Receivables	Available For Sale	Fair Value Through Profit or Loss	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Repo	11.2	-	4,636,918	-	-	4,636,918	4,636,918
Term Deposits	11.2.1	-	5,974,450	-	-	5,974,450	5,936,903
Debentures	11.2.2	-	6,347,588	-	-	6,347,588	6,339,921
Treasury Bonds	11.1 & 11.3	317,803	-	6,636,808	-	6,954,611	6,950,273
Sri Lanka Development Bonds	11.2.3	-	40,231	-	-	40,231	40,231
Equity Shares	11.3.1 & 11.4.1	-	-	76,883	138,338	215,221	215,221
Treasury Bills	11.1 & 11.3	-	-	547,635	-	547,635	547,635
Loans to Life Policyholders	13	-	403,452	-	-	403,452	403,452
Reinsurance Receivables	14	-	317,009	-	-	317,009	317,009
Premium Receivables	15	-	7,822	-	-	7,822	7,822
Staff and Advisor Loans	16.2	-	176,032	-	-	176,032	176,032
Amounts due from Related Parties- HNB							
General Insurance Limited	16	-	13,548	-	-	13,548	13,548
Cash and Cash Equivalents	18.1	-	1,575,931	-	-	1,575,931	1,575,931
Total Financial Assets		317,803	19,492,981	7,261,326	138,338	27,210,448	27,160,896

5.2.d Financial Liabilities

As at 31st December,	2021			
		Other Financial Liabilities	Total Fair Value	Carrying Value
	Note	Rs. '000	Rs. '000	Rs. '000
Reinsurance Creditors	29	453,054	453,054	453,054
Lease Creditors	30	390,374	390,374	390,374
Other Financial Liabilities	31	568,461	568,461	568,461
Bank Overdrafts	18.2	53,364	53,364	53,364
Total Financial Liabilities		1,465,253	1,465,253	1,465,253

5.2.e The Company's exposure to interest rate risk and a sensitivity analysis for Financial Assets and Liabilities is disclosed in Note 4.

5.3 Fair Value Measurement Hierarchy

5.3.1 Fair Value Measurement Hierarchy - GROUP

Assets Measured at Fair Value

The following table analyses the group assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,	2022					2021				
	Note	Fair Value Measurement Disclosed Using			Total Fair Value Rs.'000	Fair Value Measurement Disclosed Using			Total Fair Value Rs.'000	
Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000			
NON-FINANCIAL ASSETS										
Property, Plant and Equipment										
Land and Building	8.1	-	-	67,611	67,611	-	-	68,391	68,391	
Total (a)		-	-	67,611	67,611	-	-	68,391	68,391	
FINANCIAL ASSETS										
Fair Value Through Profit or Loss										
Equity Shares	11.4.1	83,243	-	-	83,243	141,583	-	-	141,583	
Investment in Units	11.4.2	-	-	-	-	-	193,585	-	193,585	
Total (b)		83,243	-	-	83,243	141,583	193,585	-	335,168	
Available for Sale										
Treasury Bonds	11.3	3,352,823	-	-	3,352,823	7,375,342	-	-	7,375,342	
Treasury Bills	11.3	5,995,487	-	-	5,995,487	746,686	-	-	746,686	
Equity Shares	11.3.1	41,318	-	-	41,318	76,883	-	-	76,883	
Total (c)		9,389,628	-	-	9,389,628	8,198,911	-	-	8,198,911	
Total Assets measured at fair value (a+b+c)		9,472,871	-	67,611	9,540,482	8,340,494	193,585	68,391	8,602,470	

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost is estimated by comparing the market interest rates at the time of their initial recognition with current market rates for similar financial instruments. The table below analyses the fair value of financial instruments of the group carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,	2022					2021					
	Note	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000
Held To Maturity											
Treasury Bonds	11.1	9,423,842	7,770,002	-	-	7,770,002	313,465	317,803	-	-	317,803
Treasury Bills	11.1	817,091	804,691	-	-	804,691	-	-	-	-	-
Total (a)		10,240,933	8,574,693	-	-	8,574,693	313,465	317,803	-	-	317,803
Loans and Receivable											
Term Deposit (More than one year)		3,450,452	-	3,231,550	-	3,231,550	5,682,136	-	5,719,910	-	5,719,910
Debentures	11.2.2	7,623,103	-	5,758,882	-	5,758,882	7,204,800	-	7,210,837	-	7,210,837
Staff and Advisor Loans	16.2	382,147	-	382,147	-	382,147	324,786	-	324,786	-	324,786
Total (b)		11,455,702	-	9,372,579	-	9,372,579	13,211,722	-	13,255,533	-	13,255,533
Total fixed rate financial instruments (a+b)		21,696,635	8,574,693	9,372,579	-	17,947,272	13,525,187	317,803	13,255,533	-	13,573,336

Reconciliation of Movement in Level 3 Financial Instruments Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2022 (2021 – Nil).

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

5.3.2 Fair Value Measurement Hierarchy - COMPANY

Assets Measured at Fair Value

The following table analyses the Company assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December,	2022					2021				
	Note	Fair Value Measurement Disclosed Using				Total Fair Value Rs.'000	Fair Value Measurement Disclosed Using			
Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000		Quoted Prices in Active Markets (Level 1) Rs.'000		Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000		
FINANCIAL ASSETS										
Fair Value Through Profit or Loss										
Equity Shares	11.4.1	81,381	-	-	81,381	138,338	-	-	-	138,338
Total (a)		81,381	-	-	81,381	138,338	-	-	-	138,338
Available For Sale										
Treasury Bonds	11.3	2,412,873	-	-	2,412,873	6,636,808	-	-	-	6,636,808
Treasury Bills	11.3	5,156,779	-	-	5,156,779	547,635	-	-	-	547,635
Equity Shares	11.3.1	41,318	-	-	41,318	76,883	-	-	-	76,883
Total (b)		7,610,970	-	-	7,610,970	7,261,326	-	-	-	7,261,326
Total Assets measured at fair value (a+b)		7,692,351	-	-	7,692,351	7,399,664	-	-	-	7,399,664

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Instruments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. Table below analyses the fair value of financial instruments of the Company carried at amortised cost into their levels in fair value hierarchy.

As at 31st December,	2022					2021					
	Note	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000	Amortised Cost Rs.'000	Quoted Prices in Active Markets (Level 1) Rs.'000	Significant Observable Inputs (Level 2) Rs.'000	Significant Unobservable Inputs (Level 3) Rs.'000	Total Fair Value Rs.'000
Held To Maturity											
Treasury Bonds	11.1	9,423,842	7,770,002	-	-	7,770,002	313,465	317,803	-	-	317,803
Treasury Bills	11.1	631,606	622,380	-	-	622,380	-	-	-	-	-
Total (a)		10,055,448	8,392,382	-	-	8,392,382	313,465	317,803	-	-	317,803
Loans and Receivable											
Term Deposit (More than one year)		3,248,011	-	3,028,252	-	3,028,252	5,143,061	-	5,180,609	-	5,180,609
Debentures	11.2.2	6,664,825	-	4,994,469	-	4,994,469	6,339,921	-	6,347,588	-	6,347,588
Staff and Advisor Loans	16.2	229,037	-	229,037	-	229,037	176,032	-	176,032	-	176,032
Total (b)		10,141,873	-	8,251,758	-	8,251,758	11,659,014	-	11,704,229	-	11,704,229
Total fixed rate financial instruments (a+b)		20,197,321	8,392,382	8,251,758	-	16,644,140	11,972,479	317,803	11,704,229	-	12,022,032

Reconciliation of Movement in Level 3 Financial Statements Measured at Fair Value

There were no level 3 financial instruments measured at fair value in 2022 (2021 – Nil).

Reconciliation of Fair Value Measurements of Level 3 - Land and Buildings

Reconciliation on Land and Building and Revaluation Reserve is available at Note 8 on page 252.

Unobservable Inputs used in Measuring Fair Value

The following table provides information about significant unobservable inputs used in measuring assets categorised in Level 3 of the fair value hierarchy.

As at 31st December,	Fair Value*		Valuation Technique	Range of estimates for significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
	2022	2021			
	Rs.'000	Rs.'000			
Land and Buildings	67,611	68,391	Refer note 8.5 on page 255	Refer note 8.5 on page 255	Refer note 8.5 on page 255

*The fair value of an asset is equal to the carrying value if carried at historical cost.

6. SEGMENTAL REPORTING

ACCOUNTING POLICY

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker. The Board of Directors is identified as the Chief Operating Decision Maker who makes decisions about resources

to be allocated to each segment and assess its performance, and for which discrete financial information is available. The Group's primary format for segmental reporting is business segments. The business segments are determined based on the Group's management and internal reporting structure.

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows;

Reportable Operating Segment	Category of Information	Details
Life Insurance	Nature of Products	Protection and other Long-Term Insurance contracts both with and without discretionary Participating features.
	Classification of Products	Comprises a wide range of term assurance, guaranteed pensions, endowment products and annuity products.
	Revenue derived from	Insurance premium and fees charged from policyholders , Reinsurance Commission Income, Investment Income and Fair Value Gains and Losses on Investments.
General Insurance	Nature of Products	Comprises General insurance contracts to individuals and businesses which are Short-Term in nature.
	Classification of Products	Mainly classified into Motor and Non motor segments, and Non motor segment consist of Fire, Accident and Liability, Marine, Medical and Workmen Compensation.
	Revenue derived from	Insurance premium and fees charged from policyholders, Reinsurance Commission Income, Investment Income and Fair Value Gains and Losses on Investments.

Geographic Information

Activities of the Group are located within the country. The economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Major Customers

The Company does not have any major customers.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.1 Statement of Financial Position - Segmental Review - 2022

As at 31st December 2022,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	260,442	157,816	-	418,258
Right of Use Assets	343,824	32,755	-	376,579
Intangible Assets	57,054	4,064	-	61,118
Deferred Tax Assets	-	99,430	-	99,430
Financial Investments	29,844,875	4,779,256	-	34,624,131
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	420,914	-	-	420,914
Reinsurance Receivables	184,249	860,069	-	1,044,318
Premium Receivables	18,547	1,835,123	-	1,853,670
Other Assets	713,293	308,361	(21,816)	999,838
Insurance Contract - Deferred Expenses	-	163,995	-	163,995
Cash and Cash Equivalents	725,420	307,885	-	1,033,305
Total Assets	33,718,618	8,548,754	(1,171,816)	41,095,556
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	6,552,433	1,270,282	-	7,822,715
Available For Sale Reserve	(138,616)	(183,680)	-	(322,296)
Other Reserve	3,972	18,386	-	22,358
Life Policyholders' Available For Sale Reserve Fund	(1,277,414)	-	-	(1,277,414)
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	6,693,406	2,254,988	(1,150,000)	7,798,394
Non-Controlling Interest	-	-	-	-
Total Equity	6,693,406	2,254,988	(1,150,000)	7,798,394
Liabilities				
Insurance Contract Liabilities - Life Insurance	24,582,641	-	-	24,582,641
Insurance Contract Liabilities - General Insurance	-	4,181,588	-	4,181,588
Employee Defined Benefit Liabilities	142,692	93,732	-	236,424
Current Tax Liabilities	209,338	44,472	-	253,810
Reinsurance Creditors	227,512	732,181	-	959,693
Lease Creditors	376,926	33,793	-	410,719
Other Liabilities	1,384,408	1,044,156	(21,816)	2,406,748
Bank Overdrafts	101,695	163,844	-	265,539
Total Liabilities	27,025,212	6,293,766	(21,816)	33,297,162
Total Equity and Liabilities	33,718,618	8,548,754	(1,171,816)	41,095,556

6.1.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2022,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1	175,547	43,107	218,654
Intangible Assets Additions	10.1	17,706	-	17,706

6.2 Statement of Financial Position - Segmental Review - 2021

As at 31st December 2021,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Property, Plant and Equipment	141,390	141,494	-	282,884
Right of Use Assets	362,336	32,812	-	395,148
Intangible Assets	57,839	5,341	-	63,180
Deferred Tax Assets	273,543	18,289	-	291,832
Financial Investments	24,667,102	4,426,983	-	29,094,085
Investment in Subsidiary	1,150,000	-	(1,150,000)	-
Loans to Life Policyholders	403,452	-	-	403,452
Reinsurance Receivables	317,009	755,197	-	1,072,206
Premium Receivables	7,822	1,240,175	-	1,247,997
Other Assets	507,528	253,966	(13,548)	747,946
Insurance Contract - Deferred Expenses	-	157,710	-	157,710
Cash and Cash Equivalents	1,575,931	536,814	-	2,112,745
Total Assets	29,463,952	7,568,781	(1,163,548)	35,869,185
Equity and Liabilities				
Equity Attributable to the Equity Holders				
Stated Capital	1,171,875	1,150,000	(1,150,000)	1,171,875
Retained Earnings	5,548,813	1,095,867	-	6,644,680
Available For Sale Reserve	4,446	(437)	-	4,009
Other Reserve	(6,614)	(4,807)	-	(11,421)
Life Policyholders' Available For Sale Reserve Fund	(67,291)	-	-	(67,291)
Restricted Regulatory Reserve	381,156	-	-	381,156
Equity Attributable to the Equity Holders	7,032,385	2,240,623	(1,150,000)	8,123,008
Non-Controlling Interest	-	-	-	-
Total Equity	7,032,385	2,240,623	(1,150,000)	8,123,008
Liabilities				
Insurance Contract Liabilities - Life Insurance	20,342,757	-	-	20,342,757
Insurance Contract Liabilities - General Insurance	-	3,735,922	-	3,735,922
Employee Defined Benefit Liabilities	137,328	101,839	-	239,167
Current Tax Liabilities	19,871	42,297	-	62,168
Reinsurance Creditors	453,054	632,458	-	1,085,512
Lease Creditors	390,374	31,464	-	421,838
Other Liabilities	1,034,819	725,877	(13,548)	1,747,148
Bank Overdrafts	53,364	58,301	-	111,665
Total Liabilities	22,431,567	5,328,158	(13,548)	27,746,177
Total Equity and Liabilities	29,463,952	7,568,781	(1,163,548)	35,869,185

6.2.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

As at 31st December 2021,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment Additions	8.1	68,629	108,652	177,281
Intangible Assets Additions	10.1	16,904	-	16,904

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.3 Statement of Profit or Loss - Segmental Review - 2022

For the Year Ended 31st December 2022,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	8,911,460	6,821,011	(94,735)	15,637,736
Premium Ceded to Reinsurers	(473,012)	(1,691,690)	-	(2,164,702)
Net Written Premium	8,438,448	5,129,321	(94,735)	13,473,034
Net Change in Reserves for Unearned Premium	-	(385,557)	-	(385,557)
Net Earned Premium	8,438,448	4,743,764	(94,735)	13,087,477
Other Revenue				
Interest and Dividend Income	3,972,636	672,546	(103,500)	4,541,682
Net Realised Gains	105,376	284,723	-	390,099
Net Fair Value (Losses)/Gains	(68,663)	2,280	-	(66,383)
Fee and Commission Income	54,394	246,007	(28,178)	272,223
Other Income	33,223	3,435	(216)	36,442
Total Other Revenue	4,096,966	1,208,991	(131,894)	5,174,063
Net Income	12,535,414	5,952,755	(226,629)	18,261,540
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(2,224,412)	(3,327,563)	466	(5,551,509)
Net Change in Insurance Claims Outstanding	54,885	(82,373)	-	(27,488)
Change in Contract Liabilities - Life Fund	(4,340,103)	-	-	(4,340,103)
Other Operating and Administration Expenses	(2,483,649)	(1,626,017)	109,176	(4,000,490)
Underwriting and Net Acquisition Costs	(1,437,045)	(397,982)	13,487	(1,821,540)
Finance and Other Insurance Related Costs	(111,424)	(23,064)	-	(134,488)
Total Benefits, Claims and other Expenses	(10,541,748)	(5,456,999)	123,129	(15,875,618)
Profit Before Taxation	1,993,666	495,756	(103,500)	2,385,922
Income Tax Expense	(510,046)	(45,352)	-	(555,398)
Profit for the Year	1,483,620	450,404	(103,500)	1,830,524

6.3.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

For the Year Ended 31st December 2022,		Life Insurance	General Insurance	Total
	Note	Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	36,509	58,226	94,735
External Customers GWP	32	8,874,951	6,762,785	15,637,736
Interest Income	36.1	3,860,664	672,396	4,533,060
Interest Expenses of Lease Creditors	30	44,593	3,724	48,317
Depreciation on Property, Plant and Equipment	8.1 & 8.2	55,406	26,340	81,746
Amortisation on Intangible Assets	10.1	18,491	1,277	19,768
Depreciation on Right of Use Assets	9.1.1 & 9.1.2	132,586	8,565	141,151

6.4 Statement of Profit or Loss - Segmental Review - 2021

For the Year Ended 31st December 2021,	Life Insurance	General Insurance	Intersegment Adjustment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	7,091,470	5,648,578	(93,101)	12,646,947
Premium Ceded to Reinsurers	(355,537)	(1,293,324)	-	(1,648,861)
Net Written Premium	6,735,933	4,355,254	(93,101)	10,998,086
Net Change in Reserves for Unearned Premium	-	(242,252)	-	(242,252)
Net Earned Premium	6,735,933	4,113,002	(93,101)	10,755,834
Other Revenue				
Interest and Dividend Income	2,311,120	359,154	(115,000)	2,555,274
Net Realised Gains	50,109	2,812	-	52,921
Net Fair Value Gains	49,484	29,644	-	79,128
Fee and Commission Income	77,025	181,325	(32,612)	225,738
Other Income	2,766	2,785	-	5,551
Total Other Revenue	2,490,504	575,720	(147,612)	2,918,612
Net Income	9,226,437	4,688,722	(240,713)	13,674,446
Net Benefits, Claims and Expenses				
Net Insurance Benefits and Claims Paid	(1,638,904)	(2,458,369)	1,553	(4,095,720)
Net Change in Insurance Claims Outstanding	(7,184)	(120,386)	-	(127,570)
Change in Contract Liabilities - Life Fund	(3,249,356)	-	-	(3,249,356)
Other Operating and Administration Expenses	(1,694,018)	(1,304,301)	105,495	(2,892,824)
Underwriting and Net Acquisition Costs	(1,098,207)	(376,716)	18,665	(1,456,258)
Finance and Other Insurance Related Costs	(86,557)	(17,783)	-	(104,340)
Total Benefits, Claims and other Expenses	(7,774,226)	(4,277,555)	125,713	(11,926,068)
Profit Before Taxation	1,452,211	411,167	(115,000)	1,748,378
Income Tax Expense	(451,712)	(73,018)	-	(524,730)
Profit for the Year	1,000,499	338,149	(115,000)	1,223,648

6.4.1 Additional Information as per paragraph 24b of SLFRS 08 is as follows,

For the year ended 31st December 2021,	Note	Life Insurance	General Insurance	Total
		Rs.'000	Rs.'000	Rs.'000
Intersegment GWP	32	54,769	38,332	93,101
External Customers GWP	32	7,036,701	5,610,246	12,646,947
Interest Income	36.1	2,186,492	358,991	2,545,483
Interest Expense of Lease Creditors	30	46,300	2,896	49,196
Depreciation on Property, Plant and Equipment	8.1 & 8.2	42,229	19,566	61,795
Amortisation on Intangible Assets	10.1	21,305	1,277	22,582
Depreciation on Right of Use Assets	9.1.1 & 9.1.2	122,825	7,934	130,759

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

6.5 Statement of Cash Flows - Segmental Review - 2022

For the Year Ended 31st December 2022,		Life Insurance	General Insurance	Intersegment Adjustment	Total
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From Operating Activities					
Profit Before Taxation		1,993,666	495,756	(103,500)	2,385,922
Adjustments for:					
Interest Income		(3,860,664)	(672,396)	-	(4,533,060)
Dividend Income		(111,972)	(150)	103,500	(8,622)
Amortisation of Intangible Assets		18,491	1,277	-	19,768
Depreciation of Property, Plant and Equipment		55,406	26,340	-	81,746
Net Depreciation of Right of Use Assets		132,586	8,565	-	141,151
Interest Expense of Lease Creditors		44,593	3,724	-	48,317
Provision for Employee Benefits		30,056	22,731	-	52,787
Net Realised Gains		(105,376)	(284,723)	-	(390,099)
Net Fair Value Losses/(Gains)		68,663	(2,280)	-	66,383
Gains on Disposal of Property, Plant and Equipment		(964)	(2)	-	(966)
Gains on Disposal of Right of Use Assets		(1,023)	-	-	(1,023)
		(1,736,538)	(401,158)	-	(2,137,696)
Net Change in Operating Assets	A	(101,192)	(760,500)	21,816	(839,876)
Net Change in Operating Liabilities	B	4,401,461	865,146	(21,816)	5,244,791
Cash Flows from Operating Activities		2,563,731	(296,512)	-	2,267,219
Gratuity Paid		(12,628)	(4,957)	-	(17,585)
Surcharge Tax paid		(21,966)	(172,489)	-	(194,455)
Income Tax Paid		(64,079)	(49,813)	-	(113,892)
Net Cash Generated From Operating Activities (a)		2,465,058	(523,771)	-	1,941,287
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(226,927,326)	(48,238,686)	-	(275,166,012)
Proceeds from Maturity of Financial Investments		220,894,080	47,619,073	-	268,513,153
Proceeds from Sale of Financial Investments		-	317,672	-	317,672
Interest Received		3,399,666	647,153	-	4,046,819
Dividend Received		111,972	150	(103,500)	8,622
Acquisition of Intangible Assets		(17,706)	-	-	(17,706)
Acquisition of Property, Plant and Equipment		(175,547)	(43,107)	-	(218,654)
Proceeds from the Disposal of Property, Plant and Equipment		2,053	448	-	2,501
Advance Paid to Right of Use Assets		(17,262)	(1,080)	-	(18,342)
Net Cash Used in Investing Activities (b)		(2,730,070)	301,623	(103,500)	(2,531,947)
Cash Flows from Financing Activities					
Dividend Paid		(480,000)	(103,500)	103,500	(480,000)
Payment of Lease Liabilities		(153,830)	(8,824)	-	(162,654)
Net Cash Used in Financing Activities (c)		(633,830)	(112,324)	103,500	(642,654)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)		(898,842)	(334,472)	-	(1,233,314)
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		1,522,567	478,513	-	2,001,080
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	623,725	144,041	-	767,766

Notes to the Cash Flow Statement

A. Change in Operating Assets

Increase in Deferred Expenses		-	(6,285)	-	(6,285)
Increase in Loans to Life Policyholders		(17,462)	-	-	(17,462)
Decrease/(Increase) in Reinsurance Receivables		132,760	(104,872)	-	27,888
Increase in Premium Receivables		(10,725)	(594,948)	-	(605,673)
Increase in Other Assets		(205,765)	(54,395)	21,816	(238,344)
Net Change in Operating Assets		(101,192)	(760,500)	21,816	(839,876)

B. Change in Operating Liabilities

Increase in Other Liabilities		348,111	319,757	(21,816)	646,052
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		4,278,892	-	-	4,278,892
Increase in Insurance Contract Liabilities - General Insurance		-	445,666	-	445,666
(Decrease)/Increase in Reinsurance Creditors		(225,542)	99,723	-	(125,819)
Net Change in Operating Liabilities		4,401,461	865,146	(21,816)	5,244,791

6.6 Statement of Cash Flows - Segmental Review - 2021

For the Year Ended 31st December 2021,		Life Insurance	General Insurance	Intersegment Adjustment	Total
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From Operating Activities					
Profit Before Taxation		1,452,211	411,167	(115,000)	1,748,378
Adjustments for:					
Interest Income		(2,186,492)	(358,991)	-	(2,545,483)
Dividend Income		(124,628)	(163)	115,000	(9,791)
Amortisation of Intangible Assets		21,305	1,277	-	22,582
Depreciation of Property, Plant and Equipment		42,229	19,566	-	61,795
Net Depreciation of Right of Use Assets		122,825	7,934	-	130,759
Interest Expense of Lease Creditors		46,300	2,896	-	49,196
Provision for Employee Benefits		25,301	20,679	-	45,980
Net Realised Gains		(50,109)	(2,812)	-	(52,921)
Net Fair Value Gains		(49,484)	(29,644)	-	(79,128)
Losses/(Gains) on Disposal of Property, Plant and Equipment		289	(69)	-	220
Gains on Disposal of Right of Use Assets		(620)	-	-	(620)
		(700,873)	71,840	-	(629,033)
Net Change in Operating Assets	A	(96,044)	(248,641)	13,548	(331,137)
Net Change in Operating Liabilities	B	3,650,997	650,700	(13,548)	4,288,149
Cash Flows from Operating Activities		2,854,080	473,899	-	3,327,979
Gratuity Paid		(11,423)	(5,688)	-	(17,111)
Income Tax Paid		-	(169,374)	-	(169,374)
Net Cash Generated From Operating Activities (a)		2,842,657	298,837	-	3,141,494
Cash Flows from Investing Activities					
Acquisition of Financial Investments		(169,673,417)	(48,635,104)	-	(218,308,521)
Proceeds from Maturity of Financial Investments		165,602,038	48,300,231	-	213,902,269
Proceeds from Sale of Financial Investments		853,655	123,294	-	976,949
Interest Received		2,075,569	380,091	-	2,455,660
Dividend Received		124,628	163	(115,000)	9,791
Acquisition of Intangible Assets		(16,904)	-	-	(16,904)
Acquisition of Property, Plant and Equipment		(68,629)	(108,652)	-	(177,281)
Proceeds from the Disposal of Property, Plant and Equipment		1,461	709	-	2,170
Advance Paid to Right of Use Assets		(16,722)	(3,796)	-	(20,518)
Net Cash Used in Investing Activities (b)		(1,118,321)	56,936	(115,000)	(1,176,385)
Cash Flows from Financing Activities					
Dividend Paid		(420,000)	(115,000)	115,000	(420,000)
Payment of Lease Liabilities		(121,387)	(9,448)	-	(130,835)
Net Cash Used in Financing Activities (c)		(541,387)	(124,448)	115,000	(550,835)
Net Increase in Cash and Cash Equivalents (Net of Book OD) (a+b+c)		1,182,949	231,325	-	1,414,274
Cash and Cash Equivalents at the Beginning of the Year (Net of Book OD)		339,618	247,188	-	586,806
Cash and Cash Equivalents at the End of the Year (Net of Book OD)	18	1,522,567	478,513	-	2,001,080

Notes to the Cash Flow Statement

A. Change in Operating Assets

Decrease in Deferred Expenses		-	5,909	-	5,909
Increase in Loans to Life Policyholders		(23,716)	-	-	(23,716)
Increase in Reinsurance Receivables		(144,310)	(156,120)	-	(300,430)
Increase in Premium Receivables		(2,834)	(133,569)	-	(136,403)
Decrease in Other Assets		74,816	35,139	13,548	123,503
Net Change in Operating Assets		(96,044)	(248,641)	13,548	(331,137)

B. Change in Operating Liabilities

Increase/(Decrease) in Other Liabilities		202,621	658	(13,548)	189,731
Increase in Insurance Contract Liabilities (Before Tax) - Life Insurance		3,286,238	-	-	3,286,238
Increase in Insurance Contract Liabilities - General Insurance		-	426,773	-	426,773
Increase in Reinsurance Creditors		162,138	223,269	-	385,407
Net Change in Operating Liabilities		3,650,997	650,700	(13,548)	4,288,149

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

SEGMENTAL PERFORMANCE HIGHLIGHT

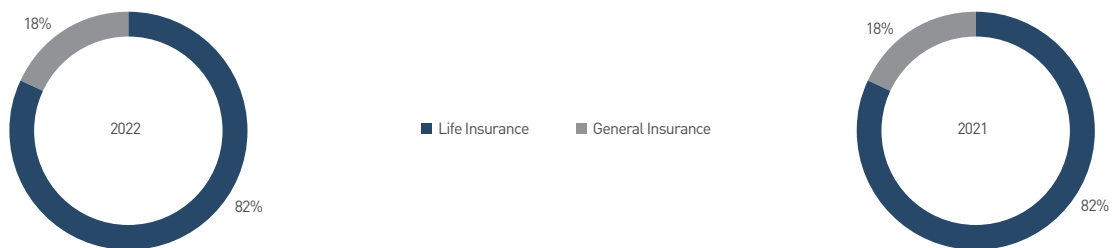
Gross Written Premium



Segment - Profitability



Total Assets



Insurance Contract Liabilities



7. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

NON-DERIVATIVE FINANCIAL ASSETS

ACCOUNTING POLICY

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises Loans and Receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

Financial assets not measured at fair value through profit or loss is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

CLASSIFICATION

The Group determines the classification of its financial assets at initial recognition and classifies them into one of the following categories:

1. Held to Maturity (HTM);
2. Loans and Receivables (L&R);
3. Available For Sale (AFS);

4. Fair Value Through Profit or Loss (FVTPL). ;

and within this category as,

- Held for Trading; or
- Designated at Fair Value Through Profit or Loss

The classification depends on the purpose for which the investments were acquired or originated (i.e. intention) and based on ability to hold till maturity. Financial assets are classified as Fair Value Through Profit or Loss where the Group investment strategy is to manage financial investments on a fair value basis. The Available For Sale and Held to Maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the settlement date, i.e., the date that the Group receives/settles money for the sale/purchase of the financial asset. However, when it comes to investment in quoted equities and corporate debt, the transaction date (i.e. trade date) is used to recognise/de-recognise the asset.

Financial assets categories and their classification criteria are shown in the table below;

Classification	Classification Criteria
Held to Maturity	Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held to Maturity when the Group has the intention and ability to hold until maturity.
Loans and Receivables	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Fair Value Through Profit or Loss	Financial assets at Fair Value Through Profit or Loss include financial assets held for trading and those designated upon initial recognition at Fair Value Through Profit or Loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as Fair Value Through Profit or Loss, the following criteria must be met: <ul style="list-style-type: none"> • The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognising gains or losses on a different basis, or • Assets and liabilities are part of a Group of financial assets, financial liabilities or both, which are managed and their performance is evaluated on a fair value basis, in accordance with the Group investment strategy.
Available for Sale	Equity investments classified as Available For Sale are those that are neither classified as held for trading nor designated at Fair Value Through Profit or Loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to need for liquidity or in response to changes in the market conditions.

SUBSEQUENT MEASUREMENT

Held to Maturity

Subsequent to initial measurement, Held to Maturity financial assets are measured at amortised cost, using the Effective Interest Rate (EIR), less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest Income' in Profit or Loss.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Loans and Receivables

Subsequent to initial measurement, Loans and Receivables are measured at amortised cost, using the EIR, less allowance for impairment. The EIR amortisation is included in Profit or Loss as interest income.

Fair Value Through Profit or Loss

Subsequent to initial recognition, fair value through profit or loss financial assets are re-measured at fair value. Changes in fair value are recorded in 'Fair value gains and losses' in Profit or Loss.

Available for Sale

Subsequent to initial measurement, Available For Sale financial

assets are measured at fair value, with unrealised gains or losses recognised through Other Comprehensive Income (OCI) in the Available For Sale reserve.

Fair value changes of Available For Sale financial assets of life insurance related assets are included under life policyholders' Available For Sale reserve fund through OCI in equity. Refer Note 23.

Interest earned whilst holding Available For Sale investments is reported as 'Interest Income' using the EIR. Dividends earned whilst holding Available For Sale investments are recognised in Profit or Loss as 'Dividend Income' when the right of the payment has been established.

Group's non derivative financial assets and their classifications are summarised as follows;

Financial Asset	Note	Category			
		HTM	AFS	L & R	FVTPL
Treasury Bonds	11.1 & 11.3	√	√		
Repo	11.2			√	
Term Deposit	11.2.1			√	
Debentures	11.2.2			√	
Sri Lanka Development Bonds	11.2.3			√	
Treasury Bills	11.1 & 11.3	√	√		
Equity Shares	11.3.1 & 11.4.1		√		√
Investment in Units	11.4.2				√
Loans to Life Policyholders	13			√	
Reinsurance Receivables	14			√	
Premium Receivables	15			√	
Staff and Advisor Loans	16.2			√	
Co - Insurance Receivable	16			√	
Cash and Cash Equivalents	18.1			√	

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Objective evidence of impairment may include:

- significant financial difficulty of the borrower or issuer,
- default or delinquency by debtor,
- It becomes probable that the issuer or debtor will enter bankruptcy or other financial re-organisation,
- adverse changes in the payment status of issuers or debtors in the Group, and
- In the case of equity, a significant or prolonged decline in its fair value below its cost.

Impairment of Financial Assets carried at Amortised Cost

The Group consider evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment of Financial Investments classified as Available For Sale

For Available For Sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments are impaired. If the asset is determined to be impaired, the cumulative loss is recognised in Profit or Loss and removed from the Available For Sale reserve.

In the case of debt instruments classified as Available For Sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in Profit or Loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Other Revenue'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed through the Profit or Loss; otherwise, any increase in fair value is recognised through OCI.

In the case equity investments classified as AFS, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. LKAS 39 does not provide any further guidance or quantitative threshold for 'significant' or 'prolonged'. In the absence of further authoritative guidance, applying these criteria is a matter for professional judgement. The term 'prolonged' should be assessed based on the period for which fair value has been less than acquisition cost. A general stock market decline over the period of 12 months may not necessarily be considered as 'prolonged' in the Sri Lankan stock market context. A decline of 20%-30% of the fair value of an investment in an equity instrument below its acquisition cost may be considered as 'significant'.

Where there is evidence of impairment, the cumulative impairment loss on that investment previously recognised in Equity through the OCI is removed from Equity and charged to Profit or Loss. Any

subsequent recovery in the fair value of an Available For Sale equity instrument is always recognised in OCI.

DE-RECOGNITION OF FINANCIAL ASSETS

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire or, when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or, in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in Profit or Loss.

In case of AFS financial investments the cumulative gain or loss is recycled to Profit or Loss as 'Realised gains or losses'.

RE-CLASSIFICATION OF FINANCIAL ASSETS

The Group reclassifies non-derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

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 amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'L&R' category, if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Group does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Group does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

Reclassification of each classes of financial assets are disclosed in respective sub notes.

NON-DERIVATIVE FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

The Group initially recognises debt securities issued on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Group classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease creditors, other liabilities and bank overdrafts.

DE-RECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards or Interpretations. (issued by the IFRS Interpretations Committee and Standard Interpretations Committee).

AMORTISED COST MEASUREMENT

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

8. PROPERTY, PLANT AND EQUIPMENT (PPE)

ACCOUNTING POLICY

Property, Plant and Equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. The Group applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on “Property, Plant and Equipment”.

BASIS OF RECOGNITION

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and the cost of the assets can be measured reliably.

BASIS OF MEASUREMENT

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes,

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- the costs of dismantling and removing the items and restoring at the site on which they are located;
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as a part of such equipment. When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant, and equipment.

COST MODEL

The Group applies the cost model to Property, Plant and Equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

REVALUATION MODEL

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Freehold land and buildings of the Group are revalued at least once in every three years on a roll over basis, to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve, or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the income statement. In this circumstance, the increase is recognized as income to the extent of the previous write down. Any decrease in the carrying amount is recognized as an expense in the income statement or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under revaluation reserves.

Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

SUBSEQUENT COSTS

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in Profit or Loss as incurred.

REPAIRS AND MAINTENANCE

Repairs and maintenance are charged to Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

USEFUL ECONOMIC LIFE AND DEPRECIATION

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Profit or Loss.

The estimated Useful economic lives, depreciation rate and residual values for the current and comparative years are as follows:

Class of Asset	Estimated Useful Economic Life	Depreciation percentage per annum (%)	Residual Value
Freehold Buildings	40 years	2.5	Nil
Computer Equipment	6 years	16.67	Nil
Motor Vehicles	4 years	25	Nil
Office Equipment	5 years	20	Nil
Furniture and Fittings	10 years	10	Nil
Fixtures	Based on Lease Agreement period or useful life of asset whichever is lower		

*Depreciation is not provided for freehold Land.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and depreciation commences when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year together with other relevant information are given below on pages 254 to 257. The Group reviews the residual values, useful lives and methods of depreciation at each reporting date. Management exercises judgement in the estimation of these values, rates, methods and hence those are subject to uncertainty.

DE-RECOGNITION

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Profit or Loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de-recognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

CAPITAL WORK-IN-PROGRESS

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in Property, Plant and Equipment, waiting for capitalisation.

BORROWING COSTS

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised

as part of the cost of the asset as per the Sri Lanka Accounting Standard - LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the Profit or Loss in the period in which they occur.

8.1 Movement of Property, Plant and Equipment (PPE) - GROUP

	Land and Buildings Rs.'000	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Fixtures Rs.'000	Total Rs.'000
Cost							
Balance as at 01st January 2021	-	261,823	15,528	65,758	69,749	110,332	523,190
Additions during the year	68,639	77,848	4,000	7,470	4,050	15,274	177,281
Disposals during the year	-	(1,110)	(173)	(3,127)	(2,063)	(7,673)	(14,146)
Balance as at 31st December 2021 (a)	68,639	338,561	19,355	70,101	71,736	117,933	686,325
Balance as at 01st January 2022	68,639	338,561	19,355	70,101	71,736	117,933	686,325
Additions during the year	-	110,986	555	23,978	22,172	60,963	218,654
Disposals during the year	-	(39,598)	-	(4,276)	(2,927)	(5,802)	(52,603)
Balance as at 31st December 2022 (b)	68,639	409,949	19,910	89,803	90,981	173,094	852,376
Accumulated Depreciation							
Balance as at 01st January 2021	-	174,658	5,807	50,360	45,887	76,690	353,402
Depreciation for the year	248	33,195	3,210	6,737	4,838	13,567	61,795
Depreciation on Disposals	-	(1,108)	(173)	(2,749)	(1,415)	(6,311)	(11,756)
Balance as at 31st December 2021 (c)	248	206,745	8,844	54,348	49,310	83,946	403,441
Balance as at 01st January 2022	248	206,745	8,844	54,348	49,310	83,946	403,441
Depreciation for the year	780	44,492	3,977	7,821	5,613	19,063	81,746
Depreciation on disposals	-	(38,838)	-	(4,134)	(2,387)	(5,710)	(51,069)
Balance as at 31st December 2022 (d)	1,028	212,399	12,821	58,035	52,536	97,299	434,118
Carrying Value as at 31st December							
2021 (a-c)	68,391	131,816	10,511	15,753	22,426	33,987	282,884
Carrying Value as at 31st December							
2022 (b-d)	67,611	197,550	7,089	31,768	38,445	75,795	418,258

8.1.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Group acquired PPE to the aggregate value of Rs. 218.65 Million (2021 - Rs. 177.28 Million). Cash payments amounting to Rs. 218.65 Million (2021 - Rs. 177.28 Million) were made by the Group during the year to purchase of PPE.

8.2 Movement of Property, Plant and Equipment (PPE) - COMPANY

	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Fixtures Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January 2021	181,392	14,938	52,731	43,929	88,437	381,427
Additions during the year	50,958	-	4,442	2,798	10,431	68,629
Disposals during the year	(1,110)	(173)	(1,934)	(986)	(6,905)	(11,108)
Balance as at 31st December 2021 (a)	231,240	14,765	55,239	45,741	91,963	438,948
Balance as at 01st January 2022	231,240	14,765	55,239	45,741	91,963	438,948
Additions during the year	85,289	-	19,996	19,939	50,323	175,547
Disposals during the year	(25,546)	-	(2,936)	(2,196)	(5,118)	(35,796)
Balance as at 31st December 2022 (b)	290,983	14,765	72,299	63,484	137,168	578,699
Accumulated Depreciation						
Balance as at 01st January 2021	127,087	5,752	39,997	28,836	63,015	264,687
Depreciation for the year	20,984	2,829	5,660	2,969	9,787	42,229
Depreciation on Disposals	(1,108)	(173)	(1,630)	(741)	(5,706)	(9,358)
Balance as at 31st December 2021 (c)	146,963	8,408	44,027	31,064	67,096	297,558
Balance as at 01st January 2022	146,963	8,408	44,027	31,064	67,096	297,558
Depreciation for the year	28,878	2,828	6,043	3,664	13,993	55,406
Depreciation on Disposals	(25,126)	-	(2,794)	(1,728)	(5,059)	(34,707)
Balance as at 31st December 2022 (d)	150,715	11,236	47,276	33,000	76,030	318,257
Carrying Value as at 31st December 2021 (a-c)	84,277	6,357	11,212	14,677	24,867	141,390
Carrying Value as at 31st December 2022 (b-d)	140,268	3,529	25,023	30,484	61,138	260,442

8.2.a Acquisition of Property, Plant and Equipment during the Year

During the financial year, the Company acquired PPE to the aggregate value of Rs. 175.55 Million (2021 - Rs. 68.6 Million). Cash payments amounting to Rs. 175.55 Million (2021 - Rs. 68.6 Million) were made by Company during the year to purchase of PPE.

8.3 Maturity Analysis

Maturity Analysis of Property, Plant and Equipment is given in Note 49 on page 313.

8.4 Apportionment of Depreciation between Company and the Subsidiary

For the Year Ended 31st December,	Computer Equipment Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Fixtures Rs.'000	Total Rs.'000
Amount Recognised in Company	15,277	1,644	4,382	2,705	7,717	31,725
Amount Transferred to HNB General Insurance Limited	5,707	1,185	1,278	264	2,070	10,504
Total Depreciation for 2021	20,984	2,829	5,660	2,969	9,787	42,229
Amount Recognised in Company	22,100	1,643	5,159	3,419	11,966	44,287
Amount Transferred to HNB General Insurance Limited	6,778	1,185	884	245	2,027	11,119
Total Depreciation for 2022	28,878	2,828	6,043	3,664	13,993	55,406

8.5 Information on Freehold Land and Buildings of the Group - Extents and Locations

The fair value of property which consists of Land and Buildings was determined by external, independent property valuers, having

appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Details of Group's land and buildings stated at value are indicated below;

Entity	Property	No. of Buildings	Extent Perches (Land)	square feet (Buildings)	Name of the Chartered Valuation Surveyor	*Method of Valuation	Date of Valuation	Estimates for unobservable input		Fair Value Hierarchy
								**Estimated price per perch (Rs.)	**Estimated price per square feet (Rs.)	
HNB General Insurance Limited	No. 44D, Polhena Road, Devalapola, Minuwangoda.	3	160	8,088	K L S Karunathilaka (F.I.V)	Market Comparable Method	2nd July 2021	233,997	2,971	Level 3

*Method of valuation – Market Comparable method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

** Estimated prices comprises of purchase price and non-refundable purchase taxes.

Significant Unobservable Inputs Used in Measuring Fair Value

Inter - Relationship between key unobservable inputs and fair value measurement	Sensitivity of the fair value measurement to inputs
Positive correlated Sensitivity	Estimated fair value would increase/(decrease) if price per perch would increase / (decrease)

Carrying Value of the land is equal to the revalued value as Land and Building was initially recognised at fair value.

The fair values of the Group's freehold land and buildings are determined by independent valuers at least once in every three years according to the Group's policy and next revaluation is due on 2024.

8.6 Fully Depreciated Property, Plant and Equipment in Use

PPE includes fully depreciated assets which are in the use of ordinary cause of business activities. The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows :

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Equipment	113,757	114,819	89,107	88,976
Motor Vehicles	3,450	3,450	3,450	3,450
Office Equipment	41,736	33,665	34,769	26,073
Furniture and Fittings	27,781	24,250	18,219	16,370
Fixtures	68,799	43,980	54,806	37,094
Total	255,523	220,164	200,351	171,963

8.7 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of PPE in the Group and Company, pledged as securities for liabilities during the year. (2021 - Nil)

8.8 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the PPE of the Group and Company as at the reporting date. (2021 - No Title Restriction)

8.9 Assessment of Impairment of Property, Plant and Equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31st December 2022. Based on the assessment no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. (2021 - No Impairment of PPE)

8.10 Disposal of Property, Plant and Equipment During the Year

During the financial year, Group disposed of property, plant and equipment to the aggregate value of Rs. 1.5 Million (2021 - Rs. 2.4 Million). Cash amounting to Rs. 2.5 Million (2021 - Rs. 2.2 Million) was received during the year for disposal of property plant and equipment. Gains and Losses on disposal of Property, Plant and Equipment is disclosed in Note 40 and 43 to the Financial Statements.

8.11 Revaluation Surplus Land and Building

There was no revaluation reserve recognized, as the asset was acquired in 2021 and initial recognition was at the fair value. Next revaluation is due in 2024 according to the group's revaluation policy.

8.12 Property, Plant and Equipment Retired from Active Use

There were no property plant and equipment which are retired from active use as at the reporting date (2021 - Nil)

8.13 Property, Plant and Equipment under Construction

There was no property, plant and equipment under construction as at the reporting date. (2021 - Nil).

8.14 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of PPE during the year. (2021 - Nil)

8.15 Temporarily Idle Property, Plant and Equipment

There were no temporarily idle properties as at the year ended 31st December 2022. (2021 - Nil)

8.16 Amount of Contingent Commitment for Acquisition of Property, Plant and Equipment

Commitments for the acquisition of Property, Plant and Equipment of the Group and Company is Rs. 111.98 Million as at the reporting date. (2021 - Rs. 26.2 Million)

8.17 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, loss or given up.

8.18 Investment Property

Group has not invested in investment properties during the year (2022 - Nil)

9. RIGHT OF USE ASSETS**ACCOUNTING POLICY****RECOGNITION**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

AS A LESSEE

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a Right of Use Assets and a lease liability at the lease commencement date. The Right of Use Asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The Right of Use Assets is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the Right of Use Assets reflects that the Group will exercise a purchase option. In that case the Right of Use Assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the Right of Use Asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Depreciation expenses has been charged to income statement under other operating and administration expenses.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group has elected not to recognise Right of Use Assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

AS A LESSOR

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

9.1 Leases as Lessee

The Group has number of lease contracts for properties and motor vehicles typically made in between 2 to 10 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

9.1.1 The movement of Right of Use Assets of the Group is as follows;

	2022			2021		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January	670,850	27,794	698,644	589,940	30,729	620,669
Additions during the Year	105,083	-	105,083	110,149	3,462	113,611
Increase/Decrease to recognised assets	1,501	896	2,397	-	-	-
Advances Paid during the Year	18,342	-	18,342	20,518	-	20,518
Disposals during the Year	(31,146)	-	(31,146)	(49,757)	(6,397)	(56,154)
Total Cost of Right of Use Asset (a)	764,630	28,690	793,320	670,850	27,794	698,644
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	291,589	11,907	303,496	215,463	10,769	226,232
Depreciation for the Year	119,458	7,180	126,638	111,186	7,535	118,721
Day One Loss of Refundable Deposit on Fair Valuation	2,135	-	2,135	2,135	-	2,135
Amortisation of Rent Advance	12,378	-	12,378	9,903	-	9,903
Depreciation on Disposals	(27,906)	-	(27,906)	(47,098)	(6,397)	(53,495)
Total Accumulated Depreciation and Amortisation (b)	397,654	19,087	416,741	291,589	11,907	303,496
Net Right of Use Assets as at 31st December (a-b)	366,976	9,603	376,579	379,261	15,887	395,148

9.1.2 The movement of Right of Use Assets of the Company is as follows;

	2022			2021		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Cost						
Balance as at 01st January	641,296	14,244	655,540	585,612	10,782	596,394
Additions during the Year	98,042	-	98,042	87,532	3,462	90,994
Increase/Decrease to recognised assets	1,635	375	2,010	-	-	-
Advances Paid during the Year	17,262	-	17,262	16,722	-	16,722
Disposals during the Year	(29,899)	-	(29,899)	(48,570)	-	(48,570)
Total Cost of Right of Use Asset (a)	728,336	14,619	742,955	641,296	14,244	655,540
Accumulated Depreciation and Amortisation						
Balance of as at 01st January	286,265	6,939	293,204	212,516	3,773	216,289
Depreciation for the Year	114,598	4,174	118,772	107,819	3,166	110,985
Day One Loss of Refundable Deposit on Fair Valuation	2,135	-	2,135	2,135	-	2,135
Amortisation of Rent Advance	11,679	-	11,679	9,705	-	9,705
Depreciation on Disposals	(26,659)	-	(26,659)	(45,910)	-	(45,910)
Total Accumulated Depreciation and Amortisation (b)	388,018	11,113	399,131	286,265	6,939	293,204
Net Right of Use Assets as at 31st December (a-b)	340,318	3,506	343,824	355,031	7,305	362,336

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9.2 Amount Recognised in Profit or Loss

For the year ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation for the Year	126,638	118,721	118,772	110,985
Day One Loss of Refundable Deposit on Fair Valuation	2,135	2,135	2,135	2,135
Amortisation of Rent Advance	12,378	9,903	11,679	9,705
Net Depreciation	141,151	130,759	132,586	122,825

9.3 Amount recognised in Statement of Cash flows

For the year ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advance paid to Right of Use Asset	18,342	20,518	17,262	16,722
Payment of Lease Liabilities	162,654	130,835	153,830	121,387

9.4 Extension Options

Property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

9.5 Maturity Analysis

Maturity Analysis of Right of Use Assets is given in Note 49 on page 313.

9.6 Short-Term Leases and Leases of Low-Value Assets

Group has recognised following amounts in respect of Short term and Low value leases in Profit or Loss.

For the year ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short term and Low Value Leases	5,152	5,326	2,806	2,856

9.7 Apportionment of Depreciation between the Company and the Subsidiary

For the year ended 31st December,	COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Amount Recognised in Company	80,264	71,205
Amount Transferred to HNB General Insurance Limited	52,322	51,620
Total Depreciation under Right of Use Assets	132,586	122,825

9.8 Lease Creditors

The Details of Lease Creditors in relation to Right of Use Assets are disclosed in Note 30 on page 294.

9.9 Sale-and-Lease Back Transactions

The Company does not have sale and leased back transactions as at the reporting date.

9.10 Sub Leases

The Company does not have sub leased properties as at the reporting date.

10. INTANGIBLE ASSETS

ACCOUNTING POLICY

The Group's Intangible Assets include the value of Computer Software.

RECOGNITION AND MEASUREMENT

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

SOFTWARE

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

USEFUL ECONOMIC LIFE AND AMORTISATION

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. The estimated useful life, residual value and the amortisation method of Intangible Assets for the current and comparative periods are as follows;

Intangible Assets	Useful Economic Life	Residual Value	Amortisation Method
Computer Software	6 Years	Nil	Straight-line basis over the estimated useful life of the software, from the date that it is available for use

Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method as appropriate and are treated as changes in accounting estimates.

In the event company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash generating unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date. (2021 - Nil)

DE-RECOGNITION

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de- recognition of such Intangible Assets is included in Profit or Loss when the item is de-recognised.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

RESEARCH AND DEVELOPMENT COST

Expenditure on research activities is recognised in Profit or Loss as incurred. Development expenditure is capitalised only if;

- the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

- Otherwise, it is recognised in Profit or Loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

10.1 Movement of Intangible Assets

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software				
Cost				
Balance as at 01st January	301,495	284,591	293,667	276,763
Acquisition/Capitalisation during the Year	17,706	16,904	17,706	16,904
Balance as at 31st December (a)	319,201	301,495	311,373	293,667
Accumulated Amortisation				
Balance as at 01st January	238,315	215,733	235,828	214,523
Amortisation for the Year	19,768	22,582	18,491	21,305
Balance as at 31st December (b)	258,083	238,315	254,319	235,828
Carrying Amount as at 31st December (a-b)	61,118	63,180	57,054	57,839

10.2 Maturity Analysis

Maturity Analysis of Intangible Assets is given in Note 49 on page 313.

10.3 Apportionment of Amortisation between the Company and the Subsidiary

For the year ended 31st December,	COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Amount Recognised in Company	15,073	16,089
Amount Transferred to HNB General Insurance Limited	3,418	5,216
Total Depreciation for the year	18,491	21,305

10.4 Acquisition of Intangible Assets during the Year

During the financial year, the Group/Company has acquired/ Capitalised Intangible Assets (Computer Software) to the aggregate value of Rs. 17.7 Million (2021 - Rs. 16.9 Million). Cash payments of the Group/Company amounting to Rs. 17.7 Million (2021 - Rs. 16.9 Million) were made during the year for purchase of Intangible Assets.

10.5 Fully Amortised Intangible Assets in Use

The Group's Intangible Assets includes fully amortised Computer software which are in the use of ordinary course of business activities having initial cost of Rs. 199 Million. (2021 - Rs. 164.7 Million)

10.6 Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group as at the reporting date. (2021 - No Title Restriction)

10.7 Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at the reporting date. Based on the assessment, no impairment indicators were identified. (2021 - No Impairment of Intangible Assets)

10.8 Amount of Contingent Commitment for Acquisition of Intangible Assets

Commitments for the acquisition of Computer Software of the Group and Company is Rs. 241.53 Million as at the reporting date. (2021 - Rs. 22.85 Million)

10.9 Intangible Assets Pledged as Security

There were no items of Intangible assets in the Group pledged as securities for liabilities during the year. (2021 - Nil)

11. FINANCIAL INVESTMENTS

ACCOUNTING POLICY

FINANCIAL INSTRUMENT

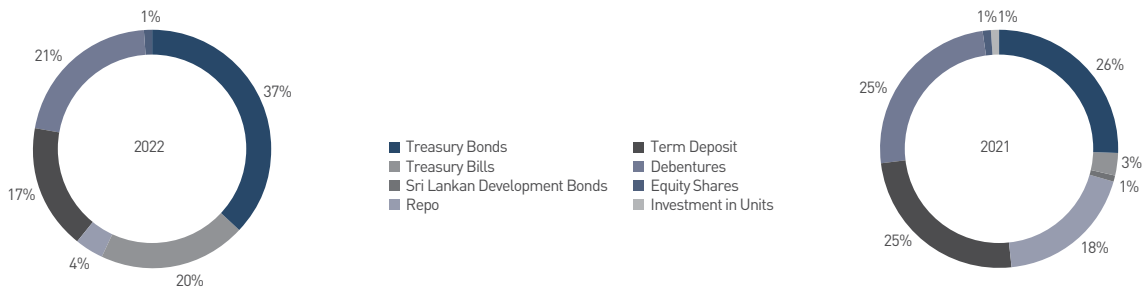
A financial instrument is any contract that gives rise to a financial asset one entity and a financial liability or equity instrument of another entity.

Please refer Note 7 of page 249 for Accounting Policy of Investments.

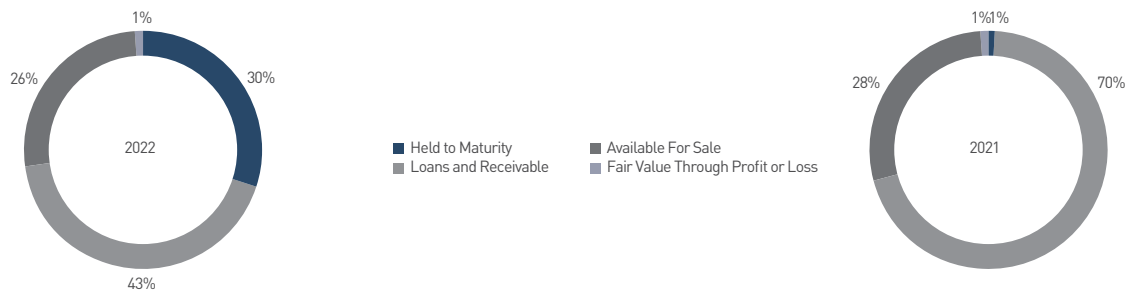
The following table consists each class of financial investments together with their fair values and carrying values.

As at 31st December,	Note	GROUP				COMPANY			
		2022		2021		2022		2021	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Held to Maturity	11.1	10,240,933	8,574,693	313,465	317,803	10,055,448	8,392,382	313,465	317,803
Loans and Receivables	11.2	14,910,327	12,827,203	20,246,541	20,290,352	12,097,076	10,206,960	16,953,973	16,999,187
Available For Sale	11.3	9,389,628	9,389,628	8,198,911	8,198,911	7,610,970	7,610,970	7,261,326	7,261,326
Fair Value Through Profit or Loss	11.4	83,243	83,243	335,168	335,168	81,381	81,381	138,338	138,338
Total Financial Investments		34,624,131	30,874,767	29,094,085	29,142,234	29,844,875	26,291,693	24,667,102	24,716,654

Financial Investment Analysis Based on Asset Classes - Group



Financial Investment Analysis Based on Reporting Category



11.1 HELD TO MATURITY

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Treasury Bonds	9,423,842	7,770,002	313,465	317,803	9,423,842	7,770,002	313,465	317,803
Treasury Bills	817,091	804,691	-	-	631,606	622,380	-	-
Total	10,240,933	8,574,693	313,465	317,803	10,055,448	8,392,382	313,465	317,803

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.1.1 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) category due to change in intention from "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.

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 Bond Portfolio as at 1st April 2022	5,397,030	1,127,972
Fair Value of Treasury Bonds selected to be reclassified	(2,659,168)	2,659,168
New Carrying Value of Treasury Bond Portfolio as at 1st April 2022	2,737,862	3,787,140
AFS Reserve to be amortized to P&L over the remaining life of assets	-	(703,985)
Amortization recognized during the year	-	32,893

11.2 Loans and Receivables (L&R)

As at 31st December,	Note	GROUP				COMPANY			
		2022		2021		2022		2021	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Repo*		1,380,579	1,380,579	5,644,673	5,644,673	918,083	918,083	4,636,918	4,636,918
Term Deposit	11.2.1	5,906,645	5,687,742	7,214,859	7,252,633	4,514,168	4,294,408	5,936,903	5,974,450
Debentures**	11.2.2	7,623,103	5,758,882	7,204,800	7,210,837	6,664,825	4,994,469	6,339,921	6,347,588
Sri Lanka Development Bonds	11.2.3	-	-	182,209	182,209	-	-	40,231	40,231
Total		14,910,327	12,827,203	20,246,541	20,290,352	12,097,076	10,206,960	16,953,973	16,999,187

* HNB Assurance PLC and HNB General Insurance Limited, in the normal course of business invest in Repurchase Agreements (Repos) through a number of Bank and Non-Bank Primary Dealers approved by the Central Bank of Sri Lanka (CBSL). During the year, the Group invested in Repos with primary dealers by obtaining Government Securities as collateral with a sufficient haircut. Investments in Repos are carried out on a DVP/RVP basis. (Delivery versus Payment and Receive versus Payment). The Group has taken appropriate steps to secure these securities received on investments in Repo's through a custodian (Hatton National Bank PLC - Custody & Trustee Services - a related Company) and also by signing Master Repurchase Agreements (MRA) with all Primary Dealer Companies the Group deals with. MRA's provide the investor with the ability to recover the money due by selling the collateral securities in the secondary market in the event of a default.

As of the reporting date the Group holds government securities as Collateral for Repos. The fair Value of such government securities is Rs. 1,489 Million (2021 : Rs. 6,117 Million).

** Debentures - The Group classifies quoted Corporate Debt under the Loans and Receivables category since there is no active market for these instruments, even if such instruments are listed.

Re-Classification of Financial Investments at L & R

During the year the Group has not re-classified any financial investment under this category.

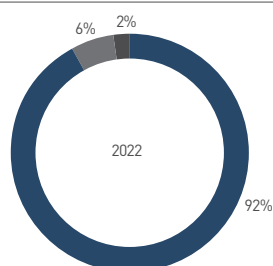
11.2.1 Term Deposits

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Licensed Commercial Banks								
Term Deposits with Related Parties - Hatton National Bank PLC	2,127,570	2,010,635	499,635	499,635	1,629,825	1,512,891	230,631	230,631
Other Banks	2,756,525	2,687,909	3,558,843	3,538,886	2,029,567	1,960,093	3,068,201	3,050,035
Total (a)	4,884,095	4,698,544	4,058,478	4,038,521	3,659,392	3,472,984	3,298,832	3,280,666
Licensed Specialised Banks								
	-	-	516,834	523,004	-	-	516,834	523,004
Total (b)	-	-	516,834	523,004	-	-	516,834	523,004
Licensed Finance Companies								
Term Deposits with Related Parties - HNB Finance PLC	-	-	175,434	176,320	-	-	175,434	176,320
Other Finance Companies	1,022,550	989,198	2,464,113	2,514,788	854,776	821,424	1,945,803	1,994,460
Total (c)	1,022,550	989,198	2,639,547	2,691,108	854,776	821,424	2,121,237	2,170,780
Total Investment In Term Deposit (a+b+c)	5,906,645	5,687,742	7,214,859	7,252,633	4,514,168	4,294,408	5,936,903	5,974,450

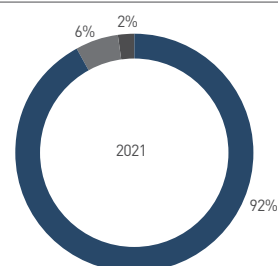
11.2.2 Debentures

As at 31st December,	Note	GROUP				COMPANY			
		2022		2021		2022		2021	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Debentures - Quoted	11.2.2.a	6,762,353	5,203,535	6,344,050	6,396,573	5,919,412	4,511,638	5,594,508	5,641,301
Debentures - Unquoted	11.2.2.b	860,750	555,347	860,750	814,264	745,413	482,831	745,413	706,287
Total Investment In Debentures		7,623,103	5,758,882	7,204,800	7,210,837	6,664,825	4,994,469	6,339,921	6,347,588

Debenture Composition - Group



■ Banks, Finance and Insurance
 ■ Diversified Holdings
 ■ Telecommunications



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.2.2.a Debentures - Quoted

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Banks, Finance and Insurance								
Commercial Bank of Ceylon PLC	707,844	644,470	200,557	202,541	566,607	507,058	160,777	161,590
DFCC Bank PLC	1,198,566	881,156	1,198,566	1,224,763	1,154,728	838,820	1,154,728	1,179,601
Hatton National Bank PLC	242,285	145,488	240,113	222,812	242,285	145,488	240,113	222,812
National Development Bank PLC	829,939	567,596	830,152	832,720	710,288	484,177	710,501	712,917
Nations Trust Bank PLC	550,334	434,377	550,334	565,650	513,507	399,059	513,507	527,605
Sampath Bank PLC	519,790	477,362	600,139	627,266	463,945	427,992	544,293	568,128
Seylan Bank PLC	362,420	313,149	362,420	364,451	287,915	249,293	287,915	289,669
First Capital Holdings PLC	316,250	214,437	316,250	300,374	239,911	162,675	239,911	227,867
HNB Finance PLC	125,090	91,736	125,090	129,631	125,090	91,736	125,090	129,631
LB Finance PLC	-	-	17,125	17,610	-	-	9,066	9,323
LOLC Finance PLC*	277,612	186,602	277,612	272,075	215,920	145,135	215,920	211,614
LOLC Holdings PLC	731,189	535,079	731,189	741,008	641,190	467,033	641,190	647,472
People's Leasing & Finance PLC	359,452	261,969	352,923	335,350	285,686	205,357	279,157	264,786
Siyapatha Finance PLC	16,549	13,640	16,548	17,414	16,548	13,640	16,548	17,414
Sector Total (a)	6,237,320	4,767,061	5,819,018	5,853,665	5,463,620	4,137,463	5,138,716	5,170,429
Diversified Holdings								
Hayleys PLC	376,921	346,044	376,920	391,025	307,680	283,745	307,680	318,989
Sector Total (b)	376,921	346,044	376,920	391,025	307,680	283,745	307,680	318,989
Telecommunications								
Sri Lanka Telecom PLC	148,112	90,430	148,112	151,883	148,112	90,430	148,112	151,883
Sector Total (c)	148,112	90,430	148,112	151,883	148,112	90,430	148,112	151,883
Total Investment In Quoted								
Debentures (a+b+c)	6,762,353	5,203,535	6,344,050	6,396,573	5,919,412	4,511,638	5,594,508	5,641,301

*Commercial Leasing and Finance PLC amalgamated with LOLC Finance PLC on 31.03.2022.

11.2.2.b Debentures - Unquoted

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Banks, Finance and Insurance								
DFCC Bank PLC	260,976	182,138	260,976	259,864	229,149	159,926	229,149	228,174
People's Bank	156,129	105,969	156,129	149,122	156,129	105,969	156,129	149,122
Nations Trust Bank PLC	443,645	267,240	443,645	405,278	360,135	216,936	360,135	328,991
Total Investment in Unquoted Debentures	860,750	555,347	860,750	814,264	745,413	482,831	745,413	706,287

11.2.3 Sri Lanka Development Bonds

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Year of Maturity								
2022	-	-	182,209	182,209	-	-	40,231	40,231
Total Investment in Sri Lanka Development Bonds	-	-	182,209	182,209	-	-	40,231	40,231

11.3 Available For Sale (AFS)

As at 31st December,	Note	GROUP				COMPANY			
		2022		2021		2022		2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury Bonds		3,352,823	3,352,823	7,375,342	7,375,342	2,412,873	2,412,873	6,636,808	6,636,808
Treasury Bills		5,995,487	5,995,487	746,686	746,686	5,156,779	5,156,779	547,635	547,635
Equity Shares	11.3.1	41,318	41,318	76,883	76,883	41,318	41,318	76,883	76,883
Total		9,389,628	9,389,628	8,198,911	8,198,911	7,610,970	7,610,970	7,261,326	7,261,326

Impairment of Financial Investments at AFS

At the reporting date Group has recognised an impairment loss of Rs. 10.9 Million (2021 - Nil) for equity instruments. Refer Note 38 on page 301.

Re-Classification of Financial Investments at AFS

Refer Note 11.1.1 of page 264 for Reclassification of Treasury Bond Portfolio From AFS to HTM Category

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

11.3.1 Equity Shares

As at 31st December,	GROUP					
	2022			2021		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Seylan Bank PLC (Non-Voting)	326,156	13,154	5,284	298,359	12,259	9,935
Sampath Bank PLC	124,146	7,220	4,246	124,146	7,220	6,468
Central Finance Company PLC	142,285	17,090	8,893	142,285	17,090	13,233
Sector Total (a)			18,423			29,636
Diversified Holdings						
Melstacorp PLC	39,532	2,343	1,826	39,532	2,343	2,218
Sector Total (b)			1,826			2,218
Manufacturing						
Tokyo Cement Company (Lanka) PLC	71,002	886	2,343	71,002	886	4,246
Royal Ceramics Lanka PLC	400,000	4,854	11,320	400,000	4,854	31,240
Sector Total (c)			13,663			35,486
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	11,713	-	155	11,713	-	199
Sector Total (d)			155			199
Land and Property						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,251	486,679	12,453	9,344
Sector Total (e)			7,251			9,344
Total Investment In Equity Shares (AFS)						
(a+b+c+d+e)			41,318			76,883

As at 31st December,	COMPANY					
	2022			2021		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Seylan Bank PLC (Non-Voting)	326,156	13,154	5,284	298,359	12,259	9,935
Sampath Bank PLC	124,146	7,220	4,246	124,146	7,220	6,468
Central Finance Company PLC	142,285	17,090	8,893	142,285	17,090	13,233
Sector Total (a)			18,423			29,636
Diversified Holdings						
Melstacorp PLC	39,532	2,343	1,826	39,532	2,343	2,218
Sector Total (b)			1,826			2,218
Manufacturing						
Tokyo Cement Company (Lanka) PLC	71,002	886	2,343	71,002	886	4,246
Royal Ceramics Lanka PLC	400,000	4,854	11,320	400,000	4,854	31,240
Sector Total (c)			13,663			35,486
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	11,713	-	155	11,713	-	199
Sector Total (d)			155			199
Land and Property						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,251	486,679	12,453	9,344
Sector Total (e)			7,251			9,344
Total Investment In Equity Shares (AFS)						
(a+b+c+d+e)			41,318			76,883

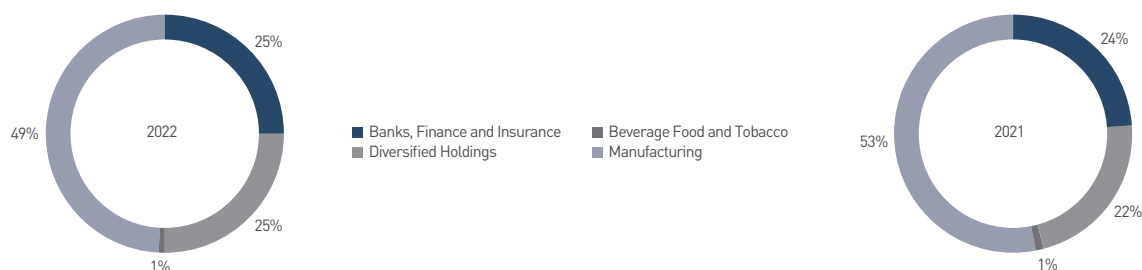
11.4 Fair Value Through Profit or Loss (FVTPL)

As at 31st December,	Note	GROUP				COMPANY			
		2022		2021		2022		2021	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Equity Shares	11.4.1	83,243	83,243	141,583	141,583	81,381	81,381	138,338	138,338
Investments in Units	11.4.2	-	-	193,585	193,585	-	-	-	-
Total		83,243	83,243	335,168	335,168	81,381	81,381	138,338	138,338

Fair Value Measurement

The Group measures the fair value using fair value hierarchy which reflects the significance of the level of inputs used in making the fair value measurement which is described in the Note 5.

Portfolio of Equity Investments (FVTPL) - Group



11.4.1 Equity Shares

As at 31st December,	GROUP					
	2022			2021		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Sampath Bank PLC	193,902	12,527	6,631	193,902	12,527	10,102
Nations Trust Bank PLC	97,177	6,578	4,490	91,471	6,258	5,031
People's Leasing & Finance PLC	615,201	10,008	3,076	543,212	9,452	5,812
Seylan Bank PLC (Non Voting)	417,910	13,694	6,770	382,293	12,547	12,730
Sector Total (a)			20,967			33,675
Diversified Holdings						
John Keells Holdings PLC	29,670	3,679	4,013	29,670	3,679	4,451
Richard Pieris & Company PLC	312,851	4,351	7,540	312,851	4,351	7,696
Vallibel One PLC	209,638	4,000	6,310	209,638	4,000	15,220
Melstacorp PLC	55,000	3,260	2,541	55,000	3,260	3,086
Sector Total (b)			20,404			30,453
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	22,222	-	293	22,222	-	378
Sector Total (c)			293			378
Manufacturing						
Royal Ceramics Lanka PLC	280,000	4,318	7,924	280,000	4,318	21,868
Dipped Products PLC	334,000	10,355	9,719	334,000	10,355	16,934
ACL Cables PLC	190,400	3,016	13,347	190,400	3,016	19,087
Tokyo Cement Company (Lanka) PLC	320,869	11,938	10,589	320,869	11,938	19,188
Sector Total (d)			41,579			77,077
Total Investment In Equity Shares (FVTPL) (a+b+c+d)			83,243			141,583

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	COMPANY					
	2022			2021		
	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/ Fair Value Rs.'000
Banks, Finance and Insurance						
Sampath Bank PLC	193,902	12,527	6,631	193,902	12,527	10,102
Nations Trust Bank PLC	97,177	6,578	4,490	91,471	6,258	5,031
People's Leasing & Finance PLC	615,201	10,008	3,076	543,212	9,452	5,812
Seylan Bank PLC (Non Voting)	417,910	13,694	6,770	382,293	12,547	12,730
Sector Total (a)			20,967			33,675
Diversified Holdings						
John Keells Holdings PLC	29,670	3,679	4,013	29,670	3,679	4,451
Richard Pieris & Company PLC	312,851	4,351	7,540	312,851	4,351	7,696
Vallibel One PLC	209,638	4,000	6,310	209,638	4,000	15,220
Melstacorp PLC	55,000	3,260	2,541	55,000	3,260	3,086
Sector Total (b)			20,404			30,453
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	22,222	-	293	22,222	-	378
Sector Total (c)			293			378
Manufacturing						
Royal Ceramics Lanka PLC	280,000	4,318	7,924	280,000	4,318	21,868
Dipped Products PLC	270,000	8,371	7,857	270,000	8,371	13,689
ACL Cables PLC	190,400	3,016	13,347	190,400	3,016	19,087
Tokyo Cement Company (Lanka) PLC	320,869	11,938	10,589	320,869	11,938	19,188
Sector Total (d)			39,717			73,832
Total Investment In Equity Shares (FVTPL) (a+b+c+d)			81,381			138,338

11.4.2 Investments in Units

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000	No. of Units	Carrying Value/ Fair Value Rs.'000
Unquoted								
JB Vantage Money Market Fund	-	-	2,189,530	64,340	-	-	-	-
Capital Alliance Investment Grade Fund	-	-	3,043,832	64,453	-	-	-	-
Capital Alliance Income Fund	-	-	2,934,718	64,792	-	-	-	-
Total Investment in Unquoted Units (FVTPL)				193,585				

11.5 Movement in the Carrying Values of Financial Investments - GROUP

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2021	-	18,252,174	7,170,930	943,504	26,366,608
Purchases	308,476	209,761,021	8,027,685	211,338	218,308,520
Maturities	-	(207,858,495)	(6,043,774)	-	(213,902,269)
Disposals	-	-	(59,335)	(917,614)	(976,949)
Fair Value Gains and Foreign Currency Translation					
Recorded in Profit or Loss	-	24,457	-	54,508	78,965
Amortisation Adjustment / Accrued Interest	4,989	67,384	17,613	-	89,986
Realised Gains Recorded in Profit or Loss	-	-	9,490	43,432	52,922
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(923,698)	-	(923,698)
Total as at 31st December 2021	313,465	20,246,541	8,198,911	335,168	29,094,085
As at 01st January 2022	313,465	20,246,541	8,198,911	335,168	29,094,085
Purchases	7,004,004	247,966,434	20,073,551	122,023	275,166,012
Maturities	-	(253,106,467)	(15,406,686)	-	(268,513,153)
Disposals	-	-	-	(317,672)	(317,672)
Reclassification of Assets from AFS to HTM	2,659,168	-	(2,659,168)	-	-
Fair Value Gains/(Losses) and Foreign Currency					
Translation Recorded in Profit or Loss	-	4,943	(10,964)	(60,362)	(66,383)
Amortisation Adjustment / Accrued Interest	264,296	(395,627)	841,977	-	710,646
Realised Gains Recorded in Profit or Loss	-	194,503	-	4,086	198,589
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(1,647,993)	-	(1,647,993)
Total as at 31st December 2022	10,240,933	14,910,327	9,389,628	83,243	34,624,131

11.6 Movement in the Carrying Values of Financial Investments - COMPANY

	Held to Maturity	Loans and Receivable	Available for Sale	Fair Value Through Profit or Loss	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01st January 2021	-	15,060,717	6,313,997	700,551	22,075,265
Purchases	308,476	162,739,860	6,473,743	151,338	169,673,417
Maturities	-	(160,949,522)	(4,652,516)	-	(165,602,038)
Disposals	-	-	(59,335)	(794,320)	(853,655)
Fair Value Gains and Foreign Currency Translation					
Recorded in Profit or Loss	-	9,301	-	40,150	49,451
Amortisation Adjustment / Accrued Interest	4,989	93,617	12,351	-	110,957
Realised Losses Recorded in Profit or Loss	-	-	9,490	40,619	50,109
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(836,404)	-	(836,404)
Total as at 31st December 2021	313,465	16,953,973	7,261,326	138,338	24,667,102
As at 01st January 2022	313,465	16,953,973	7,261,326	138,338	24,667,102
Purchases	6,837,486	203,506,934	16,580,881	2,025	226,927,326
Maturities	-	(208,034,898)	(12,859,182)	-	(220,894,080)
Disposals	-	-	-	-	-
Reclassification of Assets from AFS to HTM	2,659,168	-	(2,659,168)	-	-
Fair Value Gains/(Losses) and Foreign Currency					
Translation Recorded in Profit or Loss	-	1,281	(10,964)	(58,982)	(68,665)
Amortisation Adjustment / Accrued Interest	245,329	(383,803)	684,155	-	545,681
Realised Gains Recorded in Profit or Loss	-	53,589	-	-	53,589
Net Fair Value Losses Recorded in Other Comprehensive Income	-	-	(1,386,078)	-	(1,386,078)
Total as at 31st December 2022	10,055,448	12,097,076	7,610,970	81,381	29,844,875

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENT IN SUBSIDIARY - COMPANY

ACCOUNTING POLICY

SUBSIDIARIES

Subsidiaries are investees controlled by the Group. The Group "controls" an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Financial Statements of Subsidiaries are prepared for the same reporting period as followed by the parent company, using consistent accounting policies which conform with the parent company. Profit or Loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent, even if this results a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commenced until the date on which control ceases.

The Details of the Company's subsidiaries, how they are accounted in the Financial Statements of the Company and their contingencies are set out in below Note and Note 54 on page 319 to the financial statements.

BASIS OF CONSOLIDATION

The Group's Financial Statements comprise the consolidation of the Financial Statements of the Company and its subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements".

BUSINESS COMBINATION AND GOODWILL

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

Investments in subsidiaries are recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

All Intra-group balances, transactions, income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, except that those are only eliminated to the extent that there is no evidence of impairment.

LOSS OF CONTROL

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an associate or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

MATERIAL GAINS OR LOSSES, PROVISIONAL VALUES OR ERROR CORRECTIONS IN BUSINESS COMBINATIONS

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

The Company incorporated a fully owned Subsidiary, HNB General Insurance Limited on 30th January 2014 in order to transfer the General Insurance business w.e.f. 1st January 2015 to be in line with the requirement to segregate Life and General Insurance businesses as required by the Regulation of Insurance Industry (Amendment) Act, No. 03 of 2011.

As at 31st December, Unquoted	Principal Activity	2022			2021		
		No of Shares	Holding %	Cost Rs.'000	No of Shares	Holding %	Cost Rs.'000
HNB General Insurance Limited	General Insurance Business	115,000,000	100%	1,150,000	115,000,000	100%	1,150,000
Total Investment In Subsidiary				1,150,000		1,150,000	

12.1 Impairment of Investment in Subsidiary

The Board of Directors has assessed the potential impairment loss of Investment in Subsidiary as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of such investment.

13. LOANS TO LIFE POLICYHOLDERS

ACCOUNTING POLICY

Policyholder Loans are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 249 for Accounting Policy of Loans and Receivables.

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate. Policyholder Loans are initially measured at Fair value of loan amount granted and subsequently measured at the amortised cost. If the policyholder demises before the full repayment of the loan, the loan balance is deducted from the death benefit. If the total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Company has a first lien on all policies which are subject to Policy Loans. Policyholder Loans are reviewed for impairment at each reporting date.

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Balance as at 1st January	312,475	303,481
Loans Granted during the Year	127,860	109,292
Repayments during the year	(124,268)	(100,298)
Balance as at 31st December	316,067	312,475
Interest Receivable	104,847	90,977
Total Loans to Life Policyholders	420,914	403,452

13.1 Maturity Analysis

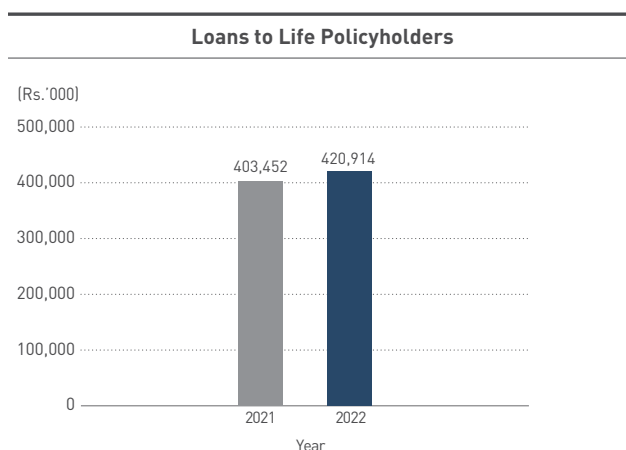
Maturity Analysis of Loans to Life Policyholders is given in Note 49 on page 313.

13.2 Collateral Details

The surrender value of the policies for which Policyholder Loans have been granted as at 31st December 2022 amounted to Rs. 711.86 Million (2021 - Rs. 677.9 Million).

13.3 Number of Policyholder Loans

Number of Policy Loans due as at 31st December 2022 was 3,121 (2021 - 3,438).



13.4 Fair Value Measurement

The Company grants Policyholder Loans at a rate equivalent to the market rate; hence carrying amount is a reasonable approximation of fair value.

13.5 Impairment Losses on Policyholder Loans

Policyholder Loans are reviewed for impairment at each reporting date. The Board of Directors has assessed the potential impairment loss of Loans to Policyholder Loans as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Policyholder Loans.

13.6 Financial Risk Disclosure on Policyholder Loans

The Group's exposure to interest rate risk of policyholder loans, risk management initiatives and a sensitivity analysis is disclosed in Note 4 in page 206.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

14. REINSURANCE RECEIVABLES**ACCOUNTING POLICY**

Reinsurance Receivables are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 249 for Accounting policy of Loans and Receivables.

The Group cedes insurance risk in the normal course of business with recognised reinsurers through formal reinsurance arrangements.

Reinsurance receivables include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Gross Reinsurance is recorded in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in Profit or Loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to Policyholders.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

As at 31st December,	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Reinsurance Receivable on Outstanding Claims	14.3	558,116	580,745	70,801	77,128
Reinsurance Receivable on Settled Claims	14.4	486,202	491,461	113,448	239,881
Total Reinsurance Receivables		1,044,318	1,072,206	184,249	317,009

14.1 Maturity Analysis

Maturity Analysis of Reinsurance Receivable is given in Note 49 on page 313.

14.2 Collateral Details

The Group does not hold any collateral as security against potential default by reinsurers.

14.3 Reinsurance Receivables on Outstanding Claims

The reinsurance portion of the outstanding claims has not been materialised, since the insurance claim has not been paid as at the reporting date.

14.4 Reinsurance Receivables on Settled Claims

The age analysis of the reinsurance receivable on settled claims is as follows:

As at 31st December,	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Up to 30 days	72,625	76,685	24,051	24,799
31 to 60 days	98,440	49,798	15,180	19,795
61 to 90 days	63,453	37,178	19,221	18,820
91 to 180 days	172,749	95,508	54,996	52,538
Over 181 days	78,935	232,292	-	123,929
Total	486,202	491,461	113,448	239,881

14.5 Fair Value Measurement

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

14.6 Impairment Losses on Reinsurance Receivables

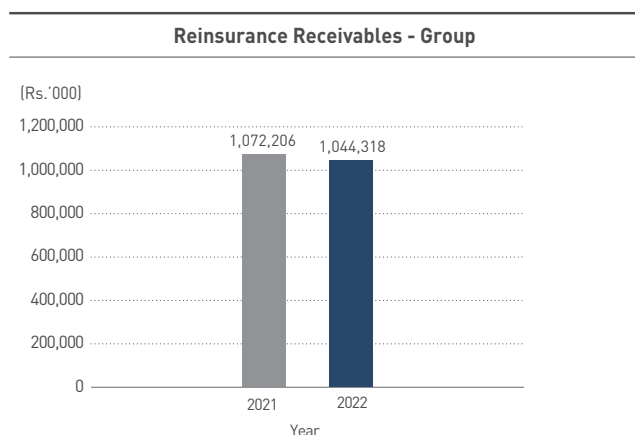
The Board of Directors has assessed potential impairment loss of reinsurance receivables as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

14.6.1 Reinsurance Receivables Past Due but Not Impaired (On Settled Claims)

As at 31st December 2022, Reinsurance Receivables of the Group amounted to Rs. 68 Million were past due but not impaired, Company Nil. (2021 - Group - Rs. 123 Million/ Company - Rs. 77 Million). These relate to parties where there was no recent history of default.

14.7 Financial Risk Disclosure on Reinsurance Receivables

Refer Note 4 (Pages 206) for Group's exposure to credit risk of reinsurance receivables and risk management initiatives.



15. PREMIUM RECEIVABLES

ACCOUNTING POLICY

Premium Receivables are recognised as a financial asset and categorised in the category of Loans and Receivables. Please refer Note 7 of page 249 for Accounting policy of Loans and Receivables.

Premium Receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable.

The carrying value of Premium Receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in Profit or Loss.

Life Insurance premiums for policies within the 30-day grace period are considered as due premium, except for group life which is considered up to 90 days subject to a provision for premium default. Premium Default Ratio is computed by analysing the default history. Premium will be reversed if those premiums are not settled during the stipulated time, and thus the policies will be lapsed as per the Company policy.

Insurance receivables from General Insurance are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) ruling issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), all General Insurance policies are issued subject to PPW and are cancelled upon the expiry of credit period if not settled.

As at 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Premium Receivable From;					
Life Insurance					
Policyholders		22,119	12,342	22,119	12,342
Related Parties	15.1	312	-	312	-
Provision for Impairment loss on Premium Default		(3,884)	(4,520)	(3,884)	(4,520)
		18,547	7,822	18,547	7,822
General Insurance					
Policyholders		881,925	623,478	-	-
Related Parties	15.1	5,649	10,350	-	-
Agents, Brokers and Intermediaries		947,549	606,347	-	-
		1,835,123	1,240,175	-	-
Total	15.2	1,853,670	1,247,997	18,547	7,822

15.1 Premium Receivable from Related Parties

As at 31st December,		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
General Insurance					
Hatton National Bank PLC		1,066	65	-	-
HNB Finance PLC		3,185	9,506	-	-
Acuty Stockbrokers (Pvt) Ltd		366	188	-	-
Acuty Partners (Pvt) Ltd		526	307	312	-
Acuty Securities Ltd		506	284	-	-
Total		5,649	10,350	312	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

15.2 Age Analysis of Premium Receivables

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance				
Up to 30 days	13,667	5,106	13,667	5,106
31 to 60 days	4,373	2,337	4,373	2,337
61 to 90 days	507	379	507	379
	18,547	7,822	18,547	7,822
General Insurance				
Up to 30 days	1,300,897	912,346	-	-
31 to 60 days	441,178	327,829	-	-
61 to 90 days	83,226	-	-	-
91 to 120 days	9,822	-	-	-
	1,835,123	1,240,175	-	-
Total Premium Receivables	1,853,670	1,247,997	18,547	7,822

15.3 Maturity Analysis

Maturity Analysis of Premium Receivable is given in Note 49 on page 313.

15.4 Collateral Details

The Group does not hold any collateral as security against potential default by Policyholders.

15.5 Fair Value Measurement

Carrying value of premium receivable is approximation of fair value due to short-term nature.

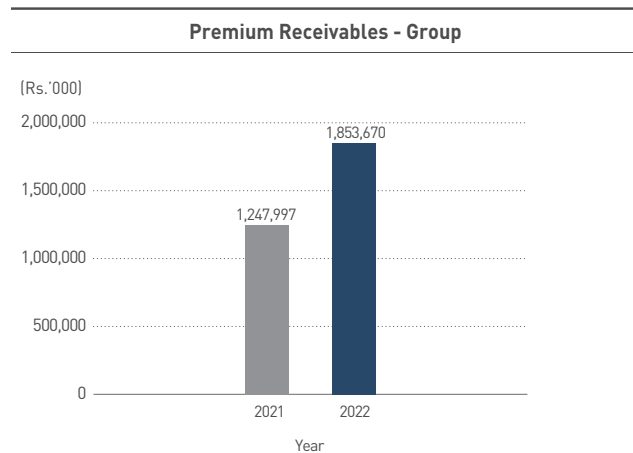
15.6 Provision for Impairment Losses on Premium Receivables

The Board of Directors has assessed potential impairment loss of Premium Receivable as at 31st December 2022. Based on the assessment, impairment loss of Rs. 3.9 Million was recognised in the financial statements of the Company as at 31st December 2022 (2021 : Rs.4.5 Million) in respect of premium receivables.

Since the subsidiary company has adopted the Premium Payment Warranty (PPW) ruling issued by Insurance Regulatory Commission of Sri Lanka, no long outstanding balances are left in Premium Receivables. Thus, there is no need for an additional impairment loss provision other than amounts provided.

15.7 Financial Risk Disclosure on Premium Receivables

Refer Note 4 (Page 206) for Group's exposure to credit risk of Premium Receivables and risk management initiatives.



15.8 Collateral Details

The Group does not hold any collateral as security against potential default by Policyholders.

16. OTHER ASSETS

ACCOUNTING POLICY

STAFF AND ADVISOR LOANS

Staff Loans and Advisor Loans are recognised as financial assets and categorised in the category of Loans and Receivables. Please refer Note 7 of page 249 for Accounting policy of Loans and Receivables.

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

INVENTORIES

Inventories include all consumable items which are stated at lower of cost or net realisable value.

OTHER ASSETS

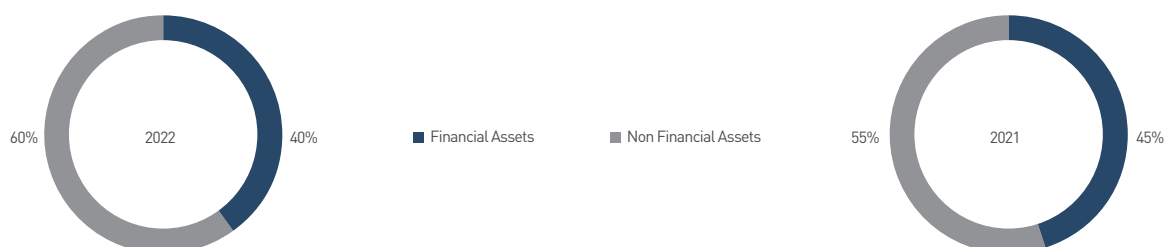
All Other Assets including Receivables and dues from Related Parties are recognised at cost less accumulated impairment losses.

As at 31st December,	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Financial Assets					
Staff and Advisor Loans	16.2	382,147	324,786	229,037	176,032
Amounts due from Related Parties- HNB General Insurance Limited		-	-	21,816	13,548
Co - Insurance Receivables		21,489	9,270	-	-
Total Financial Assets (a)		403,636	334,056	250,853	189,580
Non-Financial Assets					
Advance Payments		360,327	186,838	252,509	114,161
Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)	16.3	214,232	214,232	198,351	198,351
Inventories		7,017	3,386	2,608	1,314
Other Receivables		14,626	9,434	8,972	4,122
Total Non-Financial Assets (b)		596,202	413,890	462,440	317,948
Total Other Assets (a+b)		999,838	747,946	713,293	507,528

16.1 Maturity Analysis

Maturity Analysis of Other Assets is given in Note 49 on page 313.

Other Assets Composition - Group



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

16.2 Staff and Advisor Loans

Loans to Staff and Advisor portfolio mainly consists of vehicle loans (95%) which are given to selected categories of Staff and Advisors. These loans are secured with guarantors, mortgage or promissory note.

As at 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Loans	16.2.1	344,067	296,242	192,702	148,519
Advisor Loans	16.2.2	38,080	28,544	36,335	27,513
Total		382,147	324,786	229,037	176,032

16.2.1 Staff Loans

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		287,439	397,403	143,941	202,659
Loans granted during the year		209,987	102,926	137,089	46,546
Loans Recovered during the year		(164,223)	(212,890)	(94,335)	(105,264)
		333,203	287,439	186,695	143,941
Allowance for Impairment Losses	16.2.1.b	(1,733)	(3,071)	(886)	(2,353)
Fair Value Adjustment on Staff Loan		12,597	11,874	6,893	6,931
Balance as at 31st December		344,067	296,242	192,702	148,519

16.2.1.a No loans have been granted to the Directors of the Group.

16.2.1.b Allowance for Impairment Movement of Staff Loans

		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		(3,071)	(6,287)	(2,353)	(2,400)
Reversal for Impairment Losses		1,338	3,216	1,467	47
Balance as at 31st December		(1,733)	(3,071)	(886)	(2,353)

16.2.2 Advisor Loans

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		29,366	44,249	28,336	40,169
Loans granted during the year		65,617	44,346	62,684	41,967
Loans Recovered during the year		(55,209)	(59,229)	(53,149)	(53,800)
		39,774	29,366	37,871	28,336
Allowance for Impairment Losses	16.2.2.a	(730)	(703)	(697)	(670)
Fair Value Adjustment on Advisor Loan		(964)	(119)	(839)	(153)
Balance as at 31st December		38,080	28,544	36,335	27,513

16.2.2.a Allowance for Impairment Movement of Advisor Loans

		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		(703)	(753)	(670)	(720)
(Allowance)/Reversal for Impairment Losses		(27)	50	(27)	50
Balance as at 31st December		(730)	(703)	(697)	(670)

16.2.3 Fair Value Measurement

The carrying value of the Staff and Advisor loans has been computed based on the market interest rates which prevailed at the time of granting such loan, and the fair value of the same has been computed based on the interest rates prevailed as at the reporting date.

16.2.4 Impairment Losses on Staff and Advisor Loans

The Board of Directors has assessed potential impairment loss of Staff and Advisor loans as at 31st December 2022. Based on the assessment, no additional impairment provision is required to be made in the Financial Statements as at the reporting date

in respect of Staff and Advisor loans, other than the amounts provided.

16.2.5 Collateral Details

Loans of Staff and Advisor portfolio mainly consists of vehicle loans which are given to selected categories of Staff and Advisors. These loans are secured with guarantors, mortgage or promissory notes.

16.2.6 Financial Risk Disclosure on Staff and Advisor Loans

Refer Note 4 (Page 206) for Group's exposure to credit risk of Staff and Advisor Loans and risk management initiatives.

16.3 Taxes Recoverable from the Commissioner General of Inland Revenue (CGIR)

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Withholding Tax Recoverable	214,232	214,232	198,351	198,351
Balance as at 31st December	214,232	214,232	198,351	198,351

17. INSURANCE CONTRACT - DEFERRED EXPENSES

ACCOUNTING POLICY

DEFERRED ACQUISITION COSTS (DAC)

The direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

The DAC is applicable only to General Insurance Contracts. No DAC is calculated for Life Insurance Contracts as the acquisition costs are incurred in line with the revenue earned.

In accordance with the available regulatory guidelines of the IRCSL, the DAC is calculated based on the 1/24th basis except for the Marine policies which are computed on a 60-40 basis.

The DAC for reinsurers is amortised in the same manner as the underlying asset and amortisation is recorded in the statement of Profit or Loss.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in Profit or Loss.

DAC is de-recognised when the related contracts are either settled or cancelled.

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reserve for Net Deferred Acquisition Expenses					
Reserve for Deferred Acquisition Expenses					
Balance as at 01st January		260,414	253,586	-	-
Increase in Deferred Acquisition Expenses	44.1	37,690	6,828	-	-
Balance as at 31st December (a)		298,104	260,414	-	-
Reserve for Deferred Reinsurance Commission					
Balance as at 01st January		(102,704)	(89,967)	-	-
Increase in Deferred Reinsurance commission	44.1	(31,405)	(12,737)	-	-
Balance as at 31st December (b)		(134,109)	(102,704)	-	-
Total Insurance Contract - Deferred Expenses (a+b)		163,995	157,710	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

17.1 Maturity Analysis

Maturity Analysis of Deferred Expenses is given in Note 49 on page 313.

17.2 Impairment of Deferred Expenses

The Board of Directors has assessed potential impairment loss of deferred expenses as at 31st December 2022. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

18. CASH AND CASH EQUIVALENTS**ACCOUNTING POLICY**

Cash and Cash Equivalents comprise cash in hand, cash at bank, demand deposits and Short-Term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts, which form an integral part of cash management, are included as a component of Cash and Cash Equivalents in the Statement of Cash Flows. In the Statement of Financial Position, bank overdrafts are included under liabilities.

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
18.1 Cash and Cash Equivalents				
Cash in Hand	2,722	2,617	1,890	1,850
Cash at Bank with Related Parties - Hatton National Bank PLC	798,915	560,157	537,890	333,220
Cash at Bank with Related Parties - HNB Finance PLC	88	139	88	139
Cash at Bank with Other Licensed Commercial Banks & Financial institutions	18,437	25,997	7,420	6,788
	820,162	588,910	547,288	341,997
Short Term Deposits				
Short term Deposits with Commercial Banks and Financial institutions	213,143	1,523,835	178,132	1,233,934
	213,143	1,523,835	178,132	1,233,934
Total Cash and Cash Equivalents in Statement of Financial Position (a)	1,033,305	2,112,745	725,420	1,575,931
18.2 Bank Overdrafts				
Bank Overdraft with Related Parties - Hatton National Bank PLC	(265,539)	(111,665)	(101,695)	(53,364)
Total Bank Overdraft (b)	(265,539)	(111,665)	(101,695)	(53,364)
Total Cash and Cash Equivalents in Statement of Cash flows (a+b)	767,766	2,001,080	623,725	1,522,567

18.3 Maturity Analysis

Maturity Analysis of Cash and Cash Equivalents is given in Note 49 on page 313.

18.4 Cash Pledged as Security for Liabilities**Company**

The Company has obtained Bank Guarantee facilities from Hatton National Bank PLC for sum of Rs. 227.41 Million (2021: Rs. 118.81 Million), being the 25% of sum assessed by the Commissioner General of Inland Revenue for the purpose of tax assessments which are being heard at the Tax Appeals Commission. Refer Note 54.1 for more details. This facility was secured against cash/fixed deposits which are available in shareholder's fund.

Subsidiary

The subsidiary company has obtained bid bonds for sum of Rs. 3.67 Million (2021: Bid Bonds of Rs. 4.3 Million and performance bond of

Rs. 0.9 Million) from Hatton National Bank PLC. This was secured by equivalent cash margin lying to the credit in the account No. 701020060189.

18.5 Risk Management Initiatives Relating to Cash and Cash Equivalents

Refer Note 4 on page 206 for risk management initiatives relating to cash and cash equivalents

19 STATED CAPITAL**ACCOUNTING POLICY**

The Company has issued Ordinary shares that are classified as equity instruments. Ordinary shares of the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

	No. of Shares	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ordinary voting shares	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875
	150,000,000	1,171,875	1,171,875	1,171,875	1,171,875

19.1 Rights of Ordinary Shares

The shares of HNB Assurance PLC are quoted in the Colombo Stock Exchange-Main Board. All issued shares are fully paid. The Ordinary Shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the members of the Company.

20. RETAINED EARNINGS

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		6,644,680	5,841,032	5,548,813	4,968,314
Surcharge tax	46.6	(172,489)	-	-	-
Profit for the Year		1,830,524	1,223,648	1,483,620	1,000,499
Dividend Paid to Equity Holders	48.4	(480,000)	(420,000)	(480,000)	(420,000)
Balance as at 31st December		7,822,715	6,644,680	6,552,433	5,548,813

21. AVAILABLE FOR SALE RESERVE

21.1 Nature and Purpose of Reserve

Available For Sale Reserve comprise of the impact arising from the changes in market values of financial assets classified under the category of Available For Sale.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	4,009	93,754	4,446	15,626
Other Comprehensive Income for the Year	(1,536,428)	(914,969)	(1,353,185)	(836,404)
Transferred to Life Policyholders Reserve Fund	1,210,123	825,224	1,210,123	825,224
Balance as at 31st December	(322,296)	4,009	(138,616)	4,446

22. OTHER RESERVE

22.1 Nature and Purpose of Reserve

Other Reserves comprises of the actuarial gains arising from valuation of gratuity liability as required by LKAS 19 - "Employee Benefits".

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	(11,421)	(51,520)	(6,614)	(33,916)
Actuarial Gains - Gratuity	33,779	40,099	10,586	27,302
Balance as at 31st December	22,358	(11,421)	3,972	(6,614)

23. LIFE POLICYHOLDERS' AVAILABLE FOR SALE RESERVE FUND

23.1 Nature and Purpose of Reserve

The Life Policyholders' Available For Sale Reserve Fund includes the fair value gains/(losses) recorded under Other Comprehensive Income arising from life insurance related financial assets categorised under Available For Sale.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	(67,291)	757,933	(67,291)	757,933
Other Comprehensive Income for the Year	(1,210,123)	(825,224)	(1,210,123)	(825,224)
Balance as at 31st December	(1,277,414)	(67,291)	(1,277,414)	(67,291)

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

24. RESTRICTED REGULATORY RESERVE

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156

24.1 Surplus Created due to Change in Valuation Method

As required by the IRCSL, every registered insurer was required to apply Solvency Margin (Risk Based Capital) Rules with effect from 1st 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 1st 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.

Description	Participating Fund	Non - Participating Fund	Total
	Rs.'000	Rs.'000	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 31st December 2015 (b)	3,015,001	3,475,808	6,490,809
Zeroisation 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 1st January 2016 (a-b+c)	-	381,156	381,156

Subsequently the IRCSL, through the Direction No 16 issued on 20th March 2018 on "Directions for identification and treatment of One-Off Surplus" Life Insurance Companies were directed to Transfer One-Off Surplus attributable to Policyholders' Non-Participating Fund to Shareholders' Fund in the relevant period. The transfer was presented as a separate line item in the Profit or Loss as "Change in contract Liability due to transfer of One-Off Surplus" and as a separate reserve in the Statement of Financial Position as "Restricted Regulatory Reserve" under Equity in accordance with Direction. As required by the said Direction, the Company received the approval of the IRCSL for this transfer on 11th May 2018.

Further, distribution of One-Off Surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be

released as dividends upon receiving approval from the IRCSL. The One-Off surplus in the Shareholders' Fund will remain invested in Term deposits as disclosed in Note No. 24.2 as per the directions of IRCSL.

The Financial ratios presented in these Annual 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 Shareholders' Fund by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No. 43 of 2000".

24.2 Composition of Investments Supporting the Restricted Regulatory Reserve

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

As at 31st December,	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Term Deposits	388,291	396,174

24.3 Distribution of One-Off Surplus

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

- Expense allocation policy setting out basis of allocation of expenses between the Shareholders' Fund and the Policyholders' Fund as well as between different lines of business within the Policyholders' Fund, particularly Participating and Non-participating.

- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-Off Surplus for the purpose of bonus declaration.
- Asset Liability Management policy
- Policy on internal target Capital Adequacy Ratio.
- Considerations for transfer of funds from Policyholders' Fund to Shareholders' Fund.

IRCSL will permit distribution of One-Off surplus subject to yearly distribution caps on case-by-case basis.

24.4 Disclosure as Required by Direction 16 Issued by IRCSL

Disclosure in Financial Statements	Compliance with the Requirement	Page Reference
1. Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to One-Off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied	190,192 & 193
2. Disclosure stating 'distribution of One-Off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied (Note 24.3)	283
3. The basis of computation of One-Off surplus. Any deviation from the direction in respect of determining the 'minimum One-Off surplus'.	Complied (Note 24.1)	282
4. One-Off surplus relating to participating and other than participating should be disclosed separately.	Complied (Note 24.1)	282
5. Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied (Note 24.2)	282

25. INSURANCE CONTRACT LIABILITIES - LIFE INSURANCE

ACCOUNTING POLICY

INSURANCE PROVISION - LIFE INSURANCE

BASIS OF RECOGNITION AND MEASUREMENT

Life Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future benefits, the expected future management and distribution expense, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rate as specified by the Insurance Regulatory Commission of Sri Lanka. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation.

DISCRETIONARY PARTICIPATION FEATURES (DPF)

The liability for Life Insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a

margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used are mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing the Life Insurance Contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates for the non-participating products, whereas it is the expected fund yield of participating fund for the policies with Discretionary Participating Benefits.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

PRODUCT CLASSIFICATION

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

INSURANCE CONTRACTS

Insurance contracts are those contracts under which one party (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Contracts which transfer significant insurance risk are classified as insurance contracts and others are classified as investment contracts.

INVESTMENT CONTRACTS

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified variable interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

SUBSEQUENT CLASSIFICATION AND RECLASSIFICATION

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

PRODUCT PORTFOLIO OF THE GROUP

The Group checks all its new insurance products for compliance with SLFRS 4 at the product modelling stage and ensures that no insurance products are launched if it does not meet the above criterion. As such, all products sold by the Group are insurance contracts and therefore classified as insurance contracts under the SLFRS 4 – Insurance Contracts.

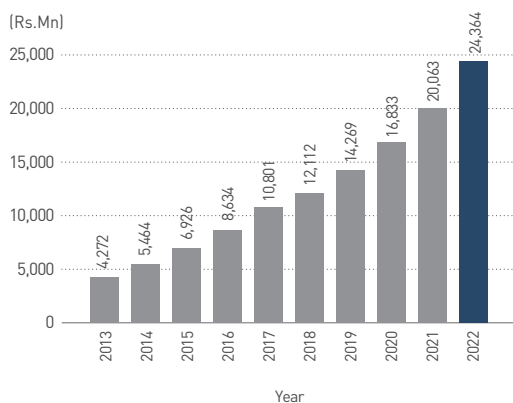
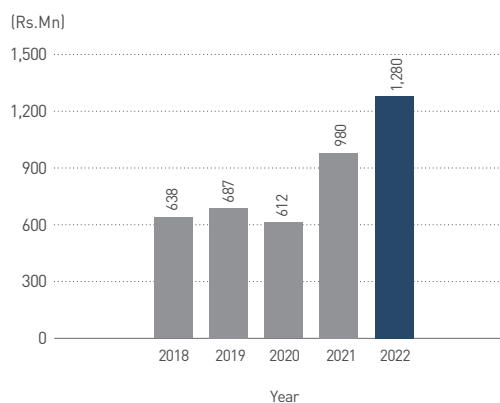
Thus, the Group does not have any investment contracts within its product portfolio as at the reporting date.

DE-RECOGNITION

The liability is de-recognised when the contract expires, discharged or cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a Liability Adequacy Test.

LIABILITY ADEQUACY TEST (LAT)

As required by SLFRS 4 - Insurance Contracts, the Company performs a Liability Adequacy Test (LAT) in respect of Life Insurance Contract Liabilities with the assistance of an External Actuary. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. Number of valuation techniques are applied including discounting cash flows, interest rate applied is based on the management's expectation of current market interest rates. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

Insurance Contract Liabilities - Life Fund**Surplus distribution to shareholders**

As at 31st December,	GROUP / COMPANY						
	2022			2021			
	Note	Participating Rs.'000	Non - Participating Rs.'000	Total Rs.'000	Participating Rs.'000	Non - Participating Rs.'000	Total Rs.'000
Insurance Contract Liabilities							
Life Insurance Fund	25.1	4,174,202	20,189,428	24,363,630	4,322,060	15,740,475	20,062,535
Claims Outstanding		18,122	200,889	219,011	51,739	228,483	280,222
Total Insurance Contract Liabilities - Life Insurance		4,192,324	20,390,317	24,582,641	4,373,799	15,968,958	20,342,757

25.1 Life Insurance Fund - Composition and Movement

	2022			2021			
	Note	Gross Insurance Contract Liabilities Rs.'000	Reinsurance Rs.'000	Net Insurance Contract Liabilities Rs.'000	Gross Insurance Contract Liabilities Rs.'000	Reinsurance Rs.'000	Net Insurance Contract Liabilities Rs.'000
Balance as at 1st January		20,502,294	(439,759)	20,062,535	17,192,529	(359,479)	16,833,050
Premiums received/Reinsurance expenses		8,911,460	(473,012)	8,438,448	7,091,470	(355,537)	6,735,933
Liabilities released for payments on Death, Surrender and Other terminations in the year		(2,374,079)	204,552	(2,169,527)	(1,851,246)	205,157	(1,646,089)
Net Finance and Other Income		3,309,189	16,833	3,326,022	1,948,031	45,934	1,993,965
Expenses		(4,001,950)	27,110	(3,974,840)	(2,878,619)	24,166	(2,854,453)
Increase in Life Insurance Fund Before Surplus Distribution to Shareholders		5,844,620	(224,517)	5,620,103	4,309,636	(80,280)	4,229,356
Surplus Distributed to Shareholders*		(1,280,000)	-	(1,280,000)	(980,000)	-	(980,000)
Increase in Life Insurance Fund		4,564,620	(224,517)	4,340,103	3,329,636	(80,280)	3,249,356
Surcharge tax	46.6	(21,966)	-	(21,966)	-	-	-
Effect of Taxation on surplus/Bonus transferred to Policyholders	25.4	(17,042)	-	(17,042)	(19,871)	-	(19,871)
Balance as at 31st December		25,027,906	(664,276)	24,363,630	20,502,294	(439,759)	20,062,535

*Company transferred Rs. 1,100 Million in September 2022 and Rs. 180 Million December 2022 as surplus for the year from Policyholder to shareholders Fund.

25.2 Maturity Analysis

Maturity Analysis of Life Insurance Fund is given in Note 49 on page 313.

According to the appointed Actuary's report, the reserve for the year amounted to Rs. 22,695 Million (2021 - Rs. 19,706 Million). In opinion of the appointed Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance fund.

25.3 Valuation of Life Insurance Fund

The valuation of the Life Insurance fund as at 31st December 2022 was carried out by the Appointed Actuary, Mr. Abhishek Chadha, FIA, FIAI for and on behalf of Willis Towers Watson India Private Limited and have ensured adequate provisions have been made in these Financial Statements in line with the Actuarial Valuation.

As recommended by the Appointed Actuary a sum of Rs. 1,280 Million (2021 - Rs. 980 Million) has been transferred from the Life Insurance Fund to the Shareholders' Fund for the year 2022. Refer paragraph 6 of the Actuarial report provided in page 184.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

25.4 Effects of Taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of Inland Revenue Act No 24 of 2017 which is effective from 01st April 2018, the surplus distributed to a life insurance policyholder who shares the profit of a person engaged in the business of life insurance, as provided in the Regulation of Insurance Industry Act, No. 43 of 2000, shall be deemed as gains and profits of the business and shall be taxed at a concessionary rate of 14% for three years of assessment after the commencement of the Act. However, due to the completion of stipulated concessionary period, Company will be liable to tax at the standard income tax rate on bonus/surplus transferred to policyholders from the year 2021 onwards. As per the tax revisions, standard rate of income tax has increased from 24% to 30% with effect from 01st October 2022. Therefore, Company will be liable to tax at the rate of 30% on bonus/surplus transferred to policyholders from the year 2022 onwards (2021 - 24%). As recommended by the Consultant Actuary, the Company declared a bonus of Rs. 56.8 Million (2021 - Rs. 82.8 Million) to Life Insurance policyholders participating in the profits of the Life Insurance business. The Company has charged a tax of Rs. 17.04 Million (2021 - Rs. 19.87 Million) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date. Refer paragraph 7 of the Actuarial report provided in page 184.

25.5 Liability Adequacy Testing (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Mr. Abhishek Chadha, FIA, on behalf of Willis Towers Watson India Private Limited, as at 31st December 2022 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounts all contractual cash flows and compares this amount with the carrying value of the liability. The

valuation is based on internationally accepted actuarial methods and is performed semi-annually. According to the Actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2022. No additional provision was required against the LAT as at 31st December 2022. Refer paragraph 8 of Actuarial Report provided by the Appointed Actuary for LAT in page 184.

25.6 Methodology Used in Determination of Market Value of Liability

A discounted cash flow approach, equivalent to a gross premium valuation methodology, has been used for calculating the liabilities for the existing business as at 31st December 2022. Gross and net of reinsurance liabilities have been calculated as required in the RBC submission template. In determining the policy liabilities provisions for reinsurance have been allowed for according to the applicable reinsurance terms as per the current agreements.

In accordance with the RBC guidelines, negative policy reserves for long term insurance contracts are acceptable and the value of the liabilities held have been floored to zero at a policy level for Privileged Life, riders attaching to Privileged Life product, Supreme Health Max rider and Super CI rider attaching to all base products.

There are no implicit or explicit surrender value floor has been assumed for the value of liabilities for a contract. Instead, in accordance with the guidelines, the impact of surrender value deficiency is captured in the risk charge capital calculation through the Surrender Value Capital Charge (SVCC).

25.6.1 Details of calculation of policy liability and net cash flows are provided in following table for each class of products;

Details of product category	Basis of determinants of policy liability	Basis of calculating Net Cash flows
Individual traditional Non-Participating products	Discounting "Net Cash Flows" at the risk free interest rate curve	Future Premium Income (-) Death benefit Outgo (+) Rider benefit Outgo (+) Surrender benefit Outgo (+) Maturity benefit Outgo (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Individual traditional Participating products	Max (Guaranteed benefit liability, Total benefit liability)	Same as above
Individual universal Non-Participating products	Privileged Life Product-Discounting "Net Cash Flows" at the risk free interest rate curve, products except Privileged Life- Max (Discounting "Net Cash Flows" at the risk free interest rate curve, Fund Value)	Future Premium Income (-) Death benefit Outgo inclusive of dividend accumulations (+) Rider benefit Outgo (+) Surrender benefit Outgo inclusive of dividend accumulations (+) Maturity benefit Outgo inclusive of dividend accumulations (+) Commission Expense Outgo (+) Policy Expense Outgo (+) Reinsurance Recoveries (-) Reinsurance Premium Outgo (+) Reinsurance Commission (-) Net cash flows = sum of above
Group Traditional Non-participating products	Policy liability has been set equal to UPR	Not Applicable

25.7 Key Assumptions Used in Determinations of Best Estimate Liability (BEL)

Details of key assumptions used and basis of arriving for the same are summarised in following table;

Assumption	Basis of Estimation																						
Economic Assumption																							
Risk Free Rate	The risk free rates have been set based on Sri Lankan Government Bond yields issued by IRCSL for the industry as at 31st December 2022.																						
	<table border="1"> <thead> <tr> <th>Year</th> <th>Spot Rate</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>29.55%</td> </tr> <tr> <td>2</td> <td>27.30%</td> </tr> <tr> <td>3</td> <td>28.72%</td> </tr> <tr> <td>4</td> <td>27.97%</td> </tr> <tr> <td>5</td> <td>26.99%</td> </tr> <tr> <td>6</td> <td>25.87%</td> </tr> <tr> <td>7</td> <td>27.36%</td> </tr> <tr> <td>8</td> <td>25.15%</td> </tr> <tr> <td>9</td> <td>25.62%</td> </tr> <tr> <td>10 onwards</td> <td>27.04%</td> </tr> </tbody> </table>	Year	Spot Rate	1	29.55%	2	27.30%	3	28.72%	4	27.97%	5	26.99%	6	25.87%	7	27.36%	8	25.15%	9	25.62%	10 onwards	27.04%
Year	Spot Rate																						
1	29.55%																						
2	27.30%																						
3	28.72%																						
4	27.97%																						
5	26.99%																						
6	25.87%																						
7	27.36%																						
8	25.15%																						
9	25.62%																						
10 onwards	27.04%																						
Participating Fund Yield	Based on the weighted average of projected asset mix and based on the expected yields for various asset types.																						

Operating Assumptions

Mortality Rate	Experience calibrated for the best estimate assumptions of mortality and morbidity is based on mortality rates and reinsurance morbidity rates.
Morbidity Rates	
Expenses	Best estimate expense assumption is based on the Company specific expenses. For the purpose of the expense study, a functional split of expenses between acquisition or maintenance costs have been identified. These have been further identified as either fixed or variable based on the nature of expenses to determine a unit cost loading for use in the valuation.
Expense Inflation	This is derived based on the weighted salary increment experience and the CPI inflation for non-salary expense items.
Bonus Rates	Bonus rate scale assumption has been arrived based on bonus declared for the latest year, based on the Company management's views on policyholder reasonable expectations. This assumes that Company is at least expecting to maintain the current bonus levels into the future.
Lapse Ratio	Lapse assumption of the Company is based on the experience analysis and historical trends during intervals of the policy tenure.

25.8 Sensitivity Analysis

Sensitivity Analysis of Life Insurance Contract Liability is provided in Note 4.

25.9 Solvency Margin

As per the Report of the Life Actuary, the Company's Capital Adequacy Ratio (CAR) is 306% (2021 - 277%), well above the minimum requirement of 120%. Please refer paragraph 5 of the Actuarial report provided in page 184.

26. INSURANCE CONTRACT LIABILITIES - GENERAL INSURANCE

ACCOUNTING POLICY

BASIS OF RECOGNITION AND MEASUREMENT

General Insurance Contract Liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities.

CLAIMS LIABILITIES

Claims Liabilities are recognised in respect of both with reinsurance and without reinsurance. Claims liabilities refer to the obligation of the insurance company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. This include provision for claims reported, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) together with related claims handling costs.

PREMIUM LIABILITIES

Premium Liabilities are the higher of the aggregate of the Unearned Premium Reserve (UPR) and the best estimate value of the insurer's Unexpired Risk Reserves (URR) at the valuation date and the Provision of Risk Margins for Adverse Deviation (PRAD) calculated at line of business level.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The provision for unearned premium represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

USE OF JUDGEMENTS AND ESTIMATES

The estimates of General Insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported and claims incurred, but not enough reported (IBNR/IBNER) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The main assumption underlying in estimating the amount of outstanding claims is the past claims development experience.

Large claims are usually addressed separately, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

The General Insurance reserves as shown in the Statement of Financial Position represents the following:

As at 31st December,	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Reserves for Net Unearned Premium	26.1	2,735,501	2,343,472	-	-
Reserves for Title Insurance	26.2	57,059	63,531	-	-
Reserves for Gross Outstanding Claims	26.3	1,389,028	1,328,919	-	-
Total Insurance Contract Liabilities - General Insurance		4,181,588	3,735,922	-	-

26.1 Reserves for Net Unearned Premium

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Reserves for Unearned Premium				
Balance as at 01st January	2,826,783	2,505,096	-	-
Increase in Reserve for Unearned Premium	601,302	321,687	-	-
Balance as at 31st December (a)	3,428,085	2,826,783	-	-
Reserves for Unearned Reinsurance Premium				
Balance as at 1st January	(483,311)	(397,076)	-	-
Increase in Reserve for Unearned Reinsurance Premium	(209,273)	(86,235)	-	-
Balance as at 31st December (b)	(692,584)	(483,311)	-	-
Total Reserves for Net Unearned Premium (a+b)	2,735,501	2,343,472	-	-

LIABILITY ADEQUACY TEST (LAT)

As required by SLFRS 4 - "Insurance Contracts", the Group performs a Liability Adequacy Test (LAT) in respect of General Insurance Contract Liabilities with the assistance of the External Actuary.

TITLE INSURANCE RESERVE

Title Insurance reserve is maintained by the Group to pay potential claims arising from the Title Insurance policies. Title Insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised in the first year of the policy given the higher probability of claims occurring in the first year. From the 2nd year onwards, profit is recognised by amortising the premium received over a five-year period using the straight-line method. Profit in the first year will be recognised in the 2nd year and thereafter it will be periodically recognised.

26.2 Reserves for Title Insurance

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January (a)		63,531	56,731	-	-
Transfer to Title Insurance Reserve (b)		17,902	27,702	-	-
Recognition of Title Insurance Profit (c)	26.5	(24,374)	(20,902)	-	-
Transfer (from) to Title Insurance Reserves (d=b+c)		(6,472)	6,800	-	-
Total Reserves for Title Insurance as at 31st December (a+d)		57,059	63,531	-	-

26.3 Reserves for Gross Outstanding Claims

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		1,145,465	950,111	-	-
Claims Incurred during the Year		3,590,476	2,865,311	-	-
Claims Paid during the Year		(3,729,570)	(2,669,957)	-	-
Balance as at 31st December (a)		1,006,371	1,145,465	-	-
IBNR/IBNER balance as at 1st January		183,454	194,287	-	-
Increase in IBNR/IBNER		199,203	(10,833)	-	-
IBNR/IBNER balance as at 31st December (b)	26.7	382,657	183,454	-	-
Total Reserves for Gross Outstanding Claims (a+b)		1,389,028	1,328,919	-	-

26.4 Reconciliation between Insurance Contract Liabilities and Technical Reserve

As at 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liabilities - General Insurance		4,181,588	3,735,922	-	-
Reserve for Net Deferred Acquisition Expenses	17	(163,995)	(157,710)	-	-
Reinsurance on Claims Reserves		(389,633)	(487,008)	-	-
Reinsurance on Claims Reserves IBNR/IBNER		(97,682)	(16,609)	-	-
Technical Reserves		3,530,278	3,074,595	-	-

26.5 Recognition of Title Insurance Profit

Net Written Premium on Title Insurance after deducting acquisition cost has been transferred to the Title Reserves account to pay potential claims arising from the Title Insurance policies. During the year, the Group recognised Rs. 24.4 Million (2021 - Rs. 20.9 Million) as profit from Title Insurance.

26.6 Assessment of Liabilities

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The Reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

26.7 Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER)

IBNR and IBNER claims Reserves as at 31st December 2022 has been actuarially computed by the Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, for and on behalf of Willis Towers Watson India Private Limited. The Appointed Actuary performs the valuation on semi-annual basis and have ensured that adequate reserves are maintained. Refer page 185 for Actuarial report provided by the Appointed Actuary.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

26.8 Liability Adequacy Testing (LAT)

A Liability Adequacy Test (LAT) for General Insurance Contract Liability was carried out by Appointed Actuary, Ms. Sipika Tandon Mathur, FIA, as at 31st December 2022 for and on behalf of Willis Towers Watson India Private Limited as required by SLFRS 4 - Insurance Contracts. The valuation is performed on semi-annual basis. According to the Appointed Actuary's report, HNB General Insurance Limited adequately satisfies the LAT as at 31st December 2022. No additional provision was required against the LAT as at 31st December 2022. Refer page 185 for Actuarial Report provided by the Appointed Actuary for LAT.

26.9 Sensitivity Analysis

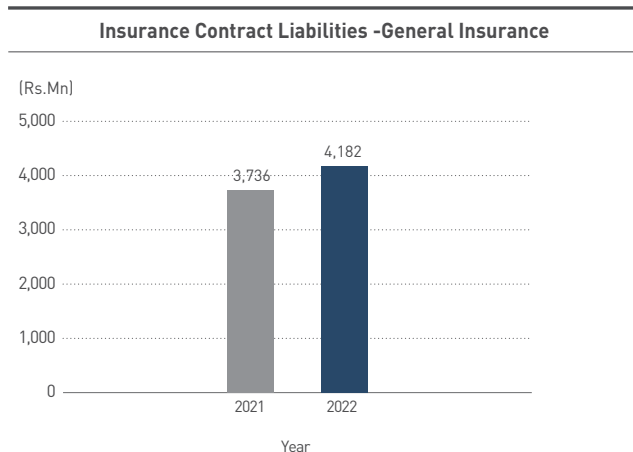
Sensitivity Analysis of General Insurance Contract Liability is provided in Note 4 on page 206.

26.10 Solvency Margin

As per the Report of the General Actuary, the subsidiary's Capital Adequacy Ratio (CAR) is 239% (2021 - 260%), well above the minimum requirement of 120%.

26.11 Key Assumptions

Details of key assumptions used are provided in Note 4 on page 206.

**26.12 Maturity Analysis**

Maturity Analysis of General Insurance Fund is given in Note 49 on page 313.

27. EMPLOYEE BENEFIT LIABILITIES**ACCOUNTING POLICY****DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.

DEFINED BENEFIT PLANS - GRATUITY**MEASUREMENT**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. Under the Payment of Gratuity Act, No. 12 of 1983, the liability to pay the gratuity to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

RECOGNITION

The re-measurement of the net defined benefit liability, which comprises actuarial gains and losses, are recognised immediately in Other Comprehensive Income. Interest cost, past service cost and current service cost are recognised in Profit or Loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to the past service or the gain or loss on curtailment is recognized immediately in the profit or loss. The company recognizes gain or loss on the settlement of a defined plan when the settlement occurs.

VALUATION OF EMPLOYEE DEFINED BENEFIT LIABILITY

The defined benefit obligation is calculated by a qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - "Employee Benefits". The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty and those are reviewed annually. In determining the discount rate, management considers the interest rates of the Government of Sri Lanka Treasury bond with maturities corresponding to the expected duration of defined benefit obligation. Future expected inflation rates and salary increment rates of the Group are considered in determining the salary increases.

27.1 Defined Benefit Plans - Provision for Employee Defined Benefit Liabilities

As at 31st December,	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Present Value of Unfunded Obligation	27.2	236,424	239,167	142,692	137,328

27.2 Movement in the Present Value of the Employee Defined Benefit Liability

As at 31st December,	Note	GROUP		COMPANY	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Balance as at 1st January		239,167	254,438	137,328	150,729
Expenses Recognised in Profit or Loss during the year	27.2.1	52,787	45,980	30,056	25,301
Actuarial Gains recognised in Other Comprehensive Income during the Plan Year	27.2.2	(37,945)	(44,140)	(10,586)	(27,302)
		254,009	256,278	156,798	148,728
Payments during the Year		(17,585)	(17,111)	(12,628)	(11,423)
Adjustment due to transfer of employees from Subsidiary company		-	-	(1,478)	23
Balance as at 31st December		236,424	239,167	142,692	137,328

27.2.1 Expenses Recognised in Profit or Loss

As at 31st December,	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Current Service Cost	26,480	28,726	14,950	14,750
Interest on Obligation	26,307	17,254	15,106	10,551
Total	52,787	45,980	30,056	25,301

27.2.2 Actuarial Gains Recognised in Other Comprehensive Income

As at 31st December,	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Actuarial Losses/(Gains) due to Changes in demographic Assumptions	5,948	(3,223)	5,963	(1,210)
Actuarial Gains due to Changes in Financial Assumptions	(65,837)	(64,721)	(29,007)	(40,039)
Actuarial Losses due to Changes in Experience	21,944	23,804	12,458	13,947
Actuarial Gains during the Plan Year	(37,945)	(44,140)	(10,586)	(27,302)

As at 31st December 2022, the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary Mr. Pushpakumar Gunasekera (Actuary/Associate of

Institute of Actuaries of Australia) of Messrs. Smiles Global (Pvt) Ltd. The valuation is performed annually and have ensured adequate reserves are maintained.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

27.3 Maturity Analysis of the Liability

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within next 12 Months	696	-	-	-
Between 1 to 2 Years	6,400	1,235	1,347	-
Between 2 to 5 Years	25,890	19,479	19,655	10,476
Between 5 to 10 Years	119,388	85,796	79,704	45,772
Beyond 10 years	84,050	132,657	41,986	81,080
Total	236,424	239,167	142,692	137,328

27.4 Principal Assumptions Used

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assumptions				
(a) Discount Rate*	18.5%	11.0%	18.5%	11.0%
(b) Future Salary Increase Rate	12% - 14%	9.5%	14%	9.5%

Demographic Assumptions

(c) Staff Turnover Rate				
- Less than 5 years	18% - 32%	17% - 31%	32%	31%
- More than 5 years	6% - 8%	6%	8%	6%
(d) Expected future working lifetime	5.87 - 7.98 years	7.39 - 7.82 years	5.87 years	7.39 years
(e) Normal retirement age	60 years	60 years	60 years	60 years
(f) Mortality in service	A1967/70 Ultimate Mortality table has used			

* As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

27.5 The Defined Benefit Plans in Typically Expose the Group to Following Risks.

Interest risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to long term interest rate. Accordingly, an increase in the long-term interest rate will decrease the plan liability.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability

27.6 Sensitivity Effect on Statement of Financial Position

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount Rate				
1% Increase in Discount Rate	(13,229)	(18,578)	(7,891)	(10,842)
1% Decrease in Discount Rate	14,749	21,362	8,784	12,482
Salary Increment Rate				
1% Increase in Salary	16,391	22,571	9,697	13,177
1% Decrease in Salary	(14,870)	(19,920)	(8,817)	(11,614)

27.7 Method and Assumptions Used in Preparing the Sensitivity Analysis

The above sensitivity analyses are based on a change in significant assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method "Projected Unit Credit method (PUC)" has been

applied as when calculating the defined benefit liability recognised in the balance sheet as at the reporting date.

The methods and types of assumptions used in preparing the sensitivity did not change compared to the prior period. However, the discount rate has changed from 11% to 18.5% during the year to reflect the increment in market interest rates and future salary increment rate has changed from 9.5% to 12%/14% to be in line with the economic variables.

27.8 Apportionment of Provision for Employee Defined Benefit Liabilities between the Company and the Subsidiary

As at 31st December,	COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Amount Recognised in Company	27,120	22,281
Amount Transferred to HNB General Insurance Limited	2,936	3,020
Total Provision for Employee Defined Benefit Liabilities	30,056	25,301

28. CURRENT TAX LIABILITIES

ACCOUNTING POLICY

Current tax liabilities consist of amounts expected to be paid to the taxation authorities in respect of the current as well as prior years.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date. Refer to Note 46.3 for changes in Tax rates introduced during the year.

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January		62,168	151,093	19,871	12,301
Current Tax for the Year		288,436	73,152	236,503	-
Effect of Taxation on Surplus/Bonus Transferred to Policyholders	25.4	17,042	19,871	17,042	19,871
Under Provision Pertaining to Previous Year		55	-	-	-
		367,702	244,116	273,417	32,172
Tax Set Off/Paid during the Year					
Withholding Tax Credits		-	(273)	-	-
Notional Tax on Government Securities		-	(12,301)	-	(12,301)
Tax paid during the year		(113,892)	(169,374)	(64,079)	-
Balance as at 31st December		253,810	62,168	209,338	19,871

28.1 Maturity Analysis

Maturity Analysis of Current Tax liability is given in Note 49 on page 313.

Note 7 of page 249 for Accounting policy of other financial liabilities.

Reinsurance creditors consist of premiums payable to reinsurers recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract. Reinsurance liabilities are derecognised when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

29. REINSURANCE CREDITORS

ACCOUNTING POLICY

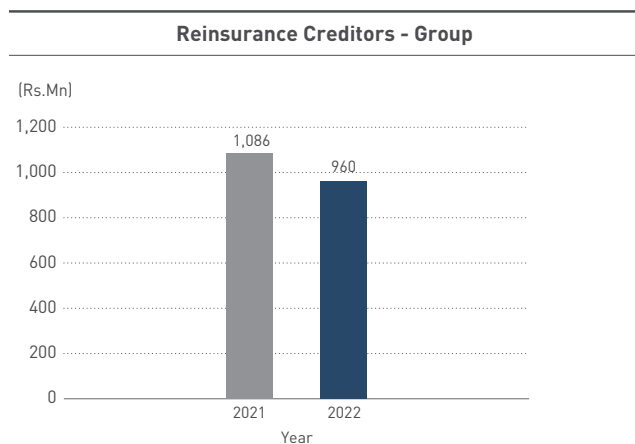
Reinsurance creditors are recognised as financial liabilities and categorised in the category of other financial liabilities. Please refer

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	367,480	367,480	-	-
Foreign Reinsurers	592,213	718,032	227,512	453,054
Total Reinsurance Creditors	959,693	1,085,512	227,512	453,054

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

29.1 Maturity Analysis

Maturity Analysis of Reinsurance Creditors is given in Note 49 on page 313.



30. LEASE CREDITORS

ACCOUNTING POLICY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease Payments included in the measurement lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the Right of Use Asset, or is recorded in profit or loss if the carrying amount of the Right of Use Asset has been reduced to zero.

	GROUP					
	2022			2021		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 1st January	404,198	17,640	421,838	371,891	21,254	393,145
Additions during the Year	105,083	-	105,083	110,149	3,463	113,612
Increase/Decrease to the recognised liability	1,501	896	2,398	-	-	-
Interest expenses during the Year	46,044	2,273	48,317	46,609	2,587	49,196
Disposal of Lease Creditor upon termination of contract	(4,263)	-	(4,263)	(3,280)	-	(3,280)
Rentals paid during the Year	(153,854)	(8,800)	(162,654)	(121,171)	(9,664)	(130,835)
Balance as at 31st December	398,709	12,010	410,719	404,198	17,640	421,838

	COMPANY					
	2022			2021		
	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000	Property Rs.'000	Motor Vehicles Rs.'000	Total Rs.'000
Balance as at 1st January	382,128	8,246	390,374	370,014	7,732	377,746
Additions during the Year	98,042	-	98,042	87,532	3,463	90,995
Increase/Decrease to the recognised liability	1,635	375	2,010	-	-	-
Interest expenses during the Year	43,546	1,047	44,593	45,135	1,165	46,300
Disposal of Lease Creditor upon termination of contract	(4,263)	-	(4,263)	(3,280)	-	(3,280)
Rentals paid during the Year	(148,734)	(5,096)	(153,830)	(117,273)	(4,114)	(121,387)
Balance as at 31st December	372,354	4,572	376,926	382,128	8,246	390,374

30.1 Maturity Analysis

Maturity Analysis of Lease Creditors is given in Note 49 on page 313.

31. OTHER LIABILITIES**ACCOUNTING POLICY****FINANCIAL LIABILITIES**

Please refer Note 7 of page 249 for Accounting policy of financial liabilities.

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

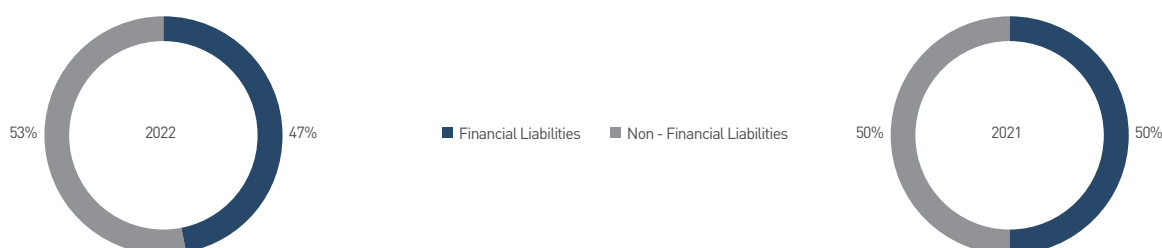
OTHER LIABILITIES

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Liabilities					
Payable to Policyholders		110,870	67,116	31,702	14,892
Acquisition Cost Payable		314,474	245,458	170,628	133,234
Advisor Terminal Benefit Payable	31.2	236,375	230,291	213,090	210,141
Amounts due to Related Parties	31.3	82,140	67,047	61,207	49,549
Co - Insurance Payable		68,562	38,647	-	-
Claims Payable		4,107	2,632	-	-
Staff Related Payables		308,075	215,952	236,195	160,645
Total Financial Liabilities (a)		1,124,603	867,143	712,822	568,461
Non-Financial Liabilities					
Accrued Expenses		146,810	113,157	7,232	8,586
Policyholders Advance Payments		299,445	223,263	299,445	223,263
Government Levies	31.4	172,353	73,346	36,999	28,777
Advance for Future Utilisation and Other Liabilities		663,537	470,239	327,910	205,732
Total Non-Financial Liabilities (b)		1,282,145	880,005	671,586	466,358
Total Other Liabilities (a+b)		2,406,748	1,747,148	1,384,408	1,034,819

31.1 Maturity Analysis

Maturity Analysis of Other Liabilities is given in Note 49 on page 313.

Other Liabilities Composition - Group

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

31.2 Advisor Terminal Benefit Payable

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance	213,090	210,141	213,090	210,141
General Insurance	23,285	20,150	-	-
Total	236,375	230,291	213,090	210,141

31.3 Amounts due to Related Parties

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Hatton National Bank PLC	72,218	64,855	55,253	49,523
HNB Finance PLC	9,922	2,192	5,954	26
Total	82,140	67,047	61,207	49,549

31.4 Government Levies

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Stamp Duty Payable	2,573	2,234	431	415
Value Added Tax (VAT) Payable	89,492	30,612	1,268	4,179
Cess Payable	10,303	8,918	4,380	3,998
Crop Insurance	12,859	8,884	11,630	8,119
Pay As You Earn (PAYE)	2,530	1,562	1,918	1,213
Employee Provident Fund Payable	20,276	16,812	11,577	9,437
Employee Trust Fund Payable	3,041	2,522	1,736	1,416
Withholding Tax Payable	3,361	-	3,361	-
Contribution to Road Safety Fund Payable	185	239	-	-
SSCL Payable	26,900	-	698	-
Luxury Tax Payable to Department of Motor Traffic	833	1,563	-	-
Total	172,353	73,346	36,999	28,777

32. GROSS WRITTEN PREMIUM (GWP)

ACCOUNTING POLICY

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.

LIFE INSURANCE BUSINESS

Gross Written Premiums on Life Insurance contracts are recognised as revenue when a premium is due from a Policyholder. Within the 30-day grace period are considered as due premium, except for group life which is considered up to 90 days.

Premiums received in advance are not recorded as revenue but recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as revenue. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

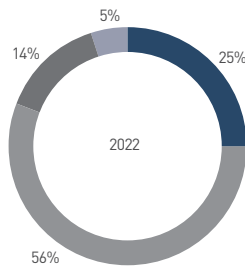
For single premium business, revenue is recognised on the date on which the policy is effective.

GENERAL INSURANCE BUSINESS

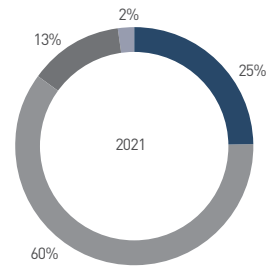
Gross Written Premium on General Insurance comprises of the total premium received/receivable for the whole period of cover provided by contracts entered during the accounting period. Premium is generally recognised upon the inception of the policy as written and is earned primarily on a pro-rata basis over the term of the related policy coverage.

For the Year Ended 31st December,	GROUP					
	2022			2021		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
Life Insurance						
Renewal Premium	4,997,255	-	4,997,255	4,295,742	-	4,295,742
Single Premium	1,217,620	-	1,217,620	916,307	-	916,307
First Year Premium	2,269,345	-	2,269,345	1,750,236	-	1,750,236
Group Life Premium	-	427,240	427,240	-	129,185	129,185
Adjustment for Intercompany Premiums	-	(36,509)	(36,509)	-	(54,769)	(54,769)
Gross Written Premium - Life Insurance (a)			8,874,951			7,036,701
	Basic/ SRCC/TC Rs.'000	*Co - Insurance Local Rs.'000	Total Rs.'000	Basic/ SRCC/TC Rs.'000	*Co - Insurance Local Rs.'000	Total Rs.'000
General Insurance						
Fire	1,034,783	(69,641)	965,142	815,741	(56,622)	759,119
Motor	4,226,255	(8,399)	4,217,856	3,867,773	(2,487)	3,865,286
Marine	158,695	(399)	158,296	83,345	(1,471)	81,874
Miscellaneous	1,480,250	(533)	1,479,717	943,042	(743)	942,299
Adjustment for Intercompany Premiums	(58,226)	-	(58,226)	(38,332)	-	(38,332)
Gross Written Premium - General Insurance (b)			6,762,785			5,610,246
Total Gross Written Premium (a+b)			15,637,736			12,646,947

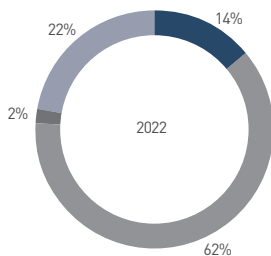
Gross Written Premium-Life Insurance



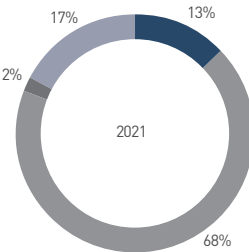
■ First Year Premium ■ Single Premium
■ Renewal Premium ■ Group Life Premium



Gross Written Premium-General Insurance



■ Fire ■ Marine
■ Motor ■ Miscellaneous



ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December,	COMPANY					
	2022			2021		
	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000	Individual business Rs.'000	Corporate business Rs.'000	Total Rs.'000
Life Insurance						
Renewal Premium	4,997,255	-	4,997,255	4,295,742	-	4,295,742
Single Premium	1,217,620	-	1,217,620	916,307	-	916,307
First Year Premium	2,269,345	-	2,269,345	1,750,236	-	1,750,236
Group Life Premium	-	427,240	427,240	-	129,185	129,185
Total Gross Written Premium			8,911,460			7,091,470

* Co-Insurance is an arrangement to share risks with domestic insurer under a special contract and the portion shared with the co-insurance partner is not considered as a part of Gross Written Premium.

33. PREMIUM CEDED TO REINSURERS**ACCOUNTING POLICY**

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Value of the reinsurance premiums are decided based on rates agreed with reinsurers.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life Insurance				
Individual Policies	242,771	192,520	242,771	192,520
Single Premium	55,473	140,832	55,473	140,832
Corporate Policies	174,768	22,185	174,768	22,185
Total Life Insurance (a)	473,012	355,537	473,012	355,537
General Insurance				
Fire	914,763	732,462	-	-
Motor	176,934	175,612	-	-
Marine	146,234	76,423	-	-
Miscellaneous	453,759	308,827	-	-
Total General Insurance (b)	1,691,690	1,293,324	-	-
Total Premium Ceded to Reinsurers (a+b)	2,164,702	1,648,861	473,012	355,537

34. NET CHANGE IN RESERVES FOR UNEARNED PREMIUM**ACCOUNTING POLICY**

Gross Written Premium of General business is deferred over the term of the underlying policies' risk attached period according to the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments there to, unearned premiums are the proportion of premiums that relate to the period of risk after the respective reporting period. Group uses 1/24th basis to defer the GWP of all policies except for the Marine Insurance policies

and Title Insurance policies, where Marine Insurance premiums are deferred based on 60 : 40 basis and total premiums on Title Insurance are transferred to Reserve for Title Insurance for the reporting period.

Similarly Reinsurance Premiums attached to those policies are also deferred over the policies risk attached period using the same basis as mentioned above. Further, Title Insurance Reserve is maintained based on the net transfer of Net Written Premium after deducting acquisition cost and profit recognised during that period.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
General Insurance					
Change in Reserve for Unearned Premium	26.1	(601,302)	(321,687)	-	-
Change in Reserve for Unearned Reinsurers Premium	26.1	209,273	86,235	-	-
Transfer to Reserve for Title Insurance	26.2	6,472	(6,800)	-	-
Total Net Change in Reserves for Unearned Premium		(385,557)	(242,252)	-	-

35. NET EARNED PREMIUM

For the Year Ended 31st December,	GROUP					
	2022			2021		
	Life Insurance Rs.'000	General Insurance Rs.'000	Total Rs.'000	Life Insurance Rs.'000	General Insurance Rs.'000	Total Rs.'000
Gross Written Premium	8,911,460	6,821,011	15,732,471	7,091,470	5,648,578	12,740,048
Adjustment for Intercompany Premium	(36,509)	(58,226)	(94,735)	(54,769)	(38,332)	(93,101)
	8,874,951	6,762,785	15,637,736	7,036,701	5,610,246	12,646,947
Change in Reserve for Unearned Premium	-	(601,302)	(601,302)	-	(321,687)	(321,687)
Gross Earned Premium (a)	8,874,951	6,161,483	15,036,434	7,036,701	5,288,559	12,325,260
Premium Ceded to Reinsurance	(473,012)	(1,691,690)	(2,164,702)	(355,537)	(1,293,324)	(1,648,861)
Change in Reserve for Unearned Reinsurance Premium	-	209,273	209,273	-	86,235	86,235
Gross Reinsurance Premium (b)	(473,012)	(1,482,417)	(1,955,429)	(355,537)	(1,207,089)	(1,562,626)
Transfer to Title Insurance Reserve (c)	-	6,472	6,472	-	(6,800)	(6,800)
Total Net Earned Premium (a+b+c)	8,401,939	4,685,538	13,087,477	6,681,164	4,074,670	10,755,834

For the Year Ended 31st December,	COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Gross Written Premium	8,911,460	7,091,470
Premium Ceded to Reinsurance	(473,012)	(355,537)
Total Net Earned Premium	8,438,448	6,735,933

36. INTEREST AND DIVIDEND INCOME**ACCOUNTING POLICY****INTEREST INCOME**

Interest income is recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all

contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees that are an integral part of the effective interest rate. Transaction cost include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

DIVIDEND INCOME

Dividend income is recognised when the right to receive income is established which is usually the ex-dividend date of equity securities.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income	36.1	4,533,060	2,545,483	3,860,664	2,186,492
Dividend Income	36.2	8,622	9,791	111,972	124,628
Total Interest and Dividend Income		4,541,682	2,555,274	3,972,636	2,311,120

TEMPORARY EXEMPTION FROM SLFRS 9

As explained in page 200, the Group has decided to take temporary exemption from SLFRS 9 as the Group's activities are predominantly connected with insurance activities and do not

engage in a significant activity unconnected with insurance. Group had not previously applied any version of SLFRS 9. This is further explained in Note 3.1.1. Therefore, interest and dividend income is presented in accordance with LKAS 39.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Finance Income Composition-Group



36.1 Interest Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Income from Financial Investments - Held to Maturity				
Treasury Bonds	884,963	4,989	884,963	4,989
Treasury Bills	88,783	-	69,816	-
Total (a)	973,746	4,989	954,779	4,989
Interest Income from Financial Investments - Loans and Receivables				
Repurchase Agreements on Government Securities	500,176	220,768	427,366	172,577
Fixed Deposits	476,566	776,794	357,035	668,233
Debentures	811,634	732,965	716,174	651,915
Sri Lanka Development Bonds	5,668	9,130	2,008	1,640
Policy Loans	63,467	56,621	63,467	56,621
Staff and Advisor Loans	37,753	39,766	22,423	22,441
Total (b)	1,895,264	1,836,044	1,588,473	1,573,427
Interest Income from Financial Investments - Available For Sale				
Treasury Bonds	581,023	609,222	462,630	539,915
Treasury Bills	850,468	60,825	696,511	47,226
Total (c)	1,431,491	670,047	1,159,141	587,141
Interest Income from Cash and Cash Equivalents				
Short Term Deposits	137,605	7,024	104,334	4,493
Savings Accounts	94,954	27,379	53,937	16,442
Total (d)	232,559	34,403	158,271	20,935
Total Interest Income (a+b+c+d)	4,533,060	2,545,483	3,860,664	2,186,492

36.2 Dividend Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Shares	8,622	9,791	8,472	9,628
Dividend Income from Investments in Subsidiary	-	-	103,500	115,000
Total Dividend Income	8,622	9,791	111,972	124,628

37. NET REALISED GAINS

ACCOUNTING POLICY

Net Realised Gains comprises gains and losses related to Financial Investments. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and

the original/fair value of prior year or amortised cost which are recorded on occurrence of the sale. On de-recognition of investments classified as AFS, the cumulative gain or loss previously recognised in OCI is recycled to Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Investments - Available For Sale				
Realised Gains				
Treasury Bonds	-	5,874	-	5,874
Equity Shares	-	3,616	-	3,616
Total (a)	-	9,490	-	9,490

Financial Investments - Fair Value Through Profit or Loss

Realised Gains

Investment in Units	4,086	43,043	-	40,231
Equity Shares	-	388	-	388
Total (b)	4,086	43,431	-	40,619

Financial Investments - Loans and Receivables

Realised Gains

Foreign Exchange - Sri Lanka Development Bonds	75,775	-	28,795	-
Foreign Exchange - Short Term Deposits	191,510	-	51,787	-
Foreign Exchange - Medium Term Deposits	118,728	-	24,794	-
Total (c)	386,013	-	105,376	-

Total Net Realised Gains (a+b+c)	390,099	52,921	105,376	50,109
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38. NET FAIR VALUE (LOSSES)/GAINS

ACCOUNTING POLICY

Net fair value gains and losses comprises fair value gains and Losses on financial assets at Fair Value Through Profit or Loss and any impairment loss of Available For Sales financial assets.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Investments at Fair Value Through Profit or Loss					
Unrealised Gains					
Investment in Units		-	13,337	-	-
Equity Securities		-	41,172	-	40,150
Total (a)		-	54,509	-	40,150
Unrealised Losses					
Equity Securities		(60,362)	-	(58,980)	-
Total (b)		(60,362)	-	(58,980)	-
Total (c = a+b)		(60,362)	54,509	(58,980)	40,150
Financial Investments at Available For Sale					
Impairment of Available For Sale Financial Assets		(10,964)	-	(10,964)	-
Total (d)	38.1	(10,964)	-	(10,964)	-
Financial Investments at Loans & Receivables					
Unrealised Gains					
Foreign Exchange - Short Term Deposits		-	20,232	-	8,788
Foreign Exchange - Medium Term Deposits		4,943	162	1,281	33
Sri Lanka Development Bonds		-	4,225	-	513
Total (e)		4,943	24,619	1,281	9,334
Total Net Fair Value (Losses)/Gains (c+d+e)		(66,383)	79,128	(68,663)	49,484

38.1 Impairment of Equity Shares - Available For Sale

Company has experienced a significant and prolonged decline in market price than cost of equity shares categorised under AFS category and an impairment loss is recognised in Profit or Loss for the financial year 2022. However, there is no impairment on equity shares for the previous year 2021.

39. FEE AND COMMISSION INCOME**ACCOUNTING POLICY**

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or when they become due.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Commission from Reinsurers	55,335	80,895	16,833	45,934
Fund Management Fee	-	-	14,692	13,947
Policy and Related Fee	216,888	144,843	22,869	17,144
Total Fee and Commission Income	272,223	225,738	54,394	77,025

40. OTHER INCOME**ACCOUNTING POLICY**

Income earned on other sources, which are not directly related to the normal operations of the Group/Company are recognised as Sundry Income upon receipt or become due. Gain on disposal

of Property, Plant and Equipment and Right of Use Assets are calculated as the excess over the net proceeds from disposal and carrying amount at the time of disposal and recognised under other income in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain on Disposal of Property, Plant and Equipment	750	69	964	-
Gain on Disposal of Right of Use Assets	1,023	620	1,023	620
Sundry Income	34,669	4,862	31,236	2,146
Total Other Income	36,442	5,551	33,223	2,766

41. NET INSURANCE BENEFITS AND CLAIMS PAID**ACCOUNTING POLICY**

Benefits and claims for insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims and are recorded net of recoveries from Reinsurance on Claims.

BENEFITS AND CLAIMS PAID - LIFE INSURANCE

Claims on accident, hospitalisation, death and maturity are charged on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

BENEFITS AND CLAIMS PAID - GENERAL INSURANCE

General Insurance claims include all claims occurred during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, reductions for the value of salvage and other recoveries.

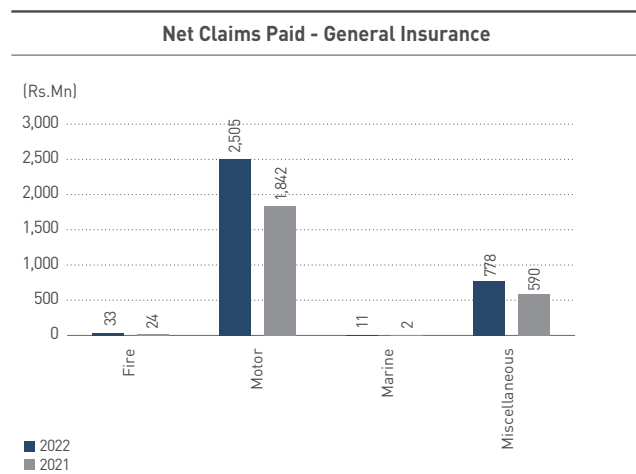
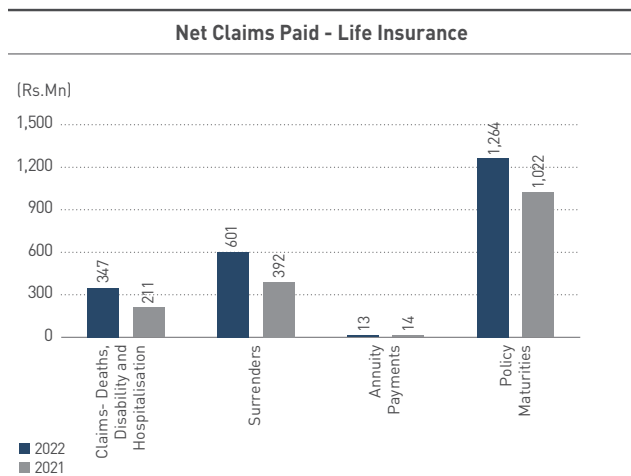
REINSURANCE ON CLAIMS

Reinsurance on Claims are recognised when the related gross insurance claims are recognised according to the terms of the relevant contract.

For the Year Ended 31st December,	GROUP					
	2022			2021		
	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000
Life Insurance						
Claims - Deaths, Disability and						
Hospitalisation	557,805	(210,879)	346,926	374,574	(163,159)	211,415
Surrenders	600,536	-	600,536	392,077	-	392,077
Annuity Payments	12,769	-	12,769	13,621	-	13,621
Policy Maturities	1,264,181	-	1,264,181	1,021,791	-	1,021,791
Net Life Insurance Claims (a)			2,224,412			1,638,904
General Insurance						
Fire	324,990	(291,701)	33,289	175,942	(151,934)	24,008
Motor	2,526,433	(21,421)	2,505,012	1,857,951	(16,389)	1,841,562
Marine	36,490	(25,496)	10,994	12,575	(10,219)	2,356
Miscellaneous	841,655	(63,387)	778,268	623,490	(33,047)	590,443
Net General Insurance Claims (b)			3,327,563			2,458,369
Adjustments for Intercompany Claims (c)			(466)			(1,553)
Total Net Insurance Benefits and Claims Paid (a+b+c)			5,551,509			4,095,720

For the Year Ended 31st December,	COMPANY					
	2022			2021		
	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000	Gross Claims Paid Rs.'000	Recovery from Reinsurers Rs.'000	Net Claims Paid Rs.'000
Life Insurance						
Claims - Deaths, Disability and						
Hospitalisation	557,805	(210,879)	346,926	374,574	(163,159)	211,415
Surrenders	600,536	-	600,536	392,077	-	392,077
Annuity Payments	12,769	-	12,769	13,621	-	13,621
Policy Maturities	1,264,181	-	1,264,181	1,021,791	-	1,021,791
Total Net Insurance Benefits and Claims Paid			2,224,412			1,638,904

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

**42. NET CHANGE IN INSURANCE CLAIMS OUTSTANDING****ACCOUNTING POLICY**

Reinsurance claim recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Difference between the estimated cost

and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claim outstanding is recognised in Profit or Loss.

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Change in Insurance Claims Outstanding				
Life Insurance (a)	(61,212)	49,183	(61,212)	49,183
General Insurance				
Fire	68,625	140,431	-	-
Motor	35,294	73,423	-	-
Marine	(4,216)	1,754	-	-
Miscellaneous	(39,592)	(31,089)	-	-
Total General Insurance (b)	60,111	184,519	-	-
Total Gross Change in Insurance Claims Outstanding (c = a+b)	(1,101)	233,702	(61,212)	49,183
Gross Change in Reinsurance Recoverable on Claims Outstanding				
Life Insurance (d)	6,327	(41,999)	6,327	(41,999)
General Insurance				
Fire	(56,422)	(135,315)	-	-
Motor	(2,533)	13,724	-	-
Marine	4,618	(351)	-	-
Miscellaneous	76,599	57,809	-	-
Total General Insurance (e)	22,262	(64,133)	-	-
Total Gross Change in Reinsurance Recoverable on Claims Outstanding (f = d+e)	28,589	(106,132)	6,327	(41,999)
Total Net Change in Insurance Claims Outstanding (c+f)	27,488	127,570	(54,885)	7,184

43. OTHER OPERATING AND ADMINISTRATION EXPENSES**ACCOUNTING POLICY**

Expenses are recognised in Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific

items of income. All expenditure incurred in the running of the business and maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Profit or Loss.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' Fees and Remuneration		23,805	23,715	14,557	14,430
Staff Expenses	43.1	2,016,850	1,572,330	1,082,592	800,656
Administration and Establishment Expenses		707,416	448,998	517,515	322,349
Selling Expenses		997,509	625,218	721,211	432,746
Reversal of Tax Credits		-	(884)	-	(884)
Amortisation of Intangible Assets		19,768	22,582	15,073	16,089
Depreciation of Property, Plant and Equipment		81,746	61,795	44,287	31,725
Net Depreciation of Right of Use Assets		141,151	130,759	80,264	71,205
Loss on disposal of Property, Plant and Equipment		-	289	-	289
Auditor's Fees and Expenses	43.2	7,140	5,509	4,825	3,489
Legal Fees		4,524	1,763	2,744	1,174
Donations		581	750	581	750
Total Other Operating and Administration Expenses		4,000,490	2,892,824	2,483,649	1,694,018

43.1 STAFF EXPENSES**ACCOUNTING POLICY****SHORT-TERM BENEFITS**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under Short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

EMPLOYEE DEFINED CONTRIBUTION PLAN

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in Profit and Loss when incurred.

EMPLOYEE PROVIDENT FUND

All employees of the Group are members of the Employees' Provident Fund (EPF). The Group and employees contribute 12% and 8% respectively of the salary to EPF.

EMPLOYEES TRUST FUND

All employees of the Group are members of the Employees' Trust Fund (ETF). The Group contributes 3% of the salary of each employee to ETF.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Staff Salaries	1,179,309	981,531	598,445	477,184
Defined Contribution Plan Costs - EPF 12%	141,517	117,784	71,813	57,262
Defined Contribution Plan Costs - ETF 3%	35,379	29,446	17,953	14,316
Defined Benefit Plan Costs - Employee Benefits	52,787	45,980	27,120	22,281
Other Staff Costs	607,858	397,589	367,261	229,613
Total	2,016,850	1,572,330	1,082,592	800,656

43.2 Auditor's Fees and Expenses

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Audit Fees and Expenses	4,910	3,769	3,185	2,319
Audit Related Fees	1,230	1,160	640	590
Non Audit Fees	1,000	580	1,000	580
Total	7,140	5,509	4,825	3,489

44. UNDERWRITING AND NET ACQUISITION COSTS**ACCOUNTING POLICY**

Expenses for acquisition and maintenance of Life and General

Insurance business are accounted for net of reinsurance commission on accrual basis. Reinsurance Commission Income is accrued according to the agreed terms with the reinsurers.

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Underwriting and Acquisition Costs		2,153,863	1,714,252	1,464,155	1,122,373
Reinsurance Commission		(326,038)	(263,903)	(27,110)	(24,166)
(Increase)/Decrease in Deferred Acquisition Expenses	44.1	(6,285)	5,909	-	-
Total Underwriting and Net Acquisition Costs		1,821,540	1,456,258	1,437,045	1,098,207

44.1 (Increase)/Decrease in Net Deferred Acquisition Expenses

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Decrease in Deferred Reinsurance Commission	31,405	12,737	-	-
Increase in Acquisition Cost	(37,690)	(6,828)	-	-
Total (Increase)/Decrease in Net Deferred Acquisition Expenses	(6,285)	5,909	-	-

45. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following;

For the Year Ended 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Director fee and remuneration		23,805	23,715	14,557	14,430
Auditors Fees					
Audit Fees and Expenses	43.2	4,910	3,769	3,185	2,319
Audit Related Fees	43.2	1,230	1,160	640	590
Non Audit Fees	43.2	1,000	580	1,000	580
Legal Fees	43	4,524	1,763	2,744	1,174
Amortisation of Intangible Assets	10.1	19,768	22,582	15,073	16,089
Depreciation of Property, Plant and Equipment	8.1 & 43	81,746	61,794	44,287	31,725
Net Depreciation of Right of Use Assets	9.2 & 43	141,151	130,759	80,264	71,205
Defined Contribution Plan					
EPF	43.1	141,517	117,784	71,813	57,262
ETF	43.1	35,379	29,446	17,953	14,316
Defined Benefit Plan Costs - Employee Benefits	43	52,788	45,980	27,120	22,281
Staff Expenses		1,787,166	1,379,120	965,706	706,797

46. INCOME TAX EXPENSE

ACCOUNTING POLICY

Income Tax Expense comprises current and Deferred Tax. Current and deferred taxes are recognised in Profit or Loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent assets.

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

As per the Inland Revenue (Amendment) Act, No 45 of 2022, standard rate of income tax is increased from 24% to 30% with effect from 01st October 2022.

From 1st April 2018 onwards the gains and the profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of following;

- Surplus distributed to shareholders from the Life Insurance Policyholders Fund as certified by the actuary
- Investment income of the shareholder fund less any expenses incurred in the production of such income
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Current income tax relating to items recognised directly in Equity or Other Comprehensive Income is recognised in Equity or Other Comprehensive Income and not in Profit or Loss.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

DEFERRED TAXATION

The Group uses judgement in recognising a deferred tax asset in its Financial Statements. Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available to the Group which can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Details of Deferred tax asset recognised on tax losses of the Group are disclosed on page 310.

Deferred Taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount substantively enacted by the reporting date.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Group has deferred tax liabilities arising from Property Plant and Equipment, Right of use assets and Available For Sale financial assets.

Temporary differences in relation to right of use asset and a lease liabilities are regarded as a net package for the purpose of recognizing deferred tax.

Deferred tax assets, if any, are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to items recognised outside Profit or Loss, if any is recognised outside Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

CROP INSURANCE LEVY

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came in to effect from 1st April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit After Tax.

WITHHOLDING TAX ON DIVIDENDS DISTRIBUTED

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time the liability to pay the related

dividend is recognised. Withholding tax on intercompany dividend are charged to Profit or Loss as it resulted in net outflow of cash from the Group. With effect from 1st January 2020, WHT scheme was abolished and same was reintroduced with effect from 1st October 2022 with an increased rate of 15%.

SOCIAL SECURITY CONTRIBUTION LEVY

As per the Social Security Contribution Act No 25 of 2022 Company and Subsidiary will be liable to pay 2.5% on its turnover other than life insurance business with effect from 1st October 2022.

SURCHARGE TAX

The Surcharge Tax Act, No. 14 of 2022 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. Details of Surcharge tax is disclosed in Note 46.6 on page 311.

The major components of income tax expense for the year ended 31st December are as follows;

46.1.a Tax Recognised in Profit or Loss

For the Year Ended 31st December,	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Income Tax				
Income Tax on Current Year's Profits	288,436	99,902	236,503	-
Under Provision of Current Taxes in Respect of Prior Years	55	437	-	-
Over Provision of Current Taxes due to tax rate change	-	(27,187)	-	-
Total Income Tax (a)	288,491	73,152	236,503	-
Deferred Tax				
Reversal/Origination of Deferred Tax Asset	46.2.a	265,698	452,407	273,543
Origination of Deferred Tax Liability	46.2.b	1,209	(829)	-
Deferred Taxation (b)		266,907	451,578	273,543
Total Tax Expense (a+b)		555,398	524,730	451,712

46.1.b Tax Recognised in Other Comprehensive Income

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax				
Deferred tax on Available For Sale Financial Assets	78,671	8,729	-	-
Deferred tax on Actuarial Gains on Defined Benefit Plans	(4,166)	(4,041)	-	-
Origination of Deferred Tax Assets	74,505	4,688	-	-

46.2 Deferred Taxation

As at 31st December,	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax Asset	46.2.a	106,840	298,033	-	273,543
Deferred Tax Liability	46.2.b	(7,410)	(6,201)	-	-
Net Deferred Tax Asset		99,430	291,832	-	273,543

Refer to Note 46.3 . As explained in the said Note Deferred Taxation has been computed at the rate of 30%

46.2.a Deferred Tax Assets

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax asset as of 01st January (a)	298,033	754,432	273,543	725,255
Amount reversed during the year in profit or loss	(272,964)	(344,631)	(273,543)	(348,104)
Effect of change in tax rates	7,266	(107,776)	-	(103,608)
Total amount Reversed during the year in profit or loss (b)	(265,698)	(452,407)	(273,543)	(451,712)
Amount reversed during the year - recognised in other comprehensive income (c)	74,505	(3,992)	-	-
Deferred Tax Asset as of 31st December (a+b+c)	106,840	298,033	-	273,543

46.2.b Deferred Tax Liabilities

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax liability as of 01st January (a)	6,201	15,711	-	-
Amount originated/(Reversed) during the year in profit or loss	(272)	175	-	-
Effect of change in tax rates	1,481	(1,004)	-	-
Total amount reversed during the year in profit or loss (b)	1,209	(829)	-	-
Amount (reversed)/originated during the year - recognised in other comprehensive income (c)	-	(8,681)	-	-
Deferred Tax Liability as of 31st December (a+b+c)	7,410	6,201	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

46.2.c Deferred Tax Movement in Statement of Financial Position

As at 31st December,	GROUP				COMPANY			
	2022		2021		2022		2021	
	Temporary Difference Rs.'000	Tax Effect Assets/ (Liability) Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ (Liability) Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ (Liability) Rs.'000	Temporary Difference Rs.'000	Tax Effect Assets/ (Liability) Rs.'000
Deferred Tax Assets								
Employee Benefits	93,732	28,120	101,842	24,442	-	-	-	-
Brought Forward tax losses	-	-	1,139,763	273,543	-	-	1,139,763	273,543
AFS Assets	262,400	78,720	480	48	-	-	-	-
Total Deferred Tax Assets	356,132	106,840	1,242,085	298,033	-	-	1,139,763	273,543
Deferred Tax Liability								
Property, Plant & Equipment	24,397	7,319	23,678	5,683	-	-	-	-
Right of Use Asset	303	91	2,160	518	-	-	-	-
Total Deferred Tax Liability	24,700	7,410	25,838	6,201	-	-	-	-
Net Deferred Tax Asset		99,430		291,832		-		273,543

As per Section 67 of Inland Revenue Act No. 24 of 2017 which was effective from 1st April 2018, the Company incurred a taxable income. The Act allows to deduct 100% of taxable income against the tax losses incurred whereas in the previous Inland Revenue Act No. 10 of 2006, it was limited to 35% of the Total Statutory Income. As at 31st December 2021, Life Insurance business had a cumulative tax loss of Rs. 1,140 Million which was incurred as per Section 92 Inland Revenue Act No. 10 of 2006. According to the transitional provisions of Act, brought forward tax losses can be claimed against taxable income for a period of 6 years with effect from 1st April 2018. The Company made an assessment of future taxable profits and identified that total tax losses can be claimed within the period specified in the transitional provisions. However, as at 31st December 2022, company utilised total amount of brought forward tax losses against taxable income and there are no tax losses or deferred tax assets recorded as at the reporting date. Further, Company has charged an income tax expense for the year since brought forward tax losses are not available for recoverability.

Accordingly, Company has charged Rs.510 Million as total tax expense comprising Rs. 273.5 Million of deferred tax reversal and Rs. 236.5 Million as current tax expenses.

The Subsidiary Company, HNB General Insurance Limited also recorded a Net Deferred Tax Asset amounted to Rs. 99.4 Million (2021 - Rs. 18.29 Million). The Group does not have unrecognised Deferred Tax Asset as at reporting date.

46.3 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. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company / Group has computed the current tax payable on a pro rata basis for the Year of Assessment 2022/23.

46.4 Reconciliation of Effective Tax rate

For the Year Ended 31st December,	Effective Tax Rate %	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		1,830,524	1,223,648	1,483,620	1,000,499
Income Tax Expenses		288,491	73,152	236,503	-
Deferred Taxation		266,907	451,578	273,543	451,712
Profit Before Tax		2,385,922	1,748,378	1,993,666	1,452,211
At the Statutory Income Tax Rate of 24% (2021 : 24%)	12%	286,311	419,611	239,240	348,531
At the Statutory Income Tax Rate of 30%	15%	357,888	-	299,050	-
Intercompany Dividend	1%	27,945	27,600	-	-
Over Provision of Current Taxes in Respect of Prior Years	0.0%	41	(26,536)	(14)	214
Income Exempt from Tax	-4.5%	(106,821)	(7,816)	(4,555)	(3,851)
Aggregate Allowable Expenses	-0.4%	(10,068)	(7,074)	-	-
Aggregate Disallowed Expenses	0.3%	6,749	15,257	(23,664)	2,996
Utilisation of Previous Tax Losses	-11%	(273,554)	(347,890)	(273,554)	(347,890)
Reversal of Deferred Tax Assets	11%	266,907	451,578	273,543	451,712
Income Tax Expenses	23%	555,398	524,730	510,046	451,712

46.5 Tax Loss Analysis

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st January	1,139,763	2,590,197	1,139,763	2,590,197
Prior Year Adjustments	46	(891)	46	(891)
Tax Losses Utilised Against Taxable Income during the Year	(1,139,809)	(1,449,543)	(1,139,809)	(1,449,543)
Balance as at 31st December	-	1,139,763	-	1,139,763

46.6 Surcharge tax

Although the HNB Assurance PLC as a company or as a group with its subsidiary (HNBGi) does not meet the chargeability threshold of Rs. 2 Billion, 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. '000)	1st Installment - paid on 20th April 2022 (Rs. '000)	2nd Installment - paid on 20th July 2022 (Rs. '000)
HNBA	21,966	10,983	10,983
HNBGi	172,489	86,244	86,244
Total	194,455	97,227	97,227

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, Surcharge Tax expense arising from surcharge Tax Act No.14 of 2022 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 for the 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).

47.1 Basic Earnings Per Share (EPS)

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amounts Used as the Numerator:				
Net Profit Attributable to Ordinary Shareholders (Rs.'000)	1,830,524	1,223,648	1,483,620	1,000,499
Number of Ordinary Shares used as the Denominator:				
Weighted Average No of Ordinary Shares as at 31st December ('000)	150,000	150,000	150,000	150,000
Basic Earnings Per Share (Rs.)	12.20	8.16	9.89	6.67

46.6.1	(Rs. '000)
Total Surcharge tax levied under surcharge tax Act	194,455
Surcharge tax adjusted to participating policyholder fund – HNBA	(21,966)
Surcharge tax adjusted to opening retained earnings – HNBGI	172,489

46.6.2 The impact of the surcharge tax under the Surcharge tax Act on the Comparative year would have been as given below,

	GROUP Rs.'000	COMPANY Rs.'000
Profit after tax for the year ended 31st December 2020	5,841,032	4,968,314
Surcharge tax adjusted to opening retained	(172,489)	-
Comparable profit for the year 2020	5,668,543	4,968,314

47. BASIC AND DILUTED EARNINGS PER SHARE

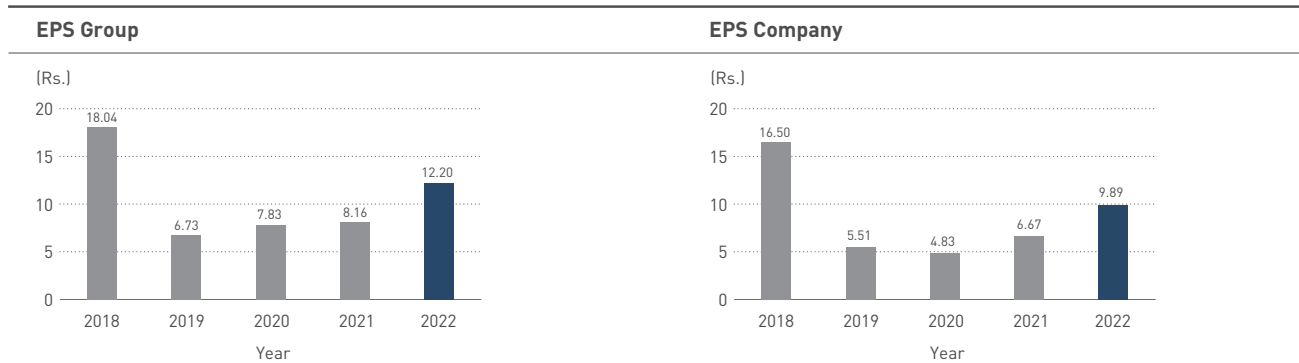
ACCOUNTING POLICY

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the Net Profit or Loss After Tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting Net Profit or Loss After Tax for the year attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

47.2 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

**48. DIVIDEND PER SHARE (DPS)****ACCOUNTING POLICY**

Dividend on Ordinary Shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors/ Shareholders in accordance with the Articles of Association. As per the requirements of the regulator, IRCSL, required information is provided prior to declaration of dividend.

For the Year Ended 31st December,	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Proposed Dividend per Share -		
First and Final (Rs.)	3.65	3.20
Total	3.65	3.20

48.1 Proposed Dividend

For the Year Ended 31st December,	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Dividends to Shareholders	547,500	480,000
Total	547,500	480,000

48.2 PROPOSED DIVIDEND

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

In accordance with Sri Lanka Accounting Standards LKAS 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31st December 2022.

48.3 Compliance with the Section 56 and 57 of the Companies Act No. 7 of 2007

As required by the Section 56 of the Companies Act, No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with the Section 57, prior to the recommendation of the final dividend for the year ended 31st December 2022. A Statement of Solvency completed and duly signed by the Directors on 17th February 2023 has been audited by M/S KPMG Sri Lanka.

48.4 Dividend Paid during the Year

For the Year Ended 31st December,	GROUP / COMPANY	
	2022	2021
	Rs.'000	Rs.'000
First and Final Dividend for 2021:		
Rs. 3.20 per share (First and final	480,000	420,000
Dividend for 2020: Rs. 2.80 per		
Share)		
	480,000	420,000

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at 31st December,	GROUP					
	2022			2021		
	Carrying Amount Rs. '000	Less Than 12 months Rs. '000	More Than 12 months Rs. '000	Carrying Amount Rs. '000	Less Than 12 months Rs. '000	More Than 12 months Rs. '000
Assets						
Property, Plant and Equipment	418,258	-	418,258	282,884	-	282,884
Right of Use Assets	376,579	-	376,579	395,148	-	395,148
Intangible Assets	61,118	-	61,118	63,180	-	63,180
Deferred Tax Assets	99,430	-	99,430	291,832	-	291,832
Financial Investments	34,624,131	12,682,704	21,941,427	29,094,085	12,071,431	17,022,654
Loans to Life Policyholders	420,914	-	420,914	403,452	-	403,452
Reinsurance Receivables	1,044,318	1,044,318	-	1,072,206	1,072,206	-
Premium Receivables	1,853,670	1,853,670	-	1,247,997	1,247,997	-
Other Assets	999,838	501,584	498,254	747,946	190,415	557,531
Insurance Contract - Deferred Expenses	163,995	163,995	-	157,710	157,710	-
Cash and Cash Equivalents	1,033,305	1,033,305	-	2,112,745	2,112,745	-
Total assets	41,095,556	17,279,576	23,815,980	35,869,185	16,852,504	19,016,681
Liabilities						
Insurance Contract Liabilities - Life Insurance	24,582,641	219,011	24,363,630	20,342,757	280,222	20,062,535
Insurance Contract Liabilities - General Insurance	4,181,588	4,124,530	57,058	3,735,922	3,672,389	63,533
Employee Defined Benefit Liabilities	236,424	-	236,424	239,167	-	239,167
Current Tax Liabilities	253,810	253,810	-	62,168	62,168	-
Reinsurance Creditors	959,693	959,693	-	1,085,512	1,085,512	-
Lease Creditors	410,719	150,383	260,336	421,838	112,571	309,267
Other Liabilities	2,406,748	2,406,748	-	1,747,148	1,747,148	-
Bank Overdrafts	265,539	265,539	-	111,665	111,665	-
Total Liabilities	33,297,162	8,378,714	24,917,448	27,746,177	7,071,675	20,674,502
COMPANY						
As at 31st December,	COMPANY					
	2022			2021		
	Carrying Amount Rs. '000	Less Than 12 months Rs. '000	More Than 12 months Rs. '000	Carrying Amount Rs. '000	Less Than 12 months Rs. '000	More Than 12 months Rs. '000
Assets						
Property, Plant and Equipment	260,442	-	260,442	141,390	-	141,390
Right of Use Assets	343,824	-	343,824	362,336	-	362,336
Intangible Assets	57,054	-	57,054	57,839	-	57,839
Deferred Tax Assets	-	-	-	273,543	-	273,543
Financial Investments	29,844,875	9,684,060	20,160,815	24,667,102	9,504,706	15,162,396
Investment in Subsidiary	1,150,000	-	1,150,000	1,150,000	-	1,150,000
Loans to Life Policyholders	420,914	-	420,914	403,452	-	403,452
Reinsurance Receivables	184,249	184,249	-	317,009	317,009	-
Premium Receivables	18,547	18,547	-	7,822	7,822	-
Other Assets	713,293	329,957	383,336	507,528	171,190	336,338
Cash and Cash Equivalents	725,420	725,420	-	1,575,931	1,575,931	-
Total assets	33,718,618	10,942,233	22,776,385	29,463,952	11,576,658	17,887,294
Liabilities						
Insurance Contract Liabilities - Life Insurance	24,582,641	219,011	24,363,630	20,342,757	280,222	20,062,535
Employee Defined Benefit Liabilities	142,692	-	142,692	137,328	-	137,328
Current Tax Liabilities	209,338	209,338	-	19,871	19,871	-
Reinsurance Creditors	227,512	227,512	-	453,054	453,054	-
Lease Creditors	376,926	145,510	231,416	390,374	107,699	282,675
Other Liabilities	1,384,408	1,384,408	-	1,034,819	1,034,819	-
Bank Overdrafts	101,695	101,695	-	53,364	53,364	-
Total Liabilities	27,025,212	2,287,474	24,737,738	22,431,567	1,949,029	20,482,538

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

50. RELATED PARTY DISCLOSURES

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties according to the Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures".

Transactions with related parties were made on the basis of the price in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities together with balances arising from transactions with non-related parties.

50.1 Recurrent or Non-Recurrent Related Party Transactions

There were no recurrent related party transactions which exceeds 10% of the gross revenue or non-recurrent related party transactions which exceeds 10% of the equity or 5% of the total assets which requires additional disclosures under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under the Securities and Exchange Commission Act.

Details of related party transactions and outstanding balances are reported below;

50.1.1 Transactions and Outstanding Balances with Immediate and Ultimate Controlling Party - Hatton National Bank PLC

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	158,399	84,119	31,131	-
Claims Incurred	35,261	16,529	11,050	-
Investment Income	332,814	84,246	229,939	60,807
Administration Expenses	512,113	399,485	379,208	287,773
Rent	9,687	9,152	6,395	5,913
Other Operational Expenses	10,782	6,130	6,666	3,395
Dividends Paid	287,933	251,941	287,933	251,941

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Investments (Includes Deposits and Debentures)	2,369,855	1,008,586	1,872,110	650,501
Cash at Bank Balances	533,376	448,493	436,195	279,857
Insurance Premium Receivable	1,066	65	-	-
Administration Expenses Payable	72,076	64,422	55,163	49,278
Rent and Other Operational Expenses Payable	141	433	90	245

50.1.2 Transaction and Outstanding Balances with the Subsidiary Company - HNB General Insurance Limited

For the Year Ended 31st December,	2022	2021
	Rs.'000	Rs.'000
	Transactions	
Insurance Premium	36,509	54,769
Insurance Expenses	58,226	38,332
Claims Received	466	1,553
Claims Paid	18,200	7,400
Administrations Expenses Reimbursement		
- Reimbursement expenses relating to employees	113,869	96,175
- Other reimbursement expenses	221,965	185,017
Fund Management Fee Income	14,691	13,947
Profit Commission Expenses	13,487	18,665
Net Dividend Received	103,500	115,000

As at 31st December,	2022	2021
	Rs.'000	Rs.'000
	Outstanding Balances	
Receivable from HNB General Insurance Ltd	21,816	13,548

50.1.3 Transactions and Outstanding Balances with Subsidiary Companies and Joint Ventures of the Ultimate Parent Hatton National Bank PLC

a) Sithma Development (Pvt) Ltd

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	15,471	10,998	-	-

b) HNB Finance PLC

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	163,124	18,874	141,941	-
Claims Incurred	1,040	886	-	-
Administration Expenses	15,376	5,650	5,970	87
Interest Income	31,794	24,375	31,794	24,375

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Insurance Premium Receivable	3,185	9,506	-	-
Investment in Term Deposits	125,868	175,434	125,868	175,434
Investment in Debentures	125,090	125,090	125,090	125,090
Cash and Savings accounts Balance	88	139	88	139
Administration Expenses Payable	9,922	2,192	5,954	26

c) Acuity Partners (Pvt) Ltd

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	1,137	1,064	312	300
Claims Incurred	478	2,466	-	2,000

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Insurance Premium Receivable	526	307	312	-

d) Acuity Stockbrokers (Pvt) Ltd

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	4,358	2,630	-	-
Claims Incurred	238	520	-	-

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Insurance Premium Receivable	366	188	-	-

e) Acuity Securities Ltd

For the Year Ended 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transactions				
Insurance Premium	3,134	715	-	-
Claims Incurred	827	413	-	-
Investment Income from REPO	209,946	139,463	179,434	109,772
Custodian Fee	185	602	152	469

As at 31st December,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Outstanding Balances				
Insurance Premium Receivable	506	284	-	-
Investment in REPO	1,380,579	2,718,453	918,083	2,296,523

50.2 Transactions with Key Management Personnel of the Group or Its Parent

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Group have been classified as Key Management Personnel of the Group. In Addition, Chief Executive Officer, Chief Operating Officers and the Chief Financial Officer have also been classified as Key Management Personnel of the Group. Further immediate family members of Directors, Chief Executive Officer, Chief Operating Officers and the Chief Financial Officer are also considered as related parties of the Group.

50.2.1 Key Management Personnel Compensation

For the Year Ended 31st December,	2022	2021
	Rs.'000	Rs.'000
Directors Fee	23,805	23,715
Short -Term Employee Benefits	54,979	62,718
Post - Employment Benefits	6,051	7,373
Outstanding Loan Balance Granted to KMPs (Other than Directors)	2,583	6,583

In addition to salaries, the Group also provides non-cash benefits to Key Management Personnel and contributes to a defined benefit plan (Gratuity) on behalf of them.

No loans have been granted to the Directors of the Group.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs.

Hatton National Bank PLC (Bank) is the ultimate parent of the Group, and the Board of Directors of the Bank has the authority and responsibility of planning, directing and controlling the activities of the Group. The Directors of the Bank and their immediate family members have also been identified as Key Management Personnel of the Group.

Fees and transactions carried out with the related parties are given below,

50.2.2 Other Transactions with Key Management Personnel

For the Year Ended 31st December,	2022	2021
	Rs.'000	Rs.'000
Insurance Premium - Life Insurance	826	1,076
Insurance Premium - General Insurance	2,053	1,623
Claims Paid - General Insurance	2,961	-

50.2.3.a Retirement of a Director

Name of the Director	Effective Date of Retirement
Mrs. Siromi Noelle Wickramasinghe	02nd October 2022

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

50.2.3.b Resignation of a Director

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

50.2.4 Transactions with Entities which are Controlled by the KMP or Their Close Family Members (CFM)

Other related entities are those which are controlled or significantly influenced, directly or indirectly by Key Management Personnel of the Group. Significant influence is presumed to be established if a Key Management Person of the Group has more than 20% shareholding in an entity, unless otherwise reported by the Key Management Personnel. Further significant influence is also established if in the view of the respective Key Management Person, he/she has the ability to influence the operating and financial policies of an entity even in the absence of a 20% shareholding.

Name of the Company	Control, Joint Control or Significant Influence by Key Management Personnel	Nature of Transactions	GROUP		COMPANY	
			2022	2021	2022	2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lanka Financial Services	Mr. D P N Rodrigo	Insurance Premium	-	15	-	-
Arunodhaya Industries (Pvt) Ltd	Dr. S Selliah	Insurance Premium	202	163	-	-
		Claims Incurred	771	-	-	-
Andysel (Pvt) Ltd		Insurance Premium	149	78	-	-
Arunodhaya Investments (Pvt) Ltd		Insurance Premium	235	170	-	-
Hemas Pharmaceuticals (Pvt) Ltd	Mr. S A Chapman	Insurance Premium	28,836	28,436	-	-
		Claims Incurred	22,937	12,251	-	-
Cargills Bank Limited	Mr. M O F Salieh	Administration Expenses	3	16	3	16

50.3 Transactions with the Government of Sri Lanka/Entities Controlled, Jointly Controlled, Significantly Influenced by the Government of Sri Lanka

The Government of Sri Lanka indirectly holds more than 25% of the voting rights of the Ultimate Parent Company Hatton National Bank PLC as at 31st December 2022 and thus has significant influence over its operation and thereby holds an indirect control over the Group. Accordingly, the Group has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - Related Party Disclosures.

During the year ended 31st December 2022, the Group has carried out transactions with the Government of Sri Lanka and other Government related entities in the ordinary course of its business where the aggregate amount of transactions has exceeded 10% of the Gross Written Premium. Details of transactions with the Government of Sri Lanka and its related entities are given below as per the Section 9.3.2.b of the listing rules - "Related Party Transactions". All the transactions are carried out under the normal course of business at prevailing market prices.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Name of the Company / Entity	Government and Government Related Financial Institutes	Nature of Transactions	GROUP		COMPANY	
			2022	2021	2022	2021
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Government of Sri Lanka	Government Related Entity	Investment balances as at 31st December	20,969,822	14,262,376	18,543,183	12,175,057
		Investment Income	2,911,081	904,933	2,543,294	766,346
Bank of Ceylon	Government Related Entity	Investment Income	10,325	12,557	6,886	5,256
National Development Bank PLC	Government Related Entity	Investment balances as at 31st December	1,693,748	2,462,335	1,309,172	2,149,153
		Investment Income	203,684	177,059	164,320	153,401
People's Bank	Government Related Entity	Investment balances as at 31st December	156,129	1,824,864	156,129	1,536,176
		Investment Income	67,381	132,759	60,651	119,010
National Savings Bank	Government Related Entity	Investment balances as at 31st December	-	1,092,705	-	992,495
		Investment Income	33,301	104,357	20,462	96,331
Sri Lanka Telecom PLC	Government Related Entity	Investment balances as at 31st December	148,112	148,112	148,112	148,112
		Investment Income	18,408	18,408	18,408	18,408

Apart from the transactions listed above the Group has carried out transactions with other Government related entities in the form of premium income, reinsurance premium, claims, taxes, utility bills, regulatory charges etc. The total of such payments made during the year ended 31st December 2022 and 2021 are as follows:

For the year ended 31st December,	2022	2021
	Rs.'000	Rs.'000
Transactions		
Premium Income from Government Related Entities	97,613	14,341
Claims Paid to Government Related Entities	764	1,595
Reinsurance Premium Net of Commission to Government Related Entities	645,223	364,105
Taxes Paid	939,332	560,201
Regulatory Charges	230,452	190,634
Utility Expenses	77,340	50,273
Media Expenses	687	837

51. EVENTS OCCURRING AFTER THE REPORTING DATE**ACCOUNTING POLICY**

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. Two types of events can be identified as events occurring after the balance sheet date:

- those that provide evidence of conditions that existed at the end of the reporting period.

- those that are indicative of conditions that arose after the reporting period.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

51.1 Proposed Dividend

The Board of Directors has recommended a payment of Rs. 3.65 per share as first and final dividend on 17th February 2023 for the year ended 31st December 2022. The proposed dividend is subject to the approval of shareholders at the Annual General Meeting to be held on 31st March 2023 and to be paid on or before 27th April 2023.

51.2 Subsequent Changes in Directorships-Retirement of a Director

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

Other than mentioned above, there have been no material events occurred after the reporting date that require adjustments or disclosure in these Financial Statements.

52. COMMITMENTS

The Group and Company has committed an expense of Rs. 353.52 Million for the purchase of computer hardware, software and other equipment (2021 - Rs. 49.1 Million for the purchase of computer software and equipment). As at end of the financial year, other than the disclosed above no material capital expenditure approved by the Board of Directors and contracted for which no provision has been made in the annual Financial Statements.

53. RELATED IMPLICATIONS OF FOREIGN EXCHANGE, INTEREST AND INFLATION RATES

Sri Lanka has been facing foreign exchange crisis with the prevailing economic situation in the country and it has grown from acute to severely acute during the financial year ended 31st December 2022. The deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. The Sri Lankan Rupee (LKR) has depreciated notably against USD, bringing the exchange rate to Rs. 371.61 per USD as at 31st December 2022. The direct exposure to foreign exchange rates of the Group is minimum due to the limited transactions carried out with foreign counter parties and the Group continues to monitor its effects on financial statements under various stressed scenarios.

Although interest rates and inflation have increased significantly during the financial year, country experienced a decrease in interest rate parallel to the inflation decrease, at the final phase of 2022. The Group and Company, being in the Insurance sector, will have a positive impact from investments while inflation will have a negative impact on our expenses. The Board continue to monitor the potential implications of these factors on the groups business activities, profitability, solvency and liquidity position and will take proactive action to meet future obligations and ensure business continuity.

54. PROVISIONS FOR LIABILITIES AND CONTINGENCIES

ACCOUNTING POLICY

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. Timing of concluding legal claims is uncertain; as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Provisions

Provisions are recognised when the Group/Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Contingent Liabilities

Contingent liabilities are disclosed if material and if there is a possible obligation whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured.

Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised and a contingent asset is disclosed where an inflow of economic benefits is probable.

54.1 Contingencies

54.1.1 Assessments for Income Tax

The Company has received Income Tax Assessments for Life Insurance Taxation for the years of assessments 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, and 2018/2019. In the view of the Company and its Tax Consultants, these Assessments do not conform to the description of requirements stated under the Section 92 of Inland Revenue Act, No. 10 of 2006 and Section 67 of the Inland Revenue Act No. 24 of 2017. Further, the basis for these Income Tax Assessments has been same for all Life Insurance companies in the insurance industry. Subsidiary Company HNB General Insurance Limited also received a Notice of Assessment for the taxable period 2018/2019 for which the subsidiary Company duly appealed in consultation with its tax Consultant. However, the management and the Company's Tax Consultant are of the view that the company has followed the due process and acted in accordance with the prevailing laws in its tax compliances and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements.

ACCOUNTING POLICIES AND NOTES TO THE 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	Measurement of Contingent Impact to the Company	Total Additional Liability (Rs. Million)
HNB Assurance PLC				
2011/2012	2014.11.20	Pending decision from Court of Appeal	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 310 Million	-
2012/2013	2015.11.30	Pending decision from Tax Appeals Commission	Brought forward Tax loss of Life Insurance business will be reduced by Rs. 278 Million	-
2013/2014	2016.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	132
2014/2015	2017.05.30	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	136
2015/2016	2018.05.31	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	164
2016/2017	2019.01.29	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	290
2017/2018	2020.05.19	Pending decision from Tax Appeals Commission	An additional Tax Liability will arise	434
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	536
Total - HNB Assurance PLC				1,692
HNB General Insurance Limited				
2018/2019	2022.05.20	Pending decision from Commissioner General of Inland Revenue	An additional Tax Liability will arise	138
Total - HNB General Insurance Limited				138
Total - Group				1,830

54.1.2 Assessment on VAT and NBT on Financial Services

The Company received Six Notice of Assessments 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, 01.01.2016 to 31.12.2016, 01.01.2017 to 31.12.2017 and 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 period 01.01.2018 to 31.12.2018 and 01.01.2019 to 31.12.2019. Company and Subsidiary have duly appealed for all assessments as the Group's stance is that, it is in the business of Insurance hence it is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of each assessment is provided in the table below.

Taxable Period	Date of Assessment	Status of Assessment	Tax Type	Measurement of Contingent Impact to the Company		
				Tax in Default (Rs. Mn)	Penalty (Rs. Mn)	Total (Rs. Mn)
HNB Assurance PLC						
2014.01.01- 2014.12.31	2018.07.10	Pending decision from Tax Appeals Commission	VAT	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	In the process of appealing to Commissioner General of Inland Revenue	VAT	62.48	31.24	93.72
			NBT	N/A	N/A	N/A
Total - HNB Assurance PLC				241.26	124.82	366.08
HNB General Insurance Limited						
2018.01.01- 2018.12.31	2022.04.26	Pending decision from Commissioner General of Inland Revenue	VAT	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
Total - HNB General Insurance Limited				21.78	10.90	32.68
Total - Group				263.04	135.72	398.76

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

54.1.3 Assessment on VAT

The Company and its Subsidiary have received VAT notice of assessments. The Company has duly appealed against these Assessments in consultation with the Tax Consultants on the basis that no proper reasons were communicated as to why the penalty and default notices were raised against the Company. However, Company has not received any communication from IRD yet. As such no provision has been made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 1.56 Million. Further, the subsidiary company, HNB General Insurance Limited, has received tax assessments and penalties amounting to Rs. 477.02 Million on VAT returns filed and the subsidiary has duly appealed against the assessments. As an outflow of resources is not expected, no provision is made in the Financial Statements.

54.1.4 Assessment on Value Added Tax (VAT) on Reinsurance Claims

The Company received an Assessment on Value Added Tax (VAT) on Reinsurance Claims on 26th April 2013 from the IRD in respect of the Year of Assessment 2010/2011 for which the Company filed responses in consultation with Company's Tax Consultant to IRD and upon the receipt of determination from IRD, the Company made an appeal to the Tax Appeals Commission (TAC) of Sri Lanka. The TAC has granted their final determination on 26th March 2018 confirming the determination made by IRD and dismissed the appeal made by the Company. The Company has filed a case in the Court of Appeal with the consultation of Tax Consultant and Company's Lawyers and the case is yet to be determined by the Court. As the Company is of the strong view that the company has followed the due process and acted in accordance with the

prevailing laws in its tax compliance and therefore, the probability of the Company having to settle any of these tax assessments is very low. As an outflow of resources is not expected, no provision is made in the Financial Statements for the tax in dispute and penalty which amounts to Rs. 21.99 Million.

55. LITIGATIONS AND CLAIMS

In the opinion of the Directors and in consultation with the Company lawyers, litigations currently pending against the Group and Company will not have a material impact on the reported financial results or future operations. All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

56 COMPARATIVE INFORMATION

The presentation and classification of Notes to the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

HNBGI (Subsidiary) has reclassified Rs 7.7 Million pertaining to financial year 2021, from "Other income" to "Finance and other insurance related cost" for the purpose of better presentation of amounts in line with current year figures.

57 DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors is responsible for these Financial Statements. Please refer to pages 181 to 182 of the Statement of Directors' Responsibility for Financial Reporting.

ABOVE ALL WE SUCCEEDED



SUPPLEMENTARY INFORMATION

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STATEMENT OF FINANCIAL POSITION OF THE LIFE INSURANCE FUND - SUPPLEMENTAL

As at 31st December,			2022	2021
	Note	Page. No	Rs. '000	Rs. '000
Assets				
Financial Investments	A	325	24,774,852	20,282,953
Loans to Life Policyholders	B	328	420,914	403,452
Reinsurance Receivables	C	328	184,249	317,009
Premium Receivables	15.2	276	18,547	7,822
Other Assets	D	329	97,128	95,491
Cash and Cash Equivalents	E	329	579,191	878,280
Total Assets			26,074,881	21,985,007
Equity and Liabilities				
Equity				
Life Policyholders' Available For Sale Reserve Fund	23	281	(1,277,414)	(67,291)
Total Equity			(1,277,414)	(67,291)
Liabilities				
Insurance Contract Liabilities - Life Insurance	25	283	24,582,641	20,342,757
Reinsurance Creditors	F	329	227,512	453,054
Other Liabilities	G	329	673,264	518,949
Bank Overdrafts	E	329	98,994	47,220
Payable to Life Shareholders			1,769,884	690,318
Total Liabilities			27,352,295	22,052,298
Total Equity and Liabilities			26,074,881	21,985,007

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

A. FINANCIAL INVESTMENTS

As at 31st December,	Note	2022	2021
		Rs.'000	Rs.'000
Held to Maturity	A.1	9,710,731	261,698
Loans and Receivables	A.2	8,502,870	13,053,865
Available For Sale	A.3	6,479,870	6,829,052
Fair Value Through Profit or Loss	A.4	81,381	138,338
Total Financial Investments		24,774,852	20,282,953

The table below shows the carrying values of these Financial Instruments together with their fair values.

As at 31st December,	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity	9,710,731	8,093,037	261,698	265,273
Loans and Receivables	8,502,870	6,949,240	13,053,865	13,111,840
Available For Sale	6,479,870	6,479,870	6,829,052	6,829,052
Fair Value Through Profit or Loss	81,381	81,381	138,338	138,338
Total Financial Investments	24,774,852	21,603,528	20,282,953	20,344,503

As at 31st December,	Note	2022		2021	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.1 Held to Maturity					
Treasury Bonds		9,100,508	7,492,280	261,698	265,273
Treasury Bills		610,223	600,757	-	-
Total		9,710,731	8,093,037	261,698	265,273
A.2 Loans and Receivables					
Repo		160,872	160,872	3,116,806	3,116,806
Term Deposit	A.5	2,615,656	2,468,490	4,510,322	4,549,338
Debentures	A.6	5,726,342	4,319,878	5,386,506	5,405,465
Sri Lanka Development Bonds		-	-	40,231	40,231
Total		8,502,870	6,949,240	13,053,865	13,111,840
A.3 Available for Sale					
Treasury Bonds		1,904,552	1,904,552	6,304,060	6,304,060
Treasury Bills		4,534,000	4,534,000	448,109	448,109
Equity Shares	A.7	41,318	41,318	76,883	76,883
Total		6,479,870	6,479,870	6,829,052	6,829,052
A.4 Fair Value Through Profit or Loss					
Equity Shares	A.8	81,381	81,381	138,338	138,338
Total		81,381	81,381	138,338	138,338

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS

- LIFE INSURANCE FUND

As at 31st December,	2022		2021		
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.5 Term Deposits					
Term Deposits with,					
Licensed Commercial Banks	A.5.1.	1,967,529	1,853,714	2,289,339	2,280,181
Licensed Specialised Banks		-	-	425,600	430,744
Licensed Finance Companies	A.5.2.	648,127	614,776	1,795,383	1,838,413
Total		2,615,656	2,468,490	4,510,322	4,549,338

A.5.1. Licensed Commercial Banks

Term Deposits with Related Parties - Hatton National Bank PLC		857,000	805,976	102,484	102,484
Other Banks		1,110,529	1,047,738	2,186,855	2,177,697
Total		1,967,529	1,853,714	2,289,339	2,280,181

A.5.2. Licensed Finance Companies

Term Deposits with Related Parties - HNB Finance PLC		-	-	175,434	176,320
Other Finance Companies		648,127	614,776	1,619,949	1,662,093
Total		648,127	614,776	1,795,383	1,838,413

As at 31st December,	2022		2021		
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.6. Debentures					
Debentures - Quoted	A.6.1	5,099,027	3,911,835	4,759,192	4,810,205
Debentures - Unquoted	A.6.2	627,315	408,043	627,314	595,260
Total		5,726,342	4,319,878	5,386,506	5,405,465

As at 31st December,	2022		2021	
	Carrying value	Fair value	Carrying value	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
A.6.1 Debentures - Quoted				
Commercial Bank of Ceylon PLC	566,607	507,058	160,778	161,590
LOLC Finance PLC*	164,511	110,579	164,511	161,229
DFCC Bank PLC	912,189	651,989	912,189	937,347
Hatton National Bank PLC	191,688	117,355	189,687	177,034
Hayleys PLC	307,680	283,745	307,680	318,989
First Capital Holdings PLC	191,621	129,931	191,621	182,002
HNB Finance PLC	100,072	73,389	100,072	103,704
LOLC Holdings PLC	533,925	390,095	533,925	540,427
LB Finance PLC	-	-	9,066	9,323
National Development Bank PLC	648,773	440,539	648,987	650,561
Nations Trust Bank PLC	391,367	306,032	391,367	402,161
People's Leasing & Finance PLC	244,679	178,091	238,149	227,151
Sri Lanka Telecom PLC	148,112	90,430	148,112	151,883
Sampath Bank PLC	408,099	378,622	473,344	493,536
Seylan Bank PLC	273,156	240,340	273,156	275,854
Siyapatha Finance PLC	16,548	13,640	16,548	17,414
Total Investment in Quoted Debentures	5,099,027	3,911,835	4,759,192	4,810,205

A.6.2 Debentures - Unquoted

DFCC Bank PLC	190,959	133,272	190,958	190,145
Nations Trust Bank PLC	280,227	168,802	280,227	255,993
People's Bank	156,129	105,969	156,129	149,122
Total Investment in Unquoted Debentures	627,315	408,043	627,314	595,260

*Commercial Leasing and Finance PLC amalgamated with LOLC Finance PLC on 31.03.2022.

As at 31st December,	2022			2021		
	No. of Shares	Cost	Carrying Value/Fair Value	No. of Shares	Cost	Carrying Value/Fair Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
A.7 Equity Shares - Available For Sale						
Banks, Finance and Insurance						
Seylan Bank PLC - (Non-Voting)	326,156	13,154	5,284	298,359	12,259	9,935
Sampath Bank PLC	124,146	7,220	4,246	124,146	7,220	6,468
Central Finance Company PLC	142,285	17,090	8,893	142,285	17,090	13,233
Sector Total (a)			18,423			29,636
Diversified Holdings						
Melstacorp PLC	39,532	2,343	1,826	39,532	2,343	2,218
Sector Total (b)			1,826			2,218
Manufacturing						
Tokyo Cement Company (Lanka) PLC	71,002	886	2,343	71,002	886	4,246
Royal Ceramics Lanka PLC	400,000	4,854	11,320	400,000	4,854	31,240
Sector Total (c)			13,663			35,486
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	11,713	-	155	11,713	-	199
Sector Total (d)			155			199
Land and Property						
Overseas Realty (Ceylon) PLC	486,679	12,453	7,251	486,679	12,453	9,344
Sector Total (e)			7,251			9,344
Total Investment in Quoted Shares (a+b+c+d+e)			41,318			76,883

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS - LIFE INSURANCE FUND

As at 31st December,	2022			2021		
	No. of Shares	Cost Rs.'000	Carrying Value/Fair Value Rs.'000	No. of Shares	Cost Rs.'000	Carrying Value/Fair Value Rs.'000
A.8 Equity Shares - Fair Value Through Profit or Loss						
Banks, Finance and Insurance						
Sampath Bank PLC	193,902	12,527	6,631	193,902	12,527	10,102
Nations Trust Bank PLC	97,177	6,578	4,490	91,471	6,258	5,031
People's Leasing & Finance PLC	615,201	10,008	3,076	543,212	9,452	5,812
Seylan Bank PLC - (Non-Voting)	417,910	13,694	6,770	368,673	12,547	12,730
Sector Total (a)			20,967			33,675
Diversified Holdings						
John Keells Holdings PLC	29,670	3,679	4,013	29,670	3,679	4,451
Richard Pieris and Company PLC	312,851	4,351	7,540	312,851	4,351	7,696
Vallibel One PLC	209,638	4,000	6,310	209,638	4,000	15,220
Melstacorp PLC	55,000	3,260	2,541	55,000	3,260	3,086
Sector Total (b)			20,404			30,453
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	22,222	-	293	22,222	-	378
Sector Total (c)			293			378
Manufacturing						
Royal Ceramics Lanka PLC	280,000	4,318	7,924	280,000	4,318	21,867
ACL Cables PLC	190,400	3,016	13,347	190,400	3,016	19,088
Tokyo Cement Company (Lanka) PLC	320,869	11,938	10,589	320,869	11,938	19,188
Dipped Products PLC	270,000	8,371	7,857	270,000	8,371	13,689
Sector Total (d)			39,717			73,832
Total Investment in Quoted Shares (a+b+c+d)			81,381			138,338

	Note	2022	2021
		Rs.'000	Rs.'000
B. LOANS TO LIFE POLICYHOLDERS			
Balance as at 1st January		312,475	303,481
Loans Granted during the Year		127,860	109,292
Repayments during the year		(124,268)	(100,298)
		316,067	312,475
Interest Receivable		104,847	90,977
Balance as at 31st December		420,914	403,452
C. REINSURANCE RECEIVABLES			
Reinsurance Receivable on Outstanding Claims		70,801	77,128
Reinsurance Receivable on Settled Claims	C.1	113,448	239,881
Total Reinsurance Receivable		184,249	317,009

As at 31st December,	2022	2021
	Rs.'000	Rs.'000

C.1 Reinsurance Receivable on Settled Claims

The Age Analysis of the Reinsurance Receivable on Settled Claims is as Follows:

As at 31st December,	Note	2022 Rs.'000	2021 Rs.'000
Up to 30 days		24,051	24,799
31 to 60 days		15,180	19,795
61 to 90 days		19,221	18,820
91 to 180 days		54,996	52,538
Over 181 days		-	123,929
Total Reinsurance Receivable on Settled Claims		113,448	239,881

D. OTHER ASSETS

Withholding Tax Recoverable from the Commissioner General of Inland Revenue (CGIR)		83,607	83,607
Other Receivables		13,521	11,884
Total Other Assets		97,128	95,491

E. CASH AND CASH EQUIVALENTS

Cash in Hand		1,726	1,686
Cash at Bank with Licensed Commercial Banks		7,421	6,787
Cash at Bank with Related Parties		391,912	278,084
		401,059	286,557
Short - Term Deposits	E.1	178,132	591,723
Cash and Cash Equivalents		579,191	878,280
Bank Overdrafts		(98,994)	(47,220)
Total Cash and Cash Equivalents		480,197	831,060

E.1 Short - Term Deposits

Licensed Commercial Banks		178,132	591,723
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F. REINSURANCE CREDITORS

Foreign Reinsurer		227,512	453,054
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G. OTHER LIABILITIES

Policyholders Advance Payments		299,445	223,263
Acquisition Cost Payable		161,732	138,715
Taxes & Government Levies		21,422	23,870
Others		190,665	133,101
Total Other Liabilities		673,264	518,949

INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,	2022	2021
	Rs. '000	Rs. '000
Life Insurance		
Gross Written Premium	8,911,460	7,091,470
Premium Ceded to Reinsurers	(473,012)	(355,537)
Net Written/Earned Premium	8,438,448	6,735,933
Net Benefits Expense	(2,169,527)	(1,646,088)
Net Commission	(1,437,045)	(1,098,206)
Expenses Attributable to Policyholders	(2,577,858)	(1,756,248)
Fees and Commission Income	39,703	63,079
Underwriting Surplus	2,293,721	2,298,470
Change in Contract Liabilities - Life Fund	(4,340,103)	(3,249,356)
Interest and Dividend Income	3,258,266	1,842,787
Net Realised Gains	105,376	38,239
Net Fair Value (Losses)/Gains	(68,663)	49,484
Other Income	31,403	376
Surplus from Life Insurance Business	1,280,000	980,000
Shareholder Fund		
Expenses Not Attributable to Policyholders	(17,575)	(24,328)
Total Other Revenue from Shareholder Fund	731,241	496,539
Profit Before Taxation (a)	1,993,666	1,452,211
General Insurance		
Gross Written Premium	6,821,011	5,648,578
Premium Ceded to Reinsurers	(1,691,690)	(1,293,324)
Net Written Premium	5,129,321	4,355,254
Net Change in Reserves for Unearned Premium	(385,557)	(242,252)
Net Earned Premium	4,743,764	4,113,002
Net Claims Incurred	(3,409,936)	(2,578,755)
Net Commission	(703,197)	(610,544)
Decrease/(Increase) in Deferred Acquisition Expenses	6,287	(5,909)
Expenses	(1,350,153)	(1,082,347)
Fees and Commission Income	246,007	181,325
Underwriting (Surplus)/Deficit	(467,228)	16,772
Interest and Dividend Income	672,546	359,154
Net Realised Gains	284,723	2,812
Net Fair Value Gain	2,280	29,644
Other Income	3,435	2,785
Operating Profit from General Insurance Business (b)	495,756	411,167
Reconciliation of Statement of Income and Insurance Revenue Accounts		
Surplus from Life Insurance Business (a)	1,993,666	1,452,211
Operating Profit from the Subsidiary (b)	495,756	411,167
Profit Before Taxation	2,489,422	1,863,378
Consolidated Adjustments		
Dividend Received from Subsidiary	(103,500)	(115,000)
	2,385,922	1,748,378
Income Tax Expense	(555,398)	(524,730)
Profit for the Year	1,830,524	1,223,648

TAKAFUL BUSINESS ANALYSIS - PROFITABILITY

For the Year Ended 31st December,	LIFE-TAKAFUL	
	2022	2021
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	5,957	11,818
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(3,948)	(3,087)
Net Earned Contribution (Premium)	2,009	8,731
Other Income	3,532	4,618
Net Income	5,541	13,349
Total Benefits, Loss (Claims) and Other Expenses	(813)	(5,378)
Transfer to Family Takaful Fund	4,728	7,971

For the Year Ended 31st December,	NON LIFE-TAKAFUL	
	2022	2021
	Rs.'000	Rs.'000
Gross Written Contribution (Premium)	394,315	402,316
Contribution (Premium) Ceded to Retakaful Companies (Reinsurers)*	(89,630)	(97,378)
Unearned Takaful Contribution (Premium)	6,257	9,275
Net Earned Contribution (Premium)	310,942	314,213
Other Income	43,772	16,649
Net Income	354,714	330,862
Total Benefits, Loss (Claims) and Other Expenses	(397,894)	(322,405)
Profit for the Year	(43,180)	8,457

* Reinsurance may be obtained from conventional entities in the absence of Retakaful arrangements.

Shari'ah Audit Reports of HNB Assurance PLC Takaful Unit and HNB General insurance Limited Takaful Unit are given on Pages 332 and 333 respectively.

SHARI'AH REPORT OF HNB ASSURANCE PLC TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNBA TAKAFUL UNIT

We have examined the accompanying financial statement of HNBA Takaful Unit for the year ended 31st December 2022. We have also conducted our review to form an opinion as to whether HNBA Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements

HNBA Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah committee is to form an independent opinion, based on our review of the operations of HNBA Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion

The scope of our audit primarily involves the review of HNBA Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensations and accountings.

Opinion

In our opinion and to the best of our information, belief and according to the explanations given to us:

- a) The financials transactions undertaken by HNBA Takaful Unit, during the year ended 31st December 2022, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.
- b) HNBA Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.



 ASH – SHEIKH FAZIL M. FAROOK
 Chairman
 Shari'ah Supervisory Board



 ASH – SHEIKH MURSID M. MULAFFER
 Member
 Shari'ah Supervisory Board



 ASH – SHEIKH HUZAIFA HUSSAIN
 Member
 Shari'ah Supervisory Board

SHARI'AH REPORT OF HNB GENERAL INSURANCE LIMITED TAKAFUL UNIT

SHARI'AH AUDIT REPORT OF HNB GENERAL TAKAFUL UNIT

We have examined the accompanying financial statement of HNBGI Takaful Unit for the year ended 31st December 2022. We have also conducted our review to form an opinion as to whether HNBGI Takaful Unit has complied with Shari'ah Rules and principles and also with the specific regulations and guidelines issued by us.

Managements Responsibility for the Financial Statements

HNBGI Takaful unit's management is responsible for ensuring that the financial institution conducts its business in accordance with Islamic Shari'ah rules and principles. Our responsibility as the Shari'ah committee is to form an independent opinion, based on our review of the operations of HNBGI Takaful Unit, and to report to you.

Scope of Audit and Basis of Opinion

The scope of our audit primarily involves the review of HNBGI Takaful Unit's compliance with the Shari'ah Regulations and Guidelines. Our review also includes examining, on a test basis, each type of product in relation to issuance, compensations and accountings.

Opinion

In our opinion and to the best of our information, belief and according to the explanations given to us:

- a) The financials and transactions undertaken by HNBGI Takaful Unit, during the year ended 31st December 2022, were in accordance with the guidelines prescribed by the Shari'ah Supervisory Board and in conformity with the requirements of Takaful regulations.
- b) HNBGI Takaful Unit was, in operational respect, in compliance with the Shari'ah principles. Further, we also concur with the accounting policies adopted for incorporation of participant Takaful Fund into the accompanying financial statements.



ASH - SHEIKH FAZIL M. FAROOK
Chairman
Shari'ah Supervisory Board



ASH - SHEIKH MURSHID M. MULAFFER
Member
Shari'ah Supervisory Board



ASH - SHEIKH HUZAIFA HUSSAIN
Member
Shari'ah Supervisory Board

QUARTERLY ANALYSIS 2022 AND 2021 - GROUP

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	4,271,818	3,222,956	3,192,621	2,481,127	3,846,838	3,256,275	4,326,459	3,686,589	15,637,736	12,646,947
Premium Ceded to Reinsurers	(574,886)	(427,635)	(494,410)	(365,948)	(422,376)	(380,317)	(673,030)	(474,961)	(2,164,702)	(1,648,861)
Net Written Premium	3,696,932	2,795,321	2,698,211	2,115,179	3,424,462	2,875,958	3,653,429	3,211,628	13,473,034	10,998,086
Net Change in Reserves for Unearned Premium	(375,473)	(242,436)	264,453	288,197	(37,992)	(108,053)	(236,545)	(179,960)	(385,557)	(242,252)
Net Earned Premium (a)	3,321,459	2,552,885	2,962,664	2,403,376	3,386,470	2,767,905	3,416,884	3,031,668	13,087,477	10,755,834
Other Revenue										
Interest and Dividend Income	767,018	615,705	1,016,834	620,215	1,215,218	645,176	1,542,612	674,178	4,541,682	2,555,274
Net Realised Gains	2,268	8,099	335,574	-	23,175	11,618	29,082	33,204	390,099	52,921
Net Fair Value Gains/(Losses)	169,167	47,767	(210,111)	18,580	30,711	10,930	(56,150)	1,851	(66,383)	79,128
Fee and Commission Income	62,182	94,082	76,900	30,511	73,848	37,783	59,293	63,362	272,223	225,738
Other Income	3,864	4,539	(1,972)	(66)	15,312	7,752	19,238	(6,674)	36,442	5,551
Total Other Revenue (b)	1,004,499	770,192	1,217,225	669,240	1,358,264	713,259	1,594,075	765,921	5,174,063	2,918,612
Net Income (c=a+b)	4,325,958	3,323,077	4,179,889	3,072,616	4,744,734	3,481,164	5,010,959	3,797,589	18,261,540	13,674,446
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(1,356,348)	(1,025,119)	(1,338,968)	(878,704)	(1,336,205)	(1,032,080)	(1,547,476)	(1,287,387)	(5,578,997)	(4,223,290)
Change in Contract Liabilities - Life Fund	(1,416,615)	(1,035,084)	(1,167,900)	(926,933)	(438,835)	(1,094,139)	(1,316,753)	(193,200)	(4,340,103)	(3,249,356)
Other Operating and Administration Expenses	(828,942)	(637,210)	(916,939)	(676,491)	(1,108,835)	(747,066)	(1,145,774)	(832,057)	(4,000,490)	(2,892,824)
Underwriting and Net Acquisition Costs	(436,225)	(363,158)	(386,631)	(298,322)	(474,987)	(344,862)	(523,697)	(449,916)	(1,821,540)	(1,456,258)
Finance & Other Insurance Related Costs	(29,525)	(30,890)	(34,831)	(21,325)	(28,801)	(34,068)	(41,331)	(18,057)	(134,488)	(104,340)
Total Benefits, Claims and other Expenses (d)	(4,067,655)	(3,091,461)	(3,845,269)	(2,801,775)	(3,387,663)	(3,252,215)	(4,575,031)	(2,780,617)	(15,875,618)	(11,926,068)
Profit Before Taxation (c+d)	258,303	231,616	334,620	270,841	1,357,071	228,949	435,928	1,016,972	2,385,922	1,748,378
Income Tax Expense	(22,831)	(134,971)	(81,674)	(82,464)	(320,092)	(48,874)	(130,801)	(258,421)	(555,398)	(524,730)
Profit for the Period	235,472	96,645	252,946	188,377	1,036,979	180,075	305,127	758,551	1,830,524	1,223,648

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2021 annual report, and the comparative figures published in first, second, third and fourth quarters of 2022 have been reclassified where necessary.

QUARTERLY ANALYSIS 2022 AND 2021 - COMPANY

Statement of Profit or Loss	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total	
	Jan - March		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	2,349,600	1,666,630	1,924,712	1,451,921	2,322,907	1,874,952	2,314,241	2,097,967	8,911,460	7,091,470
Premium Ceded to Reinsurers	(110,307)	(79,380)	(119,393)	(87,324)	(118,907)	(89,927)	(124,405)	(98,906)	(473,012)	(355,537)
Net Earned Premium(a)	2,239,293	1,587,250	1,805,319	1,364,597	2,204,000	1,785,025	2,189,836	1,999,061	8,438,448	6,735,933
Other Revenue										
Interest and Dividend Income	662,605	527,713	959,396	647,229	1,021,175	554,941	1,329,460	581,237	3,972,636	2,311,120
Net Realised Gains	-	7,572	80,129	-	15,357	9,333	9,890	33,204	105,376	50,109
Net Fair Value Gains/(Losses)	9,837	29,342	(72,256)	14,185	31,844	7,057	(38,088)	(1,100)	(68,663)	49,484
Fee and Commission Income	23,605	54,056	8,484	6,961	10,996	7,832	11,309	8,176	54,394	77,025
Other Income	250	185	373	2,107	15,002	(79)	17,598	553	33,223	2,766
Total Other Revenue (b)	696,297	618,868	976,126	670,482	1,094,374	579,084	1,330,169	622,070	4,096,966	2,490,504
Net Income (c=a+b)	2,935,590	2,206,118	2,781,445	2,035,079	3,298,374	2,364,109	3,520,005	2,621,131	12,535,414	9,226,437
Net Benefits, Claims and Expenses										
Net Insurance Benefits and Claims	(526,733)	(419,933)	(559,167)	(305,349)	(497,220)	(463,281)	(586,407)	(457,525)	(2,169,527)	(1,646,088)
Change in Contract Liabilities - Life Fund	(1,416,615)	(1,035,084)	(1,167,900)	(926,933)	(438,835)	(1,094,139)	(1,316,753)	(193,200)	(4,340,103)	(3,249,356)
Other Operating and Administration Expenses	(503,223)	(364,689)	(523,359)	(371,175)	(705,377)	(436,414)	(751,690)	(521,740)	(2,483,649)	(1,694,018)
Underwriting and Net Acquisition Costs	(346,557)	(268,707)	(275,113)	(206,510)	(385,372)	(259,572)	(430,003)	(363,418)	(1,437,045)	(1,098,207)
Finance & Other Insurance Related Costs	(25,495)	(21,184)	(26,332)	(20,454)	(27,154)	(19,911)	(32,443)	(25,008)	(111,424)	(86,557)
Total Benefits, Claims and other Expenses(d)	(2,818,623)	(2,109,597)	(2,551,871)	(1,830,421)	(2,053,958)	(2,273,317)	(3,117,296)	(1,560,891)	(10,541,748)	(7,774,226)
Profit Before Taxation (c+d)	116,967	96,521	229,574	204,658	1,244,416	90,792	402,709	1,060,240	1,993,666	1,452,211
Income Tax Expense	(27,603)	(126,044)	(54,537)	(36,764)	(297,509)	(21,312)	(130,397)	(267,592)	(510,046)	(451,712)
Profit for the Period	89,364	(29,523)	175,037	167,894	946,907	69,480	272,312	792,648	1,483,620	1,000,499

Note 1: To enhance the comparability with the annual audited accounts, figures presented in the quarterly analysis section of the 2021 annual report, and the comparative figures published in first, second, third and fourth quarters of 2022 have been reclassified where necessary.

DECADE AT A GLANCE

HNB ASSURANCE PLC - GROUP

Statement of Financial Position

As at 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	418,258	282,884	169,788	162,371	151,559	169,620	161,362	136,279	133,942	137,009
Right of Use Assets	376,579	395,148	394,437	343,737	-	-	-	-	-	-
Intangible Assets	61,118	63,180	68,858	51,787	61,087	57,841	60,882	45,185	51,622	53,807
Deferred Tax Assets	99,430	291,832	738,721	1,009,711	1,304,882	64,098	52,922	49,394	-	2
Financial Investments	34,624,131	29,094,085	26,366,608	21,202,074	17,579,131	15,054,910	11,544,575	9,751,611	8,277,895	6,656,438
Loans to Life Policyholders	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992	71,082	53,656
Reinsurance Receivables	1,044,318	1,072,206	771,776	645,411	415,773	569,778	494,726	141,354	162,260	105,390
Premium Receivables	1,853,670	1,247,997	1,111,594	946,650	798,213	786,319	623,294	345,916	364,051	301,182
Other Assets	999,838	747,946	864,414	933,633	823,101	1,036,846	770,674	625,985	683,149	575,180
Insurance Contract - Deferred Expenses	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935	52,072	32,912
Cash and Cash Equivalents	1,033,305	2,112,745	711,111	865,843	761,871	641,950	625,527	386,929	173,245	144,087
Total Assets	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354	11,640,580	9,969,318	8,059,663

Equity and Liabilities

Equity

Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875
Retained Earnings	7,822,715	6,644,680	5,841,032	4,965,809	4,405,581	2,381,427	1,721,675	1,174,262	1,196,546	941,820
Available for Sale Reserve	(322,296)	4,009	93,754	24,801	(8,025)	30,685	(7,152)	(4,748)	3,590	1,427
Other Reserves	22,358	(11,421)	(51,520)	(6,525)	(4,406)	(10,760)	1,790	(1,093)	1,177	2,172
Life Policyholders' AFS Reserve Fund	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)	40,748	(4,182)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	-	-	-	-	-
Total Equity	7,798,394	8,123,008	8,194,230	6,714,344	5,744,314	3,796,499	2,697,057	2,283,946	2,413,936	2,113,112

Liabilities

Insurance Contract Liabilities - Life	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856	7,007,080	5,562,648	4,348,490
Insurance Contract Liabilities - General	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567	1,546,265	1,279,138	1,011,102
Employee Defined Benefit Liabilities	236,424	239,167	254,438	167,118	140,356	126,083	90,433	81,001	71,493	56,637
Current Tax Liabilities	253,810	62,168	151,093	112,031	22,541	34,598	3,300	-	12,012	35,143
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	8,845	-
Reinsurance Creditors	959,693	1,085,512	700,105	540,652	369,853	353,042	287,895	131,905	110,778	100,881
Lease Creditor	410,719	421,838	393,145	350,089	-	-	-	-	-	-
Other Liabilities	2,406,748	1,747,148	1,550,108	1,274,326	1,092,809	896,288	781,246	590,383	510,468	394,298
Bank Overdraft	265,539	111,665	124,305	130,636	122,776	141,660	-	-	-	-
Total Liabilities	33,297,162	27,746,177	23,546,432	19,910,802	16,534,902	14,852,435	11,832,297	9,356,634	7,555,382	5,946,551
Total Equity and Liabilities	41,095,556	35,869,185	31,740,662	26,625,146	22,279,216	18,648,934	14,529,354	11,640,580	9,969,318	8,059,663

Statement of Profit or Loss

For the year ended 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	15,637,736	12,646,947	10,398,992	9,942,757	8,724,696	7,821,468	6,656,694	5,447,164	4,665,618	3,877,730
Net Earned Premium	13,087,477	10,755,834	8,926,757	8,473,660	7,448,439	6,392,077	5,597,879	4,725,403	3,845,510	3,269,181
Income from Investments and Other Income	5,174,063	2,918,612	2,720,460	2,470,663	2,178,559	1,911,857	1,298,327	1,049,152	1,167,910	937,417
Net Claims and Benefits	(5,578,997)	(4,223,290)	(3,558,641)	(3,620,775)	(3,236,489)	(2,293,406)	(1,947,645)	(2,117,789)	(1,573,104)	(1,568,208)
Change in Contract Liabilities - Life Fund	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)	(1,462,100)	(1,192,273)	(724,829)
Change in Contract Liability due to -										
Transfer of One-off Surplus	-	-	-	-	381,156	-	-	-	-	-
Underwriting and Net Acquisition Costs	(1,821,540)	(1,456,258)	(1,235,446)	(1,288,068)	(1,125,418)	(1,028,872)	(922,886)	(699,679)	(474,826)	(381,259)
Expenses	(4,134,978)	(2,997,164)	(2,646,465)	(2,457,338)	(2,358,444)	(1,888,202)	(1,611,869)	(1,325,214)	(1,334,634)	(1,107,209)
Profit Before Taxation	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521	169,773	438,583	425,093
Income Tax (Expense)/Reversal	(555,398)	(524,730)	(455,273)	(394,663)	1,124,656	(17,275)	(58,108)	27,571	(20,857)	(35,970)
Profit for the Year	1,830,524	1,223,648	1,175,223	1,010,228	2,705,310	909,752	647,413	197,344	417,726	389,124

Basic and Diluted Earnings per Share (Rs.)	12.20	8.16	7.83	20.20	54.11	18.20	12.95	3.95	8.35	7.78
Basic and Diluted Earnings per Share (Rs.) - Adjusted for Subdivision	12.20	8.16	7.83	6.73	18.04	6.07	4.32	1.32	2.78	2.59
Dividend per Share (Rs.)	3.65*	3.20*	2.80*	8.00	7.00	6.00	5.00	2.00	3.75	3.25

* Dividend per share presents after the subdivision.

HNB ASSURANCE PLC/LIFE INSURANCE - COMPANY

Statement of Financial Position

As at 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	260,442	141,390	116,740	111,202	104,487	119,078	112,151	94,107	-	-
Right of Use Assets	343,824	362,336	380,105	325,572	-	-	-	-	-	-
Intangible Assets	57,054	57,839	62,240	49,830	58,782	57,841	60,882	45,185	-	-
Deferred Tax Assets	-	273,543	725,255	1,000,673	1,280,499	-	-	-	-	-
Financial Investments	29,844,875	24,667,102	22,075,265	17,777,410	14,679,706	12,741,015	9,642,596	7,849,625	5,545,833	4,270,216
Investment in Subsidiary	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	-	-
Loans to Life Policyholders	420,914	403,452	379,736	325,307	243,113	162,285	120,441	91,992	71,082	53,656
Reinsurance Receivables	184,249	317,009	172,699	144,715	75,926	65,010	54,814	34,269	23,446	23,626
Premium Receivables	18,547	7,822	4,988	9,458	8,046	7,488	6,805	5,592	6,943	6,710
Other Assets	713,293	507,528	582,321	625,499	575,154	764,256	575,676	493,571	195,023	169,032
Cash & Cash Equivalents	725,420	1,575,931	393,522	632,712	502,561	352,307	476,572	258,222	88,482	74,705
Total Assets	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937	10,022,563	5,930,809	4,597,945

Equity and Liabilities

Equity

Stated Capital	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	1,171,875	-	-
Retained Earnings	6,552,433	5,548,813	4,968,314	4,544,369	4,167,660	2,373,601	1,897,936	1,397,806	-	-
Available for Sale Reserve	(138,616)	4,446	15,626	9,881	1,451	17,415	(1,465)	53	-	-
Other Reserves	3,972	(6,614)	(33,916)	(6,514)	(4,395)	(9,884)	(1,886)	(2,039)	(18,780)	928
Life Policyholders' AFS Reserve Fund	(1,277,414)	(67,291)	757,933	177,228	(201,867)	223,272	(191,131)	(56,350)	40,748	(4,182)
Restricted Regulatory Reserve	381,156	381,156	381,156	381,156	381,156	-	-	-	-	-
Total Equity	6,693,406	7,032,385	7,260,988	6,277,995	5,515,880	3,776,279	2,875,329	2,511,345	21,968	(3,254)

Liabilities

Insurance Contract Liabilities - Life	24,582,641	20,342,757	17,064,089	14,464,534	12,261,472	10,915,858	8,747,856	7,007,080	5,562,648	4,348,490
Employee Defined Benefit Liabilities	142,692	137,328	150,729	100,076	84,840	73,875	50,883	44,008	31,508	6,747
Current Tax Liabilities	209,338	19,871	12,301	16,175	14,708	-	-	-	-	-
Reinsurance Creditors	227,512	453,054	290,916	125,151	116,268	90,650	39,395	37,547	30,921	24,849
Lease Creditor	376,926	390,374	377,746	334,832	-	-	-	-	-	-
Other Liabilities	1,384,408	1,034,819	832,198	802,565	642,470	529,862	486,474	422,583	283,764	221,113
Bank Overdraft	101,695	53,364	53,904	31,050	42,636	32,756	-	-	-	-
Total Liabilities	27,025,212	22,431,567	18,781,883	15,874,383	13,162,394	11,643,001	9,324,608	7,511,218	5,908,841	4,601,199
Total Equity and Liabilities	33,718,618	29,463,952	26,042,871	22,152,378	18,678,274	15,419,280	12,199,937	10,022,563	5,930,809	4,597,945

Statement of Profit or Loss

For the year ended 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	8,911,460	7,091,470	5,487,039	5,175,044	4,420,513	3,963,642	3,554,078	2,788,716	2,342,867	2,014,547
Net Earned Premium	8,438,448	6,735,933	5,221,875	4,934,070	4,204,883	3,774,549	3,395,028	2,680,753	2,215,404	1,912,749
Income from Investments and Other Income	4,096,966	2,490,504	2,223,950	2,058,795	1,736,629	1,564,967	1,031,606	783,126	707,444	578,890
Net Claims and Benefits	(2,169,527)	(1,646,088)	(1,494,181)	(1,338,015)	(1,066,574)	(575,551)	(401,677)	(280,495)	(412,383)	(679,136)
Change in Contract Liabilities - Life Fund	(4,340,103)	(3,249,356)	(2,576,169)	(2,173,251)	(1,707,149)	(2,166,427)	(1,708,285)	(1,462,100)	(1,192,273)	(724,829)
Change in Contract Liability due to - Transfer of One-off Surplus	-	-	-	-	381,156	-	-	-	-	-
Underwriting and Net Acquisition Costs	(1,437,045)	(1,098,207)	(888,527)	(959,550)	(847,968)	(822,715)	(748,051)	(544,673)	(386,651)	(327,858)
Expenses	(2,595,073)	(1,780,575)	(1,487,585)	(1,415,514)	(1,403,129)	(1,049,158)	(911,979)	(719,583)	(703,519)	(578,327)
Profit Before Taxation	1,993,666	1,452,211	999,363	1,106,535	1,297,848	725,665	656,642	457,028	228,022	181,489
Income Tax [Expense]/Reversal	(510,046)	(451,712)	(275,418)	(279,826)	1,177,367	-	(56,512)	(29,383)	-	-
Profit for the Year	1,483,620	1,000,499	723,945	826,709	2,475,215	725,665	600,130	427,645	228,022	181,489

DECADE AT A GLANCE

HNB GENERAL INSURANCE LTD./GENERAL INSURANCE - SUBSIDIARY

Statement of Financial Position

As at 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Property, Plant and Equipment	157,816	141,494	53,048	51,169	47,072	50,542	49,211	42,172	133,942	137,009
Right of use Assets	32,755	32,812	14,332	18,165	-	-	-	-	-	-
Intangible Assets	4,064	5,341	6,618	1,957	2,305	-	-	-	51,622	53,807
Deferred Tax Assets	99,430	18,289	13,466	9,038	24,383	64,098	52,922	49,394	-	2
Financial Investments	4,779,256	4,426,983	4,291,343	3,424,664	2,899,425	2,313,895	1,901,979	1,901,986	2,732,062	2,386,222
Reinsurance Receivables	860,069	755,197	599,077	500,696	339,847	504,768	439,912	107,085	138,814	81,764
Premium Receivables	1,835,123	1,240,175	1,106,606	937,192	790,167	778,831	616,489	340,324	357,108	294,472
Other Assets	308,361	253,966	289,379	329,478	270,915	278,711	208,118	141,431	488,126	406,148
Insurance Contract - Deferred Expenses	163,995	157,710	163,619	138,622	140,486	105,287	74,951	65,935	52,072	32,912
Cash and Cash Equivalents	307,885	536,814	317,589	233,131	259,310	289,643	148,955	128,707	84,763	69,382
Total Assets	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537	2,777,034	4,038,509	3,461,718
Equity and Liabilities										
Equity										
Stated Capital	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,171,875	1,171,875
Retained Earnings	1,270,282	1,095,867	872,718	421,440	240,876	10,781	(173,306)	(220,589)	1,196,546	941,820
Available for Sale Reserve	(183,680)	(437)	78,128	14,920	(12,431)	10,315	(8,642)	(7,756)	3,590	1,427
Other Reserves	18,386	(4,807)	(17,604)	(11)	(11)	(876)	3,676	946	19,957	1,244
Total Equity	2,254,988	2,240,623	2,083,242	1,586,349	1,378,434	1,170,220	971,728	922,601	2,391,968	2,116,366
Liabilities										
Insurance Contract Liabilities - General	4,181,588	3,735,922	3,309,149	2,871,416	2,525,095	2,384,906	1,921,567	1,546,265	1,279,138	1,011,102
Employee Defined Benefits Liabilities	93,732	101,839	103,709	67,042	55,516	52,208	39,550	36,993	39,985	49,890
Current Tax Liabilities	44,472	42,297	138,792	95,856	7,833	34,598	3,300	-	12,012	35,143
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	8,845	-
Reinsurance Creditors	732,181	632,458	409,189	415,501	253,585	262,392	248,500	94,358	79,857	76,032
Lease Creditor	33,793	31,464	15,399	15,257	-	-	-	-	-	-
Other Liabilities	1,044,156	725,877	725,196	493,105	473,307	372,547	307,892	176,817	226,704	173,185
Bank Overdraft	163,844	58,301	70,401	99,586	80,140	108,904	-	-	-	-
Total Liabilities	6,293,766	5,328,158	4,771,835	4,057,763	3,395,476	3,215,555	2,520,809	1,854,433	1,646,541	1,345,352
Total Equity and Liabilities	8,548,754	7,568,781	6,855,077	5,644,112	4,773,910	4,385,775	3,492,537	2,777,034	4,038,509	3,461,718

Statement of Profit or Loss

For the year ended 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Written Premium	6,821,011	5,648,578	4,997,728	4,818,686	4,340,575	3,906,503	3,141,559	2,698,176	2,322,751	1,863,183
Net Earned Premium	4,743,764	4,113,002	3,790,657	3,590,563	3,279,948	2,666,205	2,241,794	2,084,378	1,630,106	1,356,432
Income from Investments and Other Income	1,208,991	575,720	527,667	490,799	459,800	360,174	273,805	279,041	450,289	358,527
Net Claims and Benefits	(3,409,936)	(2,578,755)	(2,064,502)	(2,282,960)	(2,170,792)	(1,718,847)	(1,546,601)	(1,837,294)	(1,160,721)	(889,072)
Underwriting and Net Acquisition Costs	(1,397,982)	(376,716)	(366,529)	(344,496)	(289,873)	(214,898)	(177,847)	(160,979)	(88,175)	(53,401)
Expenses	(1,649,081)	(1,322,084)	(1,256,160)	(1,099,080)	(996,277)	(891,272)	(742,272)	(649,446)	(630,635)	(528,882)
Profit/(Loss) Before Taxation	495,756	411,167	631,133	354,826	282,806	201,362	48,879	(284,300)	200,964	243,604
Income Tax (Expense)/Reversal	(45,352)	(73,018)	(179,855)	(105,262)	(52,711)	(17,275)	(1,596)	56,954	(19,267)	(35,970)
Profit for the Year	450,404	338,149	451,278	249,564	230,095	184,087	47,283	(227,346)	181,697	207,634

HNB ASSURANCE PLC - GROUP**Statement of Cash Flows**

As at 31st December,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit Before Tax	2,385,922	1,748,378	1,630,496	1,404,891	1,580,654	927,027	705,521	169,773	438,583	425,093
Net Adjustments and Net Change in Operating Assets and Liabilities	(444,635)	1,393,116	728,895	255,026	(61,603)	582,782	586,677	999,997	348,864	(188,697)
Net Cash Generated from Operating Activities	1,941,287	3,141,494	2,359,391	1,659,917	1,519,051	1,509,809	1,292,198	1,169,770	787,447	236,396
Net Cash Used in Investing Activities	(2,531,947)	(1,176,385)	(2,046,474)	(965,285)	(1,080,246)	(1,385,046)	(953,600)	(767,836)	(595,289)	(164,102)
Net Cash Used in Financing Activities	(642,654)	(550,835)	(461,318)	(598,520)	(300,000)	(250,000)	(100,000)	(188,250)	(163,000)	(137,500)
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,233,314)	1,414,274	(148,401)	96,112	138,805	(125,237)	238,598	213,684	29,158	(65,206)
Cash and Cash Equivalents at the beginning of the Year	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929	173,245	144,087	209,293
Cash and Cash Equivalents at the end of the Year	767,766	2,001,080	586,806	735,207	639,095	500,290	625,527	386,929	173,245	144,087

Investor Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Return on Equity	22.99%	15.00%	15.77%	16.22%	56.71%	24.09%	24.00%	8.64%	17.30%	18.41%
Market Price per Share as at 31st Dec (VWA) (Rs.)	42.90*	48.40*	58.20*	138.00	132.00	72.50	58.80	74.60	83.50	52.50
Price Earning Ratio (Times)	3.52	5.93	7.43	6.83	2.44	3.98	4.54	18.89	9.99	6.75
Earnings Yield	28.45%	16.85%	13.45%	14.64%	40.99%	25.10%	22.02%	5.29%	10.00%	14.82%
Dividend Yield	8.51%	6.61%	4.81%	5.80%	5.30%	8.28%	8.50%	2.68%	4.49%	6.19%
Market Capitalisation (Rs. Mn)	6,435	7,260	8,730	6,900	6,600	3,625	2,940	3,730	4,175	2,625

Employee Information

Number of Employees	1,328	1,217	1,145	1,076	992	947	903	836	829	804
GWP per Employee (Rs. Mn)	11.78	10.39	9.08	9.24	8.80	8.26	7.37	6.52	5.63	4.82
Net Profit per Employee (Rs.'000)	1,378.41	1,005.46	1,026.40	938.87	2,727.13	960.67	716.96	236.06	503.90	483.98

Life Insurance Operation

Net Claims Ratio(With Maturity)	26%	24%	29%	27%	25%	15%	12%	10%	19%	36%
Expense Ratio	47%	42%	45%	49%	49%	49%	48%	46%	48%	47%
Combined Ratio	73%	66%	74%	76%	74%	64%	60%	56%	67%	83%

General Insurance Operation

Net Claims Ratio	72%	63%	55%	64%	66%	64%	69%	88%	72%	66%
Expense Ratio	38%	37%	39%	37%	36%	38%	38%	35%	38%	39%
Combined Ratio	110%	100%	94%	101%	102%	102%	107%	123%	110%	105%

* Market price per share presented after subdivision

GLOSSARY

Acquisition Expenses

All expenses primarily related to acquiring new insurance contracts or renewing of the existing insurance contracts. E.g. commissions

Actuarial valuation

An analysis performed by an Actuary at a specific date, that compares the assets and liabilities to determine if the company holds adequate assets to fund the required liabilities.

Admissible Assets

Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the Rules made under the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto.

Claims

The amount determined under a contract of insurance arising from the occurrence of an insured event.

Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, adjusted by changes in the Claims Outstanding provisions.

Claims Incurred But Not Reported (IBNR)

At the end of the period of account a reserve is made in respect of property, liability and pecuniary insurances to cover the expected losses that have occurred but not yet been reported to the insurer.

Claims Incurred But Not Enough Reported (IBNER)

A reserve made in respect of property, liability and pecuniary insurances to cover the expected losses that have occurred and reported, but no comprehensive information is available to make adequate provisions as at the reporting date.

Claims Outstanding Reserve – General Insurance Business

The amount estimated to settle the claim arising out of an insured event which have occurred on or before the reporting date, excluding the amounts already paid in respect of those claims and the estimated amount in respect of Incurred But Not Reported (IBNR), Claims Incurred But Not Enough Reported (IBNER) claims and claims handling expenses,

Deferred Acquisition Cost – General Insurance Business

Acquisition costs relating to the unexpired risk period of those insurance contracts in force at the reporting date are carried forward from one accounting period to subsequent accounting periods.

Earnings per share (EPS)

Profit of the company after income tax expenses divided by the number of issued ordinary shares.

Ex-Gratia Payment

A voluntary payment made by the insurer in response to a loss for which it is not technically liable under the terms of the issued insurance policy.

Lapsed policy

A policy terminated at the end of the grace period because of non-payment of premiums.

Liability Adequacy Test (LAT)

A periodical assessment of the sufficiency of insurance contract liabilities against the actuarial valuation liabilities.

Net Written Premium

The remaining balance of the Gross Written Premium after deduction of any premium expenses ceded to reinsurers.

Policy Loan

A loan granted by the insurer to policyholder on the security of the surrender value of a Life insurance policy.

Premium Ceded to Reinsurers

The premium expense of the Company to the reinsurer in consideration for all or part of the risk assumed by the reinsurer.

Reinsurance

An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (cedent- the primary insurer) against part or all of the liability assumed by the cedent under policy or policies of insurance.

Reinsurance Commission

Commission/discount obtained in respect of reinsurance premium expense to a reinsurers.

Subdivision of Shares

When a company divides the existing shares of its stock into multiple new shares to boost the stock's liquidity. Although the number of shares outstanding increase by a specific multiple, the total Rupee value of the shares remains the same compared to pre-subdivision amounts.

Surrender

Termination of an insurance policy by the insured before the expiry of its term.

Unearned Premium

Portion of the recorded insurance premium which relates to a period of risk subsequent to the reporting date.

Unearned Premium Reserve

A fund kept by General insurer to service the insurance policy for the remaining cover period after the reporting date.

Key Insurance Ratios

Net Claims Ratio	=	$\frac{\text{Net Claims Incurred} \times 100}{\text{Net Earned Premium}}$
Expense Ratio	=	$\frac{\text{Net Expense Incurred} \times 100}{\text{Net Earned Premium}}$
Combined Ratio	=	$\frac{[\text{Net Incurred Claims \& Expenses}] \times 100}{\text{Net Earned Premium}}$

GRI CONTENT INDEX

STATEMENT OF USE

HNB Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2022 to 31st December 2022.

GRI 1 USED

GRI 1 : Foundation 2021

GRI Standard/other source	Disclosure	Location
General Disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Inner back cover
	2-2 Entities included in the organization's sustainability reporting	4
	2-3 Reporting period, frequency and contact point	4
	2-4 Restatements of information	181-183
	2-5 External assurance	16-17, 186-189
	2-6 Activities, value chain and other business relationships	42-43
	2-7 Employees	73-77
	2-8 Workers who are not employees	76
	2-9 Governance structure and composition	104
	2-10 Nomination and selection of the highest governance body	108-109
	2-11 Chair of the highest governance body	103
	2-12 Role of the highest governance body in overseeing the management of impacts	106
	2-13 Delegation of responsibility for managing impacts	106
	2-14 Role of the highest governance body in sustainability reporting	181-182
	2-15 Conflicts of interest	107
	2-16 Communication of critical concerns	107
	2-17 Collective knowledge of the highest governance body	24-27
	2-18 Evaluation of the performance of the highest governance body	109
	2-19 Remuneration policies	109-110
	2-20 Process to determine remuneration	109-110
	2-21 Annual total compensation ratio	110
	2-22 Statement on sustainable development strategy	59
	2-23 Policy commitments	107
	2-24 Embedding policy commitments	107
	2-25 Processes to remediate negative impacts	76
	2-26 Mechanisms for seeking advice and raising concerns	110
	2-27 Compliance with laws and regulations	4
	2-28 Membership associations	5,105
	2-29 Approach to stakeholder engagement	44-46
	2-30 Collective bargaining agreements	76
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	54
	3-2 List of material topics	55
Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	94-101
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	12-13
	201-2 Financial implications and other risks and opportunities due to climate change	48
	201-3 Defined benefit plan obligations and other retirement plans	76,290-291
Indirect Economic Impacts		
GRI 3: Material Topics 2021	3-3 Management of material topics	55
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	86-87,91

GRI CONTENT INDEX

Tax		
GRI 3: Material Topics 2021	3-3 Management of material topics	97
GRI 207: Tax 2019	207-1 Approach to tax	97,307-311
	207-2 Tax governance, control, and risk management	307-311
	207-3 Stakeholder engagement and management of concerns related to tax	46
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	93
GRI 302: Energy 2016	302-1 Energy consumption within the organization	13,93
	302-4 Reduction of energy consumption	13,93
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	93
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	93
	303-5 Water consumption	93
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	48
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	48
Effluents and Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	55
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	67
Employment		
GRI 3: Material Topics 2021	3-3 Management of material topics	74-77
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	74-77
G401-2	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	74-77
G401-3	401-3 Parental leave	74-77
Training and Education		
GRI 3: Material Topics 2021	3-3 Management of material topics	74-77
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	74-77
G404-2	404-2 Programs for upgrading employee skills and transition assistance programs	76
G404-3	404-3 Percentage of employees receiving regular performance and career development reviews	75
Diversity and Equal Opportunity		
GRI 3: Material Topics 2021	3-3 Management of material topics	74-77
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	74-77,105
	405-2 Ratio of basic salary and remuneration of women to men	77
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	74-77
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	77
Customer Health and Safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	65-66
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	70
Marketing and Labeling		
GRI 3: Material Topics 2021	3-3 Management of material topics	65-66
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	70
Customer Privacy		
GRI 3: Material Topics 2021	3-3 Management of material topics	65-66
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	65-66

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

No	Topic	Accounting metric	Category	Unit of measure	Code	Group
1	Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product related information to new and returning customers	Quantitative	Reporting currency	FN-IN-270a.1	HNBA Group did not receive notice of litigation associated with marketing and communication of insurance product related to new and returning customers. Refer Provisions for Liabilities and Contingencies (Note 54 page 319).
		Complaints-to-claims ratio	Quantitative	Rate	FN-IN-270a.2	Refer Customer Experience (page 66).
		Customer retention rate	Quantitative	Rate	FN-IN-270a.3	Refer Customer Experience (page 66).
		Description of approach to informing customers about products	Discussion and Analysis	N/A	FN-IN-270a.4	Awareness done through Social Media, Print & Mass Media. Sales are done by advisors.
2	Incorporation of Environmental, Social, and Governance Factors in Investment Management	Total invested assets, by industry and asset class	Quantitative	Reporting currency	FN-IN-410a.1	Refer Financial Investment 11.2.1 (page 265) to 11.4.1 (page 269)
		Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment management processes and strategies	Discussion and Analysis	N/A	FN-IN-410a.2	Refer Fund Management (page 78).
3	Policies Designed to Incentivize Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	Quantitative	Reporting currency	FN-IN-410b.1	Not available at present.
		Discussion of products and/or product features that incentivize health, safety, and/or environmentally responsible actions and/or behaviours	Discussion and Analysis	N/A	FN-IN-410b.2	HNBA is in the progress of introducing a product to enhance the good health behaviour of customers. This is targeted to be launched in 2023. Further the existing Super CI cover also incorporates a benefit that increases the sum assured by 10% if no claims are informed. Which also move policyholders to maintain better lifestyles.
4	Environmental Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes	Quantitative	Reporting currency	FN-IN-450a.1	Not available at present.
		Total amount of monetary losses attributable to insurance payouts from (1) modelled natural catastrophes and (2) non-modeled natural catastrophes, by type of event and geographic segment (net and gross of reinsurance)	Quantitative	Reporting currency	FN-IN-450a.2	Not available at present.
		Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of firm-level risks and capital adequacy	Discussion and Analysis	N/A	FN-IN-450a.3	Not available at present.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS

5	Systemic Risk Management	Exposure to derivative instruments by category: (1) total potential exposure to non centrally cleared derivatives, (2) total fair value of acceptable collateral posted with the Central Clearinghouse, and (3) total potential exposure to centrally cleared derivatives	Quantitative	Reporting currency	FN-IN-550a.1	Not applicable.
		Total fair value of securities lending collateral assets	Quantitative	Reporting currency	FN-IN-550a.2	Refer Financial Investment 11.2 (page 264)
		Description of approach to managing capital and liquidity-related risks associated with systemic non-insurance activities	Discussion and Analysis	N/A	FN-IN-550a.3	Refer Investment Strategy (page 78)

Activity Metrics

Activity metric	Category	Unit of measure	Code	Group
Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	Quantitative	Number	FN-IN-000.A	Refer Gross Written Premium (GWP) (Note 32 page 297)

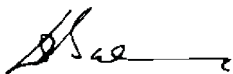
NOTICE OF MEETING

Notice is hereby given that the Twenty First (21st) Annual General Meeting of HNB Assurance PLC is convened on Friday the Thirty First (31st) day of March 2023, at the Auditorium on Level 22 of "HNB Towers", at No: 479, T. B. Jayah Mawatha, Colombo 10 at 10.00 in the forenoon when the following business will be transacted.

- i. To receive and consider the Annual Report of the Board of Directors along with the Financial Statements of the Company for the year ended 31st December 2022, the Auditors' Report thereon.
- ii. To declare a first and final dividend of Rs.3.65 per share for the year 2022, to the shareholders as recommended by the Directors.
- iii. To re-elect Dr. Sivakumar Selliah, who retires at the Annual General Meeting, as a Director of the Company in terms of Article 27(7) of the Articles of Association of the Company.
- iv. To re-appoint Mrs. Mirihana Arachchige Rose Chandralatha Cooray who retires at the Annual General Meeting, having attained the age of 73 years, as a Director of the Company and to adopt the following resolution :-

 Ordinary Resolution - "That Mrs. Mirihana Arachchige Rose Chandralatha Cooray who has attained the age of 70 years on 23rd May 2019, be and is hereby re-appointed as a Director of the Company in terms of Section 211 of the Companies Act, No: 7 of 2007 and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, shall not apply to the said Director".
- v. To re-appoint Messrs. KPMG Sri Lanka Chartered Accountants, as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
- vi. To authorise the Directors to determine payments for the year 2023 for charitable and other purposes.

By Order of the Board
HNB ASSURANCE PLC



Sitari Jayasundara
 Board Secretary

Colombo, Sri Lanka.
 17th February 2023

Notes:

1. A member entitled to attend or attend and vote at the meeting is entitled to appoint a proxy to attend or attend and vote as the case may be, in his stead.
2. A proxy need not be a member of the Company. The Form of Proxy is enclosed.
3. The completed Form of Proxy should be deposited with the Board Secretary at the Corporate Office of the Company at Legal & Company Secretarial Division, "Iceland Business Centre", No: 30, Sri Uttarananda Mawatha, Colombo 3, not less than 48 hours before the time appointed for holding the meeting.

FORM OF PROXY

I/We.....
of..... being *a member/members of
the HNB Assurance PLC, hereby appoint.....of
.....or

failing him/her Mirihana Arachchige Rose Chandralatha Cooray, or failing her Dilshan Peter Nirosh Rodrigo, or failing him Sivakumar Selliah, or failing him Darshan Ravindra Abeysuriya, or failing him Lintotage Udaya Damien Fernando, or failing him Stuart Anthony Chapman, or failing him Ashoka Goonesekere, as *my/our proxy, to represent *me/us and to vote for *me/us on *my/our behalf on the resolutions (including the under mentioned) at the Twenty First (21st) Annual General Meeting of the Company to be convened on Friday the Thirty First (31st) day of March 2023 at 10.00 in the forenoon at the Auditorium on Level 22 of "HNB Towers" at No: 479, T. B. Jayah Mawatha, Colombo 10 and at any adjournment thereof and at every poll which may be taken in consequence thereof:

To declare a first and final dividend of Rs.3.65 per share	In favour	
	Against	
To re-elect Dr. Sivakumar Selliah, as a Director of the Company	In favour	
	Against	
To re-appoint Mrs. Mirihana Arachchige Rose Chandralatha Cooray, as a Director of the Company	In favour	
	Against	
To re-appoint Messrs. KPMG Sri Lanka Chartered Accountants, as the Auditors for the ensuing year/ authorise the Directors to fix their remuneration	In favour	
	Against	
To authorise the Directors to determine payments for charitable and other purposes	In favour	
	Against	

Mark your preference with "✓"

Signed this..... day2023

Signature/s

.....

Please provide the details :

Shareholder's NIC No./Company Registration No.

Folio No./Number of Shares held

Proxy holder's NIC No. (if not a Director)

Note – See reverse hereof for instructions to complete the Proxy
*Delete inappropriate words

INSTRUCTIONS TO COMPLETE PROXY

1. The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy, duly signed and dated.
2. The completed Proxy should be deposited with the Board Secretary, at the Corporate Office of the Company at Legal & Company Secretarial Division, "Iceland Business Centre", No: 30, Sri Uttarananda Mawatha, Colombo 3, not less than 48 hours before the time appointed for holding the Meeting.
3. The Proxy shall -
 - (a) in the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) in the case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of the Company or corporate body in accordance with the Articles of Association or the Constitution of that Company or corporate body.

The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.
 - (c) in the case of joint-holders, the first joint-holder has the power to sign the proxy without the concurrence of the other joint-holder/s.
4. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholder, signing the Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
5. Kindly be informed that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

CORPORATE INFORMATION

COMPANY

HNB Assurance PLC (HNBA)

FULLY OWNED SUBSIDIARY

HNB General Insurance Limited (HNBGI)

	HNB Assurance PLC	HNB General Insurance Limited
Legal Form	Public Limited Liability Company	Limited Liability Company
Date of Incorporation	23rd August 2001	30th January 2014
Company Registration No.	PQ 108	PB 5167
Taxpayer Identification (TIN) No.	134009373	139051670
VAT Registration No.	134009373-7000	139051670-7000
Principal Activities	Life Insurance Business	General Insurance Business
Telephone No.	+9411 4793700	+9411 4676700
Facsimile No.	+9411 4793728	+9411 4501166
E-mail Address	info@hnbassurance.com	info@hnbgeneral.com
Website	www.hnbassurance.com	www.hnbgeneral.com

FISCAL YEAR-END

31st December

REGISTERED OFFICE

No.479, T B Jayah Mawatha, Colombo 10, Sri Lanka

PRINCIPAL OFFICE

No.30, Iceland Business Centre, Sri Uttarananda Mawatha, Colombo 03, Sri Lanka.

BOARD OF DIRECTORS

Rose Cooray	Chairperson Non-Independent/Non-Executive Director (HNBA/HNBGI)
Dr. Sivakumar Selliah	Senior Independent/Non-Executive Director (HNBA)
Dilshan Rodrigo	Non-Independent/Non-Executive Director (HNBA)
Ravi Abeysuriya	Independent/Non-Executive Director (HNBA)
Damien Fernando	Non-Independent/Non-Executive Director (HNBA/HNBGI)
Stuart Chapman	Non-Independent/Non-Executive Director (HNBA)
Ashoka Goonesekere	Independent/Non-Executive Director (HNBA)
Marina Tharmaratnam	Independent/Non-Executive Director (HNBGI)
Sanjaya Wijemanne	Non-Independent /Non-Executive Director (HNBGI)
Arjuna Abeygunasekara	Non-Independent /Non-Executive Director (HNBGI)
Chiranthi Cooray	Non-Independent /Non-Executive Director (HNBGI)

ALTERNATE DIRECTOR

Dr. Prasad Samarasinghe	Non-Independent/Non-Executive Director (HNBA/HNBGI)
-------------------------	---

EXECUTIVE COMMITTEE

Lasitha Wimalaratne	Chief Executive Officer (HNBA)
Sithumina Jayasundara	Chief Executive Officer (HNBGI)
Nilesh Amarasinghe	Chief Investment & Strategy Officer (HNBA/HNBGI)
Jude Benjamin	Chief Business Officer Personal Lines & Branch Network (HNBGI)
Dinesh Udawatta	Chief Technical Officer (HNBA)
Dinuka Pattikiriarachchi	Chief Human Resources Officer (HNBA/HNBGI)
Sitari Jayasundara	Chief Legal & Compliance Officer/ Board Secretary (HNBA/HNBGI)
Punsirini Perera	Chief Financial Officer (HNBA/HNBGI)
Suneth Jayamanne	Chief Information Officer (HNBA/HNBGI)
Lasantha De Alwis	Chief Technical Officer (HNBGI)

CORPORATE INFORMATION

Sampath Wickramarachchi	Chief Business Officer - Corporate & Branch Network (HNBGI)
Nalin Subasinghe	Chief Actuarial Officer (HNBA/HNBGI)
Dinesh Yogaratnam	Chief Marketing & Customer Experience Officer (HNBA/HNBGI)
Harendra Ramasinghe	Chief Business Officer - Advisor Distribution Channel (HNBA)
Sanesh Fernando	Chief Business Officer-Partnership Channel (HNBA)

PRINCIPAL OFFICERS

HNB Assurance PLC	Lasitha Wimalaratne
HNB General Insurance Limited	Sithumina Jayasundara

SPECIFIED OFFICERS

HNB Assurance PLC	Lasitha Wimalaratne
HNB General Insurance Limited	Sithumina Jayasundara

COMPANY SECRETARY

Sitari Jayasundara

REGISTRARS

Central Depository Systems (Pvt) Limited
Ground Floor,
M & M Centre 341/5, Kotte Road, Rajagiriya,
Sri Lanka.

CONSULTANT ACTUARIES**Life Insurance**

Willis Towers Watson India Private Limited
2nd Floor, Tower B, Unitech Business Park
South City -1, Sector 41,
Gurgaon-122001, Haryana, India

General Insurance

Willis Towers Watson India Private Limited
2nd Floor, Tower B, Unitech Business Park
South City -1, Sector 41,
Gurgaon-122001, Haryana, India

Gratuity

Smiles Global (Pvt) Limited
14A, Boyd Place,
Colombo 03, Sri Lanka.

AUDITORS**External Auditors**

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
P.O. Box 186, Colombo 03, Sri Lanka.

Internal Auditors

Ernst & Young
Chartered Accountants, 201,
De Saram Place, Colombo 10, Sri Lanka.

CREDIT RATING (FITCH) - HNBA & HNBGI

Insurer Financial Strength Rating A-(lka)

BANKERS

Hatton National Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Bank of Ceylon
National Savings Bank
Housing Development Finance Corporation Bank of Sri Lanka
DFCC Bank PLC
Pan Asia Banking Corporation PLC
National Development Bank PLC
Seylan Bank PLC
Nations Trust Bank PLC
Amana Bank PLC
Regional Development Bank

REINSURANCE PANEL**Life Insurance**

Munich Re
RGA
Hannover Re

General Insurance


General Insurance Corporation - India
Saudi Reinsurance Company, Labuan Branch
Ocean International Reinsurance Company
National Insurance Trust Fund
The New India Assurance Co Ltd (IIO - Gift City Office)
New Reinsurance Company Ltd
Lancashire Syndicates Limited (9329 at Lloyds)
Antares Syndicate (AUL 1274 at Lloyds)
Ascot, Atrium and Markel Syndicates
Fidelis Underwriting Limited
Best Meridian International Insurance Company SPC

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Photography by Udaya Wijesoma and Dimitri Cruz

No.30, Iceland Business Centre,
Sri Uttarananda Mawatha,
Colombo 03, Sri Lanka.

 www.hnbassurance.com